OFFERING CIRCULAR

SBI HOLDINGS, INC.

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

¥20,000,000,000
Zero Coupon Convertible Bonds due 2020
OFFER PRICE: 103.50 PER CENT.

¥30,000,000,000
Zero Coupon Convertible Bonds due 2022
OFFER PRICE: 103.50 PER CENT.

The ¥20,000,000,000 Zero Coupon Convertible Bonds due 2020 (the "2020 Bonds") and the ¥30,000,000,000 Zero Coupon Convertible Bonds due 2022 (the "2022 Bonds") (each being bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*) (together, the "Bonds" and (and each a "Series"), 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*) (the "Stock Acquisition Rights") exercisable on or after, in the case of all the Bonds, 28th September, 2017 up to, and including, 31st August, 2020 (in the case of the 2020 Bonds) and up to, and including 31st August, 2022 (in the case of 2022 Bonds), unless the relevant Bonds have been previously redeemed or purchased and cancelled or become due and payable, entitling the Bondholder (as defined in the terms and conditions of the Bonds for the relevant Series (collectively, 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 of the relevant Series), subject to adjustment in certain events as set out herein, of ¥1,745 per Share in respect of the 2020 Bonds and ¥1,730 per Share in respect of the 2022 Bonds. The Closing Price (as defined in the Conditions) of the Shares as reported on the Tokyo Stock Exchange, Inc. (the "Tokyo Stock Exchange") on 29th August, 2017, was ¥1,505 per Share.

Unless previously redeemed or purchased and cancelled, the 2020 Bonds will be redeemed at 100 per cent. of their principal amount on 14th September, 2020 and the 2022 Bonds will be redeemed at 100 per cent. of their principal amount on 14th September, 2022. On or after 14th September, 2019 (in the case of 2020 Bonds) and on or after 14th September, 2020 (in the case of 2022 Bonds) and prior to maturity, the Bonds of the relevant Series 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 for the relevant Series), 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 (in the case of the 2020 Bonds) 130 per cent. of the Conversion Price in respect of the 2020 Bonds or (in the case of the 2022 Bonds) 130 per cent. of the Conversion Price in respect of the 2022 Bonds in effect on each such Trading Day. The Company may also redeem all the Bonds of each Series, 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 of such Series, 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 of such Series is less than 10 per cent. of the aggregate principal amount of the Bonds of such Series as at the date of issue thereof, the Bonds of such Series 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 of each Series 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 for the relevant Series)), at the percentage of their principal amount specified in the Conditions, as set out in the Conditions.

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 "Taxation — Japan").

Approval in-principle has been received for the listing of the Bonds of each Series 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. Admission of the Bonds of each Series 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.

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

Each Series of Bonds will be represented by a global certificate (the "Global Certificate") evidencing the Bonds of such Series 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 S.A./N.V. ("Euroclear") and Clearstream Banking S.A. ("Clearstream, Luxembourg") on or about 14th September, 2017 (the "Closing Date") for the accounts of their respective accountholders. The Managers (as defined in "Subscription and Sale") expect to deliver the Bonds of each Series through the facilities of Euroclear and Clearstream, Luxembourg on or about the Closing Date. The closings of the 2020 Bonds and the 2022 Bonds are conditional upon each other. The 2020 Bonds and the 2022 Bonds are not fungible with each other.

This Offering Circular does not constitute an offer of, or solicitation of an offer to buy or subscribe for, the Bonds of any Series 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 of any Series 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 or to, or for the account of, U.S. persons (as defined in Regulation S of the Securities Act ("Regulation S")). For a summary of certain restrictions on offers and sales of Bonds of each Series and Shares issuable upon exercise of the Stock Acquisition Rights, see "Subscription and Sale".

For the 2020 Bonds
Sole Bookrunner and Joint Lead Manager
Daiwa Capital Markets Europe
Joint Lead Manager
SBI Securities (Hong Kong)
Co-Manager
Mizuho International plc

For the 2022 Bonds
Sole Bookrunner and Joint Lead Manager
Daiwa Capital Markets Europe
Joint Lead Manager
SBI Securities (Hong Kong)
Co-Manager
Mizuho International plc

Dated 29th August, 2017.

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 (including 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.

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 or to U.S. persons. 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".

IN CONNECTION WITH THE ISSUE OF THE BONDS OF EACH SERIES, DAIWA CAPITAL MARKETS EUROPE LIMITED (THE "STABILISING MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT BONDS OF THE RELEVANT SERIES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS OF THE RELVANT SERIES 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 OF THE RELEVANT SERIES 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 OF THE RELEVANT SERIES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS OF THE RELEVANT SERIES. 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 "€" 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 3rd 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 prepares its financial statements in accordance with the International Financial Reporting Standards ("IFRSs"). This Offering Circular contains the audited consolidated financial statements of the Company, prepared and presented in accordance with IFRSs, as at 31st March, 2015, 2016 and 2017, and for the fiscal years ended 31st March, 2015, 2016 and 2017. This Offering Circular also contains the unaudited interim condensed consolidated financial statements of the Company, prepared and presented in accordance with IFRSs, as at 30th June, 2017 and for the three-month periods ended 30th June, 2016 and 2017, which have not been audited but reviewed by the Company's independent accountant. Such unaudited interim condensed consolidated financial statements have been prepared and presented in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

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).

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, the Asset Management Business and the Biotechnology-related Business, while certain other businesses not meeting the quantitative criteria to be defined as reportable segments are reported under "Others".

Certain subsidiaries, including SBI AXES Co., Ltd. ("SBI AXES", currently SBI FinTech Solutions Co., Ltd.), which were included in the Asset Management Business until the fiscal year ended 31st March, 2016, have been included in the Financial Services Business from the fiscal year commencing on 1st April, 2016. Consequently, segment information for the fiscal year ended 31st March, 2016, has been restated in accordance with the new basis of segmentation; however, segment information for the fiscal year ended 31st March, 2015 has not been so restated.

Certain subsidiaries, including BroadBand Security, Inc., which were included in the Asset Management Business until the fiscal year ended 31st March, 2017, have been included in the Financial Services Business from the fiscal year ending 31st March, 2018. Consequently, segment information for the three-month period ended 30th June, 2016 has been restated in accordance with the new basis of segmentation.

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 document or any forward-looking statements contained in this document 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.

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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 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.

Today, the Group has established a unique "financial ecosystem" that can provide one-stop access to various financial services, including securities, banking and insurance, along with an asset management business that primarily involves venture capital investments. The Group is also accelerating the strengthening of its Biotechnology-related Businesses, in order to achieve a further transformation and future growth, and is deploying its business overseas in Asia, North America, the Middle East and Europe. As a "Strategic Business Innovator", the Group takes on the challenge of realising sustainable growth, placing these business segments, being financial services business, asset management business and biotechnology-related business, as its three core businesses.

With the acceleration of new technological developments on a global scale in fields such as cryptocurrency, Internet of Things ("IoT"), artificial intelligence ("AI") and big data, the Group has introduced various new technologies ahead of its competitors to establish a new "FinTech" ecosystem, with blockchain technology as its core, in order to transition into a new dramatic growth phase.

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, the Group's reportable segments are divided into "Financial Services Business", "Asset Management Business", and "Biotechnology-related Business". The reporting segments of the Group represent businesses activities for which separate financial information of the Group's components is available and reviewed regularly by the board of directors of the Company for the purpose of allocation of financial resources and performance evaluation. The following is a description of business activities for the reporting segments:

- *Financial Services Business*. The Financial Services Business consists of a wide range of finance related business, including securities brokerage business, banking services business, and life, property and casualty insurance business.
- *Asset Management Business*. The Asset Management Business primarily consists of fund management and investment in internet technology, biotechnology and finance-related venture companies in Japan and overseas, financial services business overseas, and asset management services business which provides financial products information.
- *Biotechnology-related Business*. The Biotechnology-related Business represents development and distribution of pharmaceutical products, health foods and cosmetics with 5-Aminolevulinic Acid ("5-ALA"), a kind of amino acid which exists *in vivo*, and research and development of antibody drugs and nucleic acid medicine in the field of cancer and immunology.

"Others" includes the real estate business and other businesses, but they did not meet the quantitative criteria to be defined as reportable segments for the fiscal year ended March 31, 2017.

As at 30th June, 2017, the Group consisted of the Company, 164 consolidated subsidiaries, 21 consolidated partnerships and 37 equity method associates, of which the Company, two of its subsidiaries and three of its equity method associates were listed on stock exchanges as at 30th June, 2017. For the fiscal year ended 31st March, 2017, 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 ¥261,939 million, ¥43,139 million and ¥32,455 million, respectively. For the three-month period ended 30th June, 2017, on a consolidated basis, the Group's revenue, profit before income tax expense and profit for the period attributable to owners of the Company amounted to ¥68,917 million, ¥14,750 million and ¥12,006 million, respectively.

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

The Shares are listed on the First Section of the Tokyo Stock Exchange. The market capitalisation of the Company based on the closing price of the Shares on the Tokyo Stock Exchange on 29th August, 2017 was approximately ¥337,965 million.

THE OFFERING

Issuer	SBI Holdings, Inc.
Securities Offered	2020 Bonds: ¥20,000,000,000 in aggregate principal amount of Zero Coupon Convertible Bonds due 2020 (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*). 2022 Bonds: ¥30,000,000,000 in aggregate principal amount of Zero Coupon Convertible Bonds due 2022 (bonds with stock acquisition rights, *tenkanshasaigata shinkabu yoyakuken-tsuki shasai*).
Issue Price	2020 Bonds: 101.00 per cent. 2022 Bonds: 101.00 per cent.
Offer Price	2020 Bonds: 103.50 per cent. 2022 Bonds: 103.50 per cent.
Closing Date	On or about 14th September, 2017.
Delivery	It is expected that each 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 a Global Certificate for each Series. Definitive Certificates in respect of a Series 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 of each Series on the SGX-ST. The Bonds of each Series will be traded on the SGX-ST in a minimum board lot size of ¥200,000 with a minimum of 100 lots to be traded in a single transaction for so long as the Bonds of such Series are listed on the SGX-ST.
Lock-up	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 of 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 Daiwa Capital Markets Europe Limited ("Daiwa") on behalf of the 2020 Bonds Managers (as defined in "Subscription and Sale") (in the case of the 2020 Bonds) and Daiwa on behalf of the 2022 Bonds Managers (as defined in "Subscription and Sale") (in the case of the 2022 Bonds), 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 and the issue or transfer of Shares upon exercise of such stock options, stock acquisition rights or warrants;

(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 ¥50 billion, and are expected to be used by the Company primarily as follows:

(i) approximately ¥30 billion by the end of November 2017 for the redemption of existing convertible bonds due 2017. To the extent that such convertible bonds are converted prior to maturity, then the Company intends to use such proceeds as set out below; and

(ii) approximately ¥20 billion by the end of November 2017, as funding for the repurchase of Shares by the Company with a view to enable a smooth fundraising transaction through mitigating the potential short-term effect of the issuance of the Bonds on the market supply and demand of Shares (see "Information Concerning the Shares — Proposed Share Repurchase by the Company"). To the extent such repurchase takes place prior to the Closing Date in respect of the Bonds using cash reserves, the Company intends to apply the amount referred to above in respect of the proceeds of the offering of the Bonds for the replenishment of such cash reserves. As the amount which the Company is able to repurchase its Shares is dependent on, among other things, market conditions, to the extent not all of the amount referred to above in respect of the proceeds of the offering of the Bonds is applied towards such repurchase, any balance will be applied as set out below.

Including to the extent that the convertible bonds referred to in (i) above are converted prior to maturity, and/or to the extent not all of the amount referred to in (ii) above are used for the repurchase referred to above, the Company intends to apply the remaining net proceeds from the issue of the Bonds towards the following (in the order of early payment):

(1) approximately ¥10 billion by the end of March 2020, as business funds for the Asset Management Business, in particular for principal investments into domestic and overseas funds, and for lending to and investment in the overseas financial services business;

(2) approximately ¥5 billion by the end of March 2020, as funding for lending to and investments in the subsidiaries in the Biotechnology-related Business; and

(3) approximately ¥35 billion by the end of March 2019, for repayment of debt.

Repurchase by the Company of Shares .. ..

The Company announced on 29th August, 2017 that it intends to repurchase up to 15 million Shares (amounting to approximately 7.4 per cent. of the issued Shares (excluding treasury stock) as at 31st July, 2017) at a maximum cost of ¥20 billion from the market in the period from and including 30th August, 2017 to and including 30th November, 2017. The Company has decided to repurchase such Shares with a view to enable a smooth fundraising transaction through mitigating the potential short-term effect of the issuance of the Bonds on the market supply and demand of Shares.

The Company has also announced that, as part of the above-mentioned share repurchase plan, it intends to repurchase up to ¥20 billion worth of Shares (amounting to approximately 6.5 per cent. of the issued Shares (excluding treasury stock) as at 31st July, 2017, if calculated on the basis of the closing price of the Shares on the Tokyo Stock Exchange on 29th August, 2017) at 8:45 a.m. (Tokyo time) on 30th August, 2017 at the closing price of the Shares on the Tokyo Stock Exchange on 29th August, 2017, through the off-market hour trading system of the Tokyo Stock Exchange for repurchase of its own shares by issuers at the Tokyo Stock Exchange's prior-day closing prices (the "ToSTNeT-3 system"). The result of such repurchase will be announced by the Company in Japan on 30th August, 2017. As the amount which the Company is able to repurchase through the ToSTNeT-3 system is completely dependent on the amount market investors offer to sell the Shares at the relevant price at the relevant time, there can be no assurance that such repurchase will be executed in full or at all.

To the extent any Shares remain to be repurchased (within the maximum cost of ¥20 billion and the maximum number of 15 million Shares) after the above-mentioned repurchase through the ToSTNeT-3 system, the Company may repurchase further Shares (on the auction market (at the market prices prevailing at the relevant time) or otherwise), until 30th November, 2017. There can however be no assurance that any such repurchase will be proposed or effected.

See "Information Concerning the Shares — Proposed Share Repurchase by the Company".

THE BONDS

Form and Denomination	The Bonds of each Series are issued in registered form in the denomination of ¥10,000,000 each.
Initial Conversion Price	2020 Bonds: ¥1,745 per Share. 2022 Bonds: ¥1,730 per Share. The above is subject to adjustment in certain events. See Condition 5 for the relevant Series.
Coupon	2020 Bonds: Zero. 2022 Bonds: Zero.
Exercise of Stock Acquisition Rights	Subject to and upon compliance with the provisions of Condition 5 for the relevant Series, any holder of a Bond may exercise the Stock Acquisition Right, at any time on and after 28th September, 2017 up to, and including, the close of business (at the place where the Stock Acquisition Right is to be exercised) on 31st August, 2020 (in the case of the 2020 Bonds) and 31st August, 2022 (in the case of the 2022 Bonds) (but in no event thereafter), to acquire fully-paid and non-assessable Shares. See Condition 5 for the relevant Series. The Conditions of each Series 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 for the relevant Series) (or, if the Stock Acquisition Date would not be a Tokyo Business Day (as defined in Condition 5.1.4), 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 for the relevant Series).
Status	The obligations of the Company in respect of the Bonds constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 2 for the relevant Series) unsecured obligations of the Company, ranking *pari passu* and rateably without any preference among themselves, and, except for the provisions of Condition 2 for the relevant Series 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 of the Bonds of any Series remain outstanding, the Company will not, and will procure that none of its Principal Subsidiaries (as defined in Condition 3.1 for the relevant Series) 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 for the relevant Series) unless the same security or such other security or guarantee as provided in Condition 2 for the relevant Series is accorded to the relevant Bonds. See Condition 2 for the relevant Series.
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 14th September, 2020 in the case of the 2020 Bonds or on 14th September, 2022 in the case of the 2022 Bonds.

Early Redemption — Redemption at the Option of the Company upon Increased Share Prices .. .. ..

The Company may (subject to Condition 7.11 of the relevant Series), on or after 14th September, 2019 in the case of the 2020 Bonds, or on or after 14th September 2020 in the case of the 2022 Bonds, having given not less than 30 nor more than 60 days' prior irrevocable notice to the Bondholders in accordance with Condition 19 for the relevant Series, redeem all, but not some only, of the Bonds of the relevant Series 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 relevant Series) of the Shares for each of the 20 consecutive Trading Days (as defined in Condition 3.1 of the relevant Series), 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 respect of the relevant Series in effect on each such Trading Day. See Condition 7.2 for the relevant Series.

Early Redemption — Redemption at the Option of the Company upon Reduced Outstanding Amounts .. .. ..

The Company may (subject to Condition 7.11 of the relevant Series), having given not less than 30 nor more than 60 days' prior irrevocable notice of redemption to the Bondholders in accordance with Condition 19 for the relevant Series, redeem all, but not some only, of the Bonds of the relevant Series 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 of such Series is less than 10 per cent. of the aggregate principal amount of the Bonds of such Series as of the date of issue thereof. See Condition 7.3 for the relevant Series.

Early Redemption — Redemption for Taxation Reasons .. ..

If the Company satisfies the Trustee, immediately prior to giving the notice to the Bondholders of the relevant Series, that (i) the Company has or will become obliged to pay any Additional Amounts (as defined in Condition 9 of the relevant Series) in accordance with Condition 9 for the relevant Series 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 29th August, 2017, and (ii) the Company is unable to avoid such obligation by taking reasonable measures available to it, the Company may (subject to Condition 7.11 of the relevant Series), 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 for the relevant Series, redeem all, but not some only, of the Bonds of such Series then outstanding at 100 per cent. of their principal amount. If, however, the outstanding principal amount of the Bonds of the relevant Series at the time of such notice of redemption is 10 per cent. or more of the aggregate principal amount of the Bonds of such Series 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 of such Series 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 for the relevant Series.

Early Redemption — Corporate Events	In the case of a Corporate Event, the Company shall give notice to the Trustee in writing and to the Bondholders in accordance with Condition 19 for the relevant Series of such Corporate Event and the anticipated effective date of such transaction and the provisions set out in Condition 6 for such Series shall apply. See Condition 6 for the relevant Series.

Upon or following the occurrence of a Corporate Event, the Company shall (subject to Condition 7.11 for the relevant Series) give not less than 14 Tokyo Business Days' prior notice to the Bondholders in accordance with Condition 19 for the relevant Series to redeem all, but not some only, of the Bonds of the relevant Series 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 for the relevant Series and in accordance with the provisions of Condition 7.5 for the relevant Series on the Corporate Event Redemption Date (as defined in Condition 7.5 for the relevant Series) 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 for the relevant Series) 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 of such laws) to effect a scheme provided for by Condition 6.4.1 for the relevant Series; or

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

(iii) despite the Company using its best endeavours pursuant to Condition 6.4.2 for the relevant Series, 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 for the relevant Series) has been obtained for the shares of common stock of the New Obligor (as defined in Condition 6.1 for the relevant Series) 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 for the relevant Series.
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 for the relevant Series) 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 for the relevant Series), and the Offeror acquires any Shares pursuant to the offer, then the Company shall (subject to Condition 7.11 for the relevant Series) 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 for the relevant Series, subject to the provisions of Condition 7.6 for the relevant Series. See Condition 7.6 for the relevant Series.
Early Redemption — Squeezeout Event	Upon the occurrence of a Squeezeout Event (as defined in Condition 7.7.1 for the relevant Series), the Company shall (subject to Condition 7.11 for the relevant Series) 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 for the relevant Series, subject to the provisions of Condition 7.7 for the relevant Series. See Condition 7.7 for the relevant Series.
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 for the relevant Series.
Taxation	All payments by the Company in respect of the Bonds of any Series will be made without any deduction for withholding taxes of Japan, except to the extent described in Condition 9 for the relevant Series.
Governing Law	English law.
Jurisdiction	English courts.
International Securities Identification Numbers (“ISINs”)	2020 Bonds: XS1669861764 2022 Bonds: XS1669861848
Common Codes	2020 Bonds: 166986176 2022 Bonds: 166986184
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

Exposures of the Group to challenges not found in companies with a single business line

The Group consists of portfolio companies operating in multiple industries, including the Financial Services Business, Asset Management Business and Biotechnology-related Business. The Group also comprises of some publicly traded subsidiaries. Due to the diverse characteristics of its portfolio companies, there exist challenges not found in companies with a single business line. In particular, there are three aspects:

- *There are exposures to business trends, market trends and regulatory risks relating to different industries*. The Group needs to devote substantial resources to monitor changes in different operating environments, in order to react with appropriate strategies that fit the needs of the portfolio companies affected;
- *Due to the large number of portfolio companies involved, successful operation of the Group requires an effective management system that emphasises accountability, imposes financial discipline on portfolio companies, and creates value-focused incentives for management.* As the Group continues to grow through acquisitions of businesses in an increasing number of different industries, its operations will become more complex, which increases the difficulty of implementing its management system; and
- *Its portfolio companies in different operating segments may pursue business ventures together when they determine that it is in their respective shareholders' interests to do so.* The Group cannot assure investors in the Bonds that such business ventures will be successful or generate the synergies expected.

Dilution in the Group's voting interests and capital contribution ratio in its portfolio companies

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

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

Uncertainty in the growth expected in the market for the Group's online products and services

The market in Japan for online financial products and services continues to evolve. The Group's success depends substantially on continued growth in the use of online products and services, such as online brokerage services, Internet banking, Internet-based insurance products and services for individuals. If this growth does not materialise, the Group's results of operations and financial condition may suffer. Factors that could discourage Japanese individuals from using online products and services include security or privacy concerns, inconsistent quality of service and frustration with actual or perceived difficulties in using the Internet to conduct brokerage and other financial transactions.

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 come to light and may result in significant changes to the assumptions that the Group made in deciding to enter into the joint venture or alliance. If the joint ventures or counterparties are unable to perform as expected, or if any unexpected events relating to the alliances occur, then the Group may be unable to continue those businesses successfully. The Group's inability to successfully operate joint ventures or alliances may adversely affect its reputation, results of operations and financial condition.

Risks relating to business reputation

The Group is vulnerable to poor market perception and reputational risk since it operates in industries where integrity and the trust and confidence of its clients are of utmost importance. Negative publicity (whether or not justified) associated with the Group or any of the funds, products and services offered by it, and its officers or employees, partners or alliances, or the occurrence of any of the risks set out in this section 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 of any of its officers or employees, partners and/or alliances may, by association, create negative publicity in relation to the Group. Accordingly, any mismanagement, fraud or failure to discharge legal, contractual, regulatory or fiduciary duties, responsibilities, liabilities or obligations, or the negative perception resulting from such activities or any allegation of such activities, could have an adverse effect on the Group's results of operations and/or financial condition. In addition, with the Group's business expansion and increasing publicity, if there are fraudulent persons or acts, which use the trade names of the Group companies, the Group may be negatively affected by rumours regardless of lack of fault. This could adversely affect the Group's results of operations and financial condition.

Risks relating to business restructuring and expansion

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

In addition to business restructurings, the Group intends to aggressively pursue business expansion, including mergers and acquisitions ("M&A") of businesses that the Group believes offer favourable synergies with its core businesses. The Group faces the risk that its restructurings and business expansion activities may not produce the results that it expects. Failure to achieve expected results 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. With respect to its acquisitions, the Group could have difficulty in integrating these companies or businesses, including internal operations, distribution networks, product lines and personnel, with its existing business, and there is no assurance that the expected strategic benefits of any acquisitions or alliances will be realised. The acquired companies may have low margins and require significant restructuring to increase efficiency. In addition, the key personnel of an acquired company may decide not to work for the Group. The acquired company could involve a number of specific risks, including diversion of management's attention, higher costs, unanticipated events or circumstances, legal liabilities, failure of the business of the acquired company, fall in value of investments and 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. In the event that the Group plans to acquire or invest in other companies, it may be required to obtain the prior approval of the relevant regulators and/or the government and there can be no assurance that such approvals will be obtained in a timely manner or at all. In addition, any acquisition of an overseas company will expose the Group to foreign exchange risks, foreign regulations applicable to its business, and different environments that it may not be familiar with. In the event that any such risk arises, it could adversely affect the Group's results of operations and financial condition.

In addition, the Group may raise working capital through various means, including equity finance in the capital markets (such as share exchange), loans from financial institutions, and issuances of corporate bonds. To the extent a large amount of such working capital were to be raised through debt financing, the Group's funding costs may increase through factors such as a reduction in credit ratings of Group companies. Any of such cases could adversely affect the Group's results of operations and financial condition.

Risks relating to entering new businesses

Based on the management principle 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. In addition, 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 being a financial conglomerate

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

Risks relating to investment securities

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

Litigation risk

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

Risks relating to risk management and internal control

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

The internal control system, no matter how sophisticated in design, still contains inherent limitations caused by misjudgement or fault. As such, there is no assurance that the risk management and internal control systems are adequate or effective notwithstanding the Group's efforts, and any failure to address any internal control matters and other deficiencies could result in investigations and/or disciplinary actions or even prosecution being taken against the Group and/or its employees, disruption to the risk management system, and an adverse effect on the Group's 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 corporate bonds. Due to the global economic crisis and the resulting deterioration in the global credit markets, including reduced lending by financial institutions, the Group may face difficulty raising funds under favourable conditions or at all. In addition, potential downgrades to the Group's credit ratings could interfere with its ability to raise funds from external sources. In such circumstances, the Group's access to funds could be restricted, and the financing costs could increase. 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. 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.

Risks relating to dividends from the Company's subsidiaries and other entities

The Company 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.

Reliance on key personnel

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

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

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, as well as the customers, borrowers, portfolio companies and funding sources. Such enactment or changes are 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.

Withdrawal or amendment of any regulatory approval or of any exemption from registration in respect of any part of the Group's activities or any of its funds in any jurisdiction might compel termination of a particular business or change the way in which it is conducted. Similarly, the withdrawal of either a license or an approval of one or more individuals would hinder their ability to perform their current role. The carrying on of regulated activities by unauthorised persons could have a number of consequences to the Group's business operations including the possibility of agreements made in the course of carrying on such activities being unenforceable.

Enactment of, or changes in, accounting standards may have a significant effect on how the Group records and reports its 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 financial statements and the tax-basis assets and liabilities are posted to deferred tax assets using the statutory effective tax rate applied when the difference is resolved.

If there is a tax reform and a change in the statutory effective tax rate, the Group may reduce or increase the deferred tax assets. 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 posts deferred tax assets based on the assumption of recoverability.

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

Risks relating to insurance coverage

To manage operating risks, the Group maintains in its portfolio companies 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.

Past results may not be indicative of future performance

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

Risks associated with natural disasters and other uncontrollable events in Japan or other markets in which the Group operates

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

Risks relating to the Group's investments, development of its 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. The Group conducts the investments and business development of the Group's operations in overseas countries following careful investigation and examination, and after taking appropriate measures to mitigate these risks. Nevertheless, if events occur that the Group could not initially foresee, then those events could adversely affect the Group's results of operations and financial condition.

In addition, there is a high ratio of foreign shareholders among the Company's shareholders. Therefore, it may be deemed that the Group is conducting financing activities in foreign countries regardless of the Group's intention. As a result, the Group may be affected by foreign laws and regulations, particularly those concerning investor protection; in addition, this might cause the Group's expenses to increase and restrict its business. Furthermore, the Group may increase foreign currency debt financing to hedge against foreign currency risks by borrowing from a overseas financial institutions or by issuing corporate bonds in overseas countries. Even if the Group conducts this financing after carefully investigating and examining the risks associated with it, events could nevertheless occur that the Group could not initially foresee and which 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 Bribery Act 2010 in the United Kingdom and the Foreign Corrupt Practices Act in the United States, might extend to the Group in other countries, including Japan. The Group has responded to a variety of these laws and regulations after carefully investigating and examining them; however, unexpected events may occur, since there are few precedents. Such cases could adversely affect the Group's results of operations and financial condition.

No guarantee of the accuracy of facts and statistics with respect to certain information obtained from official governmental sources and other data

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

Risks with respect to transactions with anti-social forces

In order to preclude any transaction with a party which is suspected to have a relationship with an anti-social force, the Group takes certain measures aimed at precluding all transactions with anti-social forces such as checking whether any information with respect to a relationship with an anti-social force exists, and obtaining representations and pledges from transaction counterparties to the effect that they are not anti-social forces, prior to entry into transactions with them. However, despite the Group's strict investigations, there may be cases where the Group has not be able to preclude a transaction with an anti-social force. If such transaction is found to exist, the Group's business may be restricted or suspended by regulatory or other authorities, or the Group may become subject to sanctions such as administrative fines, and its social reputation may also be impaired.

Risks Relating to the Group's Financial Services Business

Risks relating to the securities related businesses

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

Brokerage commissions are one of the main revenue sources for the Group's securities related business and are highly exposed to fluctuations in the trading volume and trading values of stock markets. Trading volume and trading values on stock markets are affected by various factors, such as corporate profits, exchange rate fluctuations, interest rates, international political conditions, fluctuations in the main global markets and investor sentiment. A fall in share prices tends to lead to a contraction in trading volume. There can be no guarantee of favourable stock market conditions in the future, and 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.

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

Credit risk

Margin transactions for domestic 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 funds required for margin transactions are primarily financed through borrowings from securities finance companies. However, the value of securities pledged by the Group to securities finance companies as collateral for such borrowings may also fluctuate. In the event of a decline in the value of securities pledged by the Group as collateral, 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 uniquely in order to fund such additional collateral requirements. Such cases could have an adverse effect on the Group's results of operations and financial condition.

The Group would borrow shares from its customers and lend such shares to other broker-dealers. The Group may suffer losses if there are sharp changes in market values of securities and 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. The customers may make large amount of profits or suffer large amount of 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's results of operations and financial condition could be adversely affected, as bad debt losses may be incurred and further increase in loan loss provision may be necessary due to an increase in unsecured accounts receivable.

Foreign currency and counterparty risk

The Group faces counterparty risk with respect to over-the-counter FX transactions with counterparties, which are performed in order to hedge foreign exchange fluctuations in 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 not be able to hedge market risk for 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 the 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 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 proprietary trading system, "Japannext PTS", is an off-exchange electronic trading market to which multiple securities companies can 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 businesses

Competition among brokerage companies has been intensifying. The Group expects competition to continue to intensify as more companies from other industries enter the online securities brokerage market in response to deregulation, as well as due to the emergence of foreign companies. Furthermore, large securities companies are developing and improving their online securities brokerage businesses. Moreover, competition among companies, which provide over-the-counter FX margin transactions, has been intensifying. In addition, the minimum unit cost needed to acquire a single new customer account is also projected to increase due to such competition. These factors could have an adverse effect on the Group's results of operations and financial condition.

In addition, although the Group is striving to improve the level of convenience enjoyed by investors who use its proprietary trading system platform, if the services offered do not compare favourably to those offered by competitors' proprietary trading system platforms, trading activity on the Group's proprietary trading system may decline, which could have an adverse effect on its results of operations and financial condition.

Legal restrictions on the securities related businesses

Registration of financial instruments business operators and others

Certain companies in the Group, in order to operate financial instruments business, are registered as a financial instruments business operator ("FIBO") in accordance with the FIEA. This business area is subject to the provisions of the FIEA and related laws such as the Financial Instruments and Exchange Act Enforcement Ordinance of Japan. In addition to the rules of Tokyo Stock Exchange, Osaka 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, which are organisations established under the FIEA. In the event that the Group or its employees violate any of these laws, rules or regulations, its license to operate may be revoked or a court order may be issued requiring that the Group takes administrative action in order to achieve specified improvements. Any such action or event could adversely affect the Group's 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 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 for securities business. 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 Sales, etc. of Financial Instruments of Japan and the Consumer Contract Act of Japan

Designed to protect investors when they purchase financial products, the Act on Sales, etc. of Financial Instruments of Japan (Act No. 101 of 2000, as amended) requires financial product sellers to provide specified explanations. In the case that investors lose money on investments in financial products that were not adequately explained, the Act obliges financial product sellers to provide compensation and provides for measures to ensure that the noncompliant financial product sales methods are rectified.

Focusing on the structural gaps between consumers and businesses with regard to the volume and quality of available information as well as negotiating capabilities, the Consumer Contract Act of Japan (Act No. 61 of 2000, as amended) (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.

Margin rate restriction of FX margin transactions

The FSA has announced regulations concerning the gradual reduction of margin rate from 1st August, 2010 with respect to FX margin transactions, and margin rate was lowered further on 1st August, 2011. If the margin rate is lowered further after the date of this Offering Circular this could have an adverse effect on the Group's results of operations and financial condition.

Systems risks affecting the securities related businesses

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, computer viruses, cyber terrorism, or a system malfunction caused by a natural disaster. A number of countermeasures have been implemented, which include building redundant mission critical systems and monitoring functions for 24/7, as well as establishing backup sites at multiple locations. Nevertheless, should a system malfunction occur despite the implementation of these countermeasures, there is a possibility that a delay or failure to appropriately respond may result in claims for damage resulting from such a malfunction, and this may also erode trust in 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 businesses

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. Any violations of the Personal Information Protection Act of Japan (Act No. 57 of 2003, as amended) (the "Personal Information Protection Act") 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.

Risks relating to other financial services businesses

Responding to technical innovations in the other financial services businesses

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

Competition in the other financial services businesses

Because initial capital investment requirements for comparison shopping websites, such as those that compare financial, insurance and loan products, are low and because such businesses may be launched with relatively low personnel costs, competition in this business is intensifying as more companies enter into the market. As the number of competitors in these fields increases, the number of users who visit the Group's websites could decrease, which could cause a decline in revenues. This could have an adverse effect on the Group's results of operations and financial condition.

Risks relating to the banking business

In the banking industry, it is necessary to respond to a great variety of risks: credit risk, market risk, liquidity risk, compliance risk, administrative risk, system risk, information security risk, risks associated with contracting with third parties, event risk, reputation risk, capital ratio risk, strategic risk, and risk associated with regulatory change. Any failure to adequately address these risks could be disruptive to business operations.

In 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.

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.

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. The Group aims to add products such as medical insurance, or sell fire insurance of other insurance companies, and attempts to cut down operating costs. However, costs will 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.

Legal risks affecting the other financial services businesses

Licenses, permits or registrations are required to conduct businesses under the Group's financial services segment under the Money Lending Business Act of Japan (Act No. 32 of 1983, as amended) (the "Money Lending Business Act"), the Banking Act of Japan (Act No. 59 of 1981, as amended) (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. The Group's results of operations and financial condition would be adversely affected if any necessary licenses, permits or registrations were revoked for any reason.

Systems risks affecting the other financial services businesses

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

Security of customer information in the other financial services businesses

If any violation of the Personal Information Protection Act 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.

Risks relating to system solution businesses, such as development, operation and maintenance, in the financial services

The Group's financial system solution business is primarily engaged in development, operation and maintenance of systems. The information technology ("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 lag 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.

Risks Relating to the Group's Asset Management Business

Impact of changes in the business environment on the asset management segment

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

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 asset management 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 exceptional managers and staff;
- vulnerabilities in these companies' financial structure; and
- the non-disclosure of important information by the companies.

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

Foreign currency risk

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

Overseas investment risk

When investing overseas, the Group, and investment partnerships managed by the Group, face potential social unrest caused by changes in local economic conditions, changes in political factors, changes in the legal system or terrorism. Country risk may be difficult to minimise or 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 China and other countries in Asia. Many emerging market countries are developing economically and politically and could not have firmly established securities markets. Investments in companies in emerging markets may involve a high degree of risk and may be speculative.

The Group cannot guarantee that it will 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.

Competition in the Asset Management 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 is no assurance that the Group will be able to maintain its competitiveness. 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.

Legal regulations affecting the Asset Management 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 (Act No. 89 of 1896, as amended), the Limited Partnership Act for Investment of Japan (Act No. 90 of 1998, as amended) and other laws, domestic and foreign. The Group also operates investment trust management companies that are registered as investment management businesses or as investment advisory or agency businesses in accordance with the FIEA. The business operations of the asset management segment may be hindered, and 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 required registrations are revoked.

Risks relating to overseas banking business

In the overseas banking industry, it is also necessary to respond to a great variety of risks: credit risk, market risk, liquidity risk, compliance risk, administrative risk, system risk, information security risk, risks associated with contracting with third parties, event risk, reputation risk, capital ratio risk, strategic risk, and risk associated with regulatory change. Any failure to adequately address these risks could be disruptive to the Group's business operations. In addition, if the Group is unable to achieve the targets projected in the Group's business plan for this sector, and if future income is inadequate to cover its investments, its results of operations and financial condition could be adversely affected. In addition, in the case of capital adequacy ratio reduction, 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 the Group's Biotechnology-related Business

General risks relating to the biotechnology-related segment

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 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.

Investment Risk

In the Biotechnology-related Business, the Group has invested in alliance companies. If these investee companies go bankrupt or if the value of these companies' securities declines significantly, it could adversely affect the Group's results of operations and financial condition.

Foreign Currency Risk

In the Biotechnology-related Business, imports and exports of drugs, supplements and cosmetics are subject to risk caused by fluctuations in foreign exchange rates. If the fluctuations in foreign exchange rates affect purchase prices and sales prices, it could adversely affect the Group's results of operations and financial condition.

Competition in the Biotechnology-related Business

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

Legal restrictions on the Biotechnology-related Business

In the pharmaceutical industry, each activity regarding research, development, production and sales is restricted by pharmaceutical laws, administrative directions relating to pharmaceuticals, and various applicable laws and regulations. A business plan for the Biotechnology-related Business was formulated based on existing legal regulations, such as the Act on Securing the Quality, Efficacy and Safety of Products including Pharmaceuticals and Medical Devices of Japan (Act No. 145 of 1960, as amended) (the "Pharmaceuticals and Medical Devices Act"), price trends in pharmaceutical products, and other relevant factors. However, until pharmaceutical products are marketed, there is no guarantee that these regulations, insurance institutions, price trends and other relevant factors will not change. If significant changes occur, the Group's results of operations and financial condition could be adversely affected.

Security of customer information in the Biotechnology-related Business

If any violation of the Personal Information Protection Act 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 conditions.

Risks Relating to the Group's Other Businesses

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

Changes in real estate market conditions, such as land prices and lease rates, could affect the Group's results of operations and financial condition.

If problems or defects are later revealed following the acquisition of that property, such as unusual rights relationships, poor soil quality, inadequate construction or environmental problems, those problems could have an adverse effect on the value or cash flow from that property. Other factors that could have an adverse effect on a property's price and cash flow include fires, riots, terrorism, earthquakes, volcanic eruptions, tidal waves and other unforeseeable natural disasters.

Legal and regulatory risk associated with the businesses relating to developments and sales of investment property

In addition to the Building Lots and Buildings Transaction Business Act of Japan (Act No. 176 of 1952, as amended) (the "Building Lots and Buildings Transaction Business Act"), which requires a license to act as an agent and broker in the purchase or lease of real estate, other laws in Japan such as the National Land Use Planning Act of Japan (Act No. 92 of 1974, as amended), Building Standards Act of Japan (Act No. 201 of 1950, as amended) (the "Building Standards Act"), City Planning Act of Japan (Act No. 100 of 1968, as amended), Real Estate Specified Joint Enterprise Act of Japan (Act No. 77 of 1994, as amended), Act on Land and Building Leases of Japan (Act No. 90 of 1991, as amended), Construction Business Act of Japan (Act No. 100 of 1949, as amended) (the "Construction Business Act"), Act on Architects and Building Engineers of Japan (Act No. 202 of 1950, as amended) (the "Act on Architects and Building Engineers"), Industrial Safety and Health Act of Japan (Act No. 57 of 1972, as amended) and the FIEA also apply to the Group. With respect to the method of payment settlement, laws in Japan such as the Act Regulating the Receipt of Contributions, the Receipt of Deposits, and Interest Rates of Japan (Act No. 195 of 1954, as amended) (the "Act Regulating the Receipt of Contributions, the Receipt of Deposits, and Interest Rates"), the Banking Act, and the Payment Services Act of Japan (Act No. 59 of 2009, as amended) are also applicable.

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

Risks Relating to the Financial Information in this Offering Circular

Certain financial data contained in this Offering Circular are unaudited

This Offering Circular contains the interim condensed consolidated financial statements of the Company as of 30th June, 2017 and for the three-month periods ended 30th June, 2016 and 2017, which have been prepared and presented in accordance with IAS 34 "Interim Financial Reporting" pursuant to Article 93 of the Ordinance on Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No. 64 of 2007). Such interim condensed consolidated financial statements have not been audited (as an audit of such interim condensed consolidated financial statements is not required under relevant regulations) but have been reviewed by the Company's independent auditor in accordance with review standards for interim condensed financial statements generally accepted in Japan, as indicated in its review report included herein at page Q-1.

The interim condensed consolidated financial statements contained in this Offering Circular may reflect temporary economic or market trends that are not necessarily prevalent in other quarters, and are not wholly comparable with the annual consolidated financial statements contained in this Offering Circular; as such, they should not be so compared.

Considerations Relating to the Bonds and the Shares

Limitations on the timing of exercise of Stock Acquisition Rights

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") in January 2009, under the current rules and practices of the Japan Securities Depository Center, Inc. ("JASDEC") it will take at least three 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, 31st March and 30th September in each year).

No cash amounts in respect of non-unit Shares

Since the coming into effect of the Book-Entry Act, making it possible for listed shares of Japanese companies comprising less than one whole 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 whole 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 whole 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; alternatively, such holders may require the Company to sell to it sufficient number of Shares in order to make its holding a whole unit 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. The rights of holders of Shares not constituting one whole unit are limited under the Company's Articles of Incorporation, and may not be tradable 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.

Repurchase of Shares by the Company

The Company announced on 29th August, 2017 that it intends to repurchase up to 15 million Shares (amounting to approximately 7.4 per cent. of the issued Shares (excluding treasury stock) as at 31st July, 2017) at a maximum cost of ¥20 billion from the market in the period from and including 30th August, 2017 to and including 30th November, 2017. The Company has also announced that, as part of the above-mentioned share repurchase plan, it intends to repurchase up to ¥20 billion worth of Shares (amounting to approximately 6.5 per cent of the issued Shares (excluding treasury stock) as at 31st July, 2017, if calculated on the basis of the closing price of the Shares on the Tokyo Stock Exchange on 29th August, 2017) at 8:45 a.m. (Tokyo time) on 30th August, 2017 at the closing price of the Shares on the Tokyo Stock Exchange on 29th August, 2017, through the ToSTNeT-3 system. The result of such repurchase will be announced by the Company in Japan on 30th August, 2017. As the amount which the Company is able to repurchase through the ToSTNeT-3 system is completely dependent on the amount market investors offer to sell the Shares at the relevant price at the relevant time, there can be no assurance that such repurchase will be executed in full or at all.

To the extent any Shares remain to be repurchased (within the maximum cost of ¥20 billion and the maximum number of 15 million Shares) after the above-mentioned repurchase through the ToSTNeT-3 system, the Company may repurchase further Shares (on the auction market (at the market prices prevailing at the relevant time) or otherwise), until 30th November, 2017. There can however be no assurance that any such repurchase will be proposed or effected.

The Company does not undertake to review or revise this Offering Circular to reflect any repurchase of Shares (or lack thereof) as referred to above. See "Information Concerning the Shares — Proposed Share Repurchase by the Company". Even if the Company is able to successfully repurchase its Shares as originally planned, it will result in decreased shareholders' equity and increased cashflow used in financing activities. Although the Company believes such changes will not materially affect its creditworthiness, there can be no assurance that rating agencies, banks, other financial institutions or investors will view any share repurchase similarly, which may have a negative impact on its credit rating, financing, share prices or investor relations.

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.

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 2020 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):

The ¥20,000,000,000 Zero Coupon Convertible Bonds due 2020 (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) issued by SBI Holdings, Inc. (the "Company") are constituted by a trust deed (the "Trust Deed") dated 14th September, 2017 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 14th September, 2017 relating to the Bonds between, *inter alios*, the Company, the Trustee, the principal agent (the "Principal Agent"), the registrar (the "Registrar") and the other agents referred to therein are available for inspection by prior appointment during normal business hours at the registered office for the time being of the Trustee, being at the date of issue of the Bonds at Fifth Floor, 100 Wood Street, London EC2V 7EX, and at the registered 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 the Principal Agent and any other or further agent(s) appointed by the Company in connection with the Bonds for the purpose of making payments and transfers and acceptance of notices of the exercise of the Stock Acquisition Rights from time to time (but excluding the Registrar).

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 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) (the "Issue Price") is 101.0 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 name 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 Trust Deed, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of 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, acquisitions and redemptions of the Bonds and the exercises of 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 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 five Transfer Business Days of receipt of the duly completed and executed form of transfer, and surrender of the original Certificate for exchange and any other evidence as the relevant Agent or the Registrar (as the case may be) may reasonably require. 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 as agreed between such holder and the Registrar or the relevant Agent 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 new Certificates shall be effected without charge by or on behalf of the Company, the Registrar or the Agents, 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); (ii) the Registrar being satisfied in its absolute discretion with the documents of title and/or the identity of the person making the application; and (iii) the Company and the Registrar or the relevant Agent being 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 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), or (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).

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 Bond 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 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):

"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 1st April and ending on 31st 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 31st 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;

“Auditors” means the independent auditors 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 to them, such other auditors or firm of auditors as may be appointed by the Company 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 identified to the Trustee by notice 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 such company;

“Bondholder” and “holder” have the meaning provided in Condition 1.2;

“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” has the meaning provided in Condition 8.3;

“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 7.10;

“Closing Date” means 14th September, 2017;

“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) and approved in writing by the Trustee for such purpose;

“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 Schedule 1 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 Fifth Floor, 100 Wood Street, London EC2V 7EX, 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 15-1, Konan 2-chome, Minato-ku, Tokyo 108-6009, 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;

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

"Exercise Period" 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 1st April and ending on 31st March of the immediately succeeding year; or (ii) three month periods each commencing on 1st April, 1st July, 1st October and 1st January; provided that, if the Company shall change its financial year so as to end on a date other than 31st 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 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 adviser, appointed by the Trustee in accordance with Condition 18 and notified to the Company;

"Issue Price" has the meaning provided in Condition 1.1;

"Listing" has the meaning provided in Condition 6.4.2;

"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;

"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 7.7.2;

"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 Japan including those modified 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, 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" has the meaning provided in Condition 5.1.4;

"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 determined by the Principal Agent as being equal to the offered rate quoted by a leading bank in the Euro-yen market selected by the Principal Agent for deposits in yen for the period of three months, 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 a capital contribution in kind by such Bondholder at the price equal to the principal amount of the Bond as of the Stock Acquisition Date.

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 ("Non-unit Shares") not constituting a unit (*tangen*) of 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.

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 ¥1,745 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 during the period from, and including, 28th September, 2017 to, and including, the close of business (at the place where the Stock Acquisition Right is to be exercised) on 31st August, 2020, 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); or

(ii) if the Bonds 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; or

(iii) if the relevant Bond shall have been purchased by the Company or a Subsidiary and cancelled by the Company pursuant to Condition 7.8, then up to the time when such Bond is so cancelled; or

(iv) 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 31st August, 2020;

(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 Right 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 and 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 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 holders of Shares in connection with Paragraph 1 of Article 151 of the Book-Entry Act;

"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); and

"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.

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 (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 of any Shareholder Determination Date Restriction Period (together with a description of the days included in such Shareholder Determination Date Restriction Period) at least two 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.

So long as the Bonds are evidenced by the Global Certificate, the Company will be required to give 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 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 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.

As at the date of this Offering Circular, the Record Dates fixed by the Articles of Incorporation are 31st March and 30th September. By way of example, in respect of the Record Date falling on 31st March, 2018, 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) 28th March, 2018 to (and including) 2nd April, 2018.

The period during which the Stock Acquisition Rights are exercisable pursuant to this Condition 5.1.4 is hereinafter referred to 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 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 happening 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 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 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 issue 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, issue or offer 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:

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

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, issue or offer 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 offered to and/or 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 offer and/or subscription, purchase or acquisition;

5.2.3 *Issue to Shareholders of Rights or Warrants to Acquire Convertible/Exchangeable Securities*: if the Company shall grant, issue or offer 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:

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

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 a grant, issue or offer 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 offered to and/or 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 offer and/or 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:

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

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 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 thereof.

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 ¥286,500.

The Base Dividend is the amount obtained by multiplying the Relevant Number of Shares (calculated at the initial Conversion Price) by ¥50.

"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 it 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 and bonds with acquisition rights due 2022 issued by the Company on the Closing Date, 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:

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

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 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 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, issued or offered by the Company, (ii) on the exercise of any rights or warrants (including stock acquisition rights) allotted, granted, issued or offered 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 merges into the Company upon such merger or which becomes a wholly-owned subsidiary of the Company by a share exchange (*kabushiki-kokan*), in proportion to their shareholding in such corporation immediately prior to such merger or such 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:

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

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) 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, issue or offer any rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire Shares or securities convertible into or exchangeable for Shares (other than the Stock Acquisition Rights and the stock acquisition rights incorporated in bonds with stock acquisition rights due 2022 issued by the Company on the Closing Date, 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, issue or offer 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, issue or offer of such rights or warrants shall, subject to Condition 5.2.8, be adjusted in accordance with the following formula:

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

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 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 issue of such rights or warrants;

5.2.8 *Combined Adjustment*: if the Company shall grant, issue, transfer or offer (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 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:

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

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 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).

Any such adjustment shall become effective immediately after the calendar day in Japan corresponding to the calendar day at the relevant place of issue 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 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 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 grant, issue or offer 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 grant, issue or offer 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, offered, exercised, allotted, appropriated, modified or granted to, or for the benefit of, employees, former employees, corporate auditors or directors (including directors 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 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. Neither the Trustee, the Registrar, the Principal Agent nor the other Agents shall be under any duty 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 will not be responsible or liable in any respect to Bondholders for any loss arising from any failure by it to do so.

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 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 not 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 Agent will not be bound to make any payments until the 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 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 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 Agent disclosing otherwise confidential information for the purposes of the 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*: The date on 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 Date" applicable to such Bond. 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 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). A Conversion Notice once deposited shall not be withdrawn without the consent in writing of the Company.

If delivery of the Conversion Notice is made after the end of normal business hours or on a day which is not a business day in the place of the specified office of the Agent, such delivery 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 Bond(s) is/are evidenced by the Global Certificate, the exercising Bondholder must deposit the Conversion Notice in the manner aforesaid with any Agent, together with an authority to Euroclear to debit, or to procure Clearstream, Luxembourg to debit, the Bondholder's account pro tanto. 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 Bond(s) the Stock Acquisition Right(s) incorporated in which has/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, or the Articles of Incorporation:

(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, securities (other than the Shares), property or cash 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), property or cash 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), property or cash 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;

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.

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 and (unless the Trustee is also the Principal Agent) the Principal Agent 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 and (unless the Trustee is also the Principal Agent) the Principal Agent 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 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, 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 14th September, 2020. 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 14th September, 2019, the Company may (subject to Condition 7.11), 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 7.11), 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 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 7.11), 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 29th August, 2017, 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 cannot be avoided by the Company taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate 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. 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 7.11) 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 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 cannot 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 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 entitled to accept such certificate as sufficient and conclusive evidence of the satisfaction of the condition set out in this Condition 7.5.

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 31st August, 2020, the Corporate Event Redemption Price shall be determined by reference to the following table:

Corporate Event	Reference Parity (Percentage)								
Redemption Date	70.00	80.00	90.00	100.00	110.00	120.00	130.00	140.00	150.00
14th September, 2017	99.14	101.66	105.32	110.14	116.10	123.13	131.17	140.16	150.00
14th September, 2018	99.17	101.18	104.44	109.07	115.04	122.26	130.62	140.01	150.00
14th September, 2019	99.24	100.38	102.89	107.16	113.25	120.97	130.05	140.00	150.00
31st August, 2020	100.00	100.00	100.00	100.00	110.00	120.00	130.00	140.00	150.00

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 150.00 per cent., the Corporate Event Redemption Price shall be 150.00 per cent.

If the Corporate Event Redemption Date falls during the period from (and including) 1st September, 2020 to (and including) 13th September, 2020, 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 7.11) 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 may assume until it has received actual written notice from the Company 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 to the above redemption price without any adjustment.

7.6.3 *Offer Followed by Corporate 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 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 7.5 shall be applicable to such Corporate Event) unless such Corporate 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 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 7.11) give notice in writing to the Trustee and (unless the Trustee is also the Principal Agent) the Principal Agent and to the Bondholders in accordance with Condition 19, 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 the provisions below, 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 the consolidation of the Shares with respect to the Squeezeout Event, 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*) by way of an amendment to the Articles of Incorporation, such as 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*) 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 to the above redemption price without any adjustment.

7.8 ***Purchase***

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 and shall be deemed not to be outstanding for the purpose of calculating the quorum at a meeting of Bondholders 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.

7.9 ***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 7.8 shall be forwarded to the Principal Agent for cancellation.

7.10 ***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.

7.11 ***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, 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.

7.12 ***Calculations***

The Trustee, 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).

8. **Payments**

8.1 ***Method of Payment***

Payments in respect of principal, default interest (if any) and premium (if any) will be made against presentation and (if no further payments are due in respect of the Bonds evidenced by the relevant Certificates) surrender of the Certificates in respect of the relevant Bonds at any specified office outside Japan of the Registrar or any Agent. 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 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 sixth Transfer Business Day before the due date of payment.

8.2 ***Agents***

The initial Principal Agent and the 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 with at least 30 days' written notice 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; (iv) such other agents as may be required by the rules of any stock exchange on which the Bonds are listed; and (v) an Agent with a specified office in a European Union member state, if any, that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive. 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 Business Days***

If the due date for payment of any amount in respect of any Bond is not a Business Day, then the holder of such Bond shall not be entitled to payment of the amount due until the next following 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. "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) held by or on behalf of 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;

(ii) where the relevant Certificate is presented for payment more than 30 days after the Due Date 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;

(iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(iv) held by or on behalf of a Bondholder who would have been able to avoid such withholding or deduction by presenting the Certificate in respect of such Bond to another Agent in a European Union member state.

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, 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 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 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 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 any material (in the opinion of the Trustee) 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 will 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 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 any material (in the opinion of the Trustee) 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 will 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 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 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) 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 acquired 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, 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, 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 with the prior written approval of the Trustee 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 of Shares pursuant to a Squeezeout Event);

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 *Conversion Price Adjustments*: 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 will 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 SWIFT message, fax or telex notices by the Trustee or the Agents to the Registrar, the Principal Agent, the Company or the Custodian's Agent and by the Custodian to the Company or the Custodian's Agent) 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, property or cash 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, and (ii) the Trustee being satisfied that the interests of the Bondholders will not be materially prejudiced by the substitution. 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 a 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 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:

(i) 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;

(ii) 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. 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;

(iii) 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);

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

(v) 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;

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

(vii) such substitution and grant of 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(ii)), 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(ii) except where the context requires otherwise.

13. Prescription

Each Bond will become void unless presented for payment 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, 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 effectual 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.

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 or potential breach by the Company of the provisions of the Trust Deed or the Bonds 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 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 to the Company and the Trustee of legal advisers 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 to the Company and the Trustee of legal advisers 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 imposes obligations, responsibilities or liabilities on it which are greater than those 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 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. 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 (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 accepting the Bond, the Bondholder irrevocably authorises and instructs the Trustee (without its direction whether by Extraordinary Resolution or otherwise) to take any action 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 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. The Trustee shall not take any action 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 to do so within 30 days of such direction or request or provision of indemnity and/or security and/or prefunding (whichever is the latest) and such failure 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 Auditors 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 Auditors, Independent Financial Adviser or such 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, the Trustee shall have the power, but shall not be obligated, to make such appointment in its absolute discretion.

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 (in the opinion of the Trustee) 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 a 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 Law Debenture Corporate Services Limited, whose office is at present at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom, as its agent in England to receive service of process in any Proceedings in England. If for any reason Law Debenture Corporate Services 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.

TERMS AND CONDITIONS OF THE 2022 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):

The ¥30,000,000,000 Zero Coupon Convertible Bonds due 2022 (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) issued by SBI Holdings, Inc. (the "Company") are constituted by a trust deed (the "Trust Deed") dated 14th September, 2017 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 14th September, 2017 relating to the Bonds between, *inter alios*, the Company, the Trustee, the principal agent (the "Principal Agent"), the registrar (the "Registrar") and the other agents referred to therein are available for inspection by prior appointment during normal business hours at the registered office for the time being of the Trustee, being at the date of issue of the Bonds at Fifth Floor, 100 Wood Street, London EC2V 7EX, and at the registered 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 the Principal Agent and any other or further agent(s) appointed by the Company in connection with the Bonds for the purpose of making payments and transfers and acceptance of notices of the exercise of the Stock Acquisition Rights from time to time (but excluding the Registrar).

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 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) (the "Issue Price") is 101.0 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 name 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 Trust Deed, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of 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, acquisitions and redemptions of the Bonds and the exercises of 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 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 five Transfer Business Days of receipt of the duly completed and executed form of transfer, and surrender of the original Certificate for exchange and any other evidence as the relevant Agent or the Registrar (as the case may be) may reasonably require. 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 as agreed between such holder and the Registrar or the relevant Agent 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 new Certificates shall be effected without charge by or on behalf of the Company, the Registrar or the Agents, 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); (ii) the Registrar being satisfied in its absolute discretion with the documents of title and/or the identity of the person making the application; and (iii) the Company and the Registrar or the relevant Agent being 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 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), or (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).

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 Bond 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 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):

"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 1st April and ending on 31st 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 31st 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;

"Auditors" means the independent auditors 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 to them, such other auditors or firm of auditors as may be appointed by the Company 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 identified to the Trustee by notice 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 such company;

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

"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" has the meaning provided in Condition 8.3;

"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 7.10;

"Closing Date" means 14th September, 2017;

"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) and approved in writing by the Trustee for such purpose;

"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 Schedule 1 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 Fifth Floor, 100 Wood Street, London EC2V 7EX, 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 15-1, Konan 2-chome, Minato-ku, Tokyo 108-6009, 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;

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

"Exercise Period" 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 1st April and ending on 31st March of the immediately succeeding year; or (ii) three month periods each commencing on 1st April, 1st July, 1st October and 1st January; provided that, if the Company shall change its financial year so as to end on a date other than 31st 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 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 adviser, appointed by the Trustee in accordance with Condition 18 and notified to the Company;

"Issue Price" has the meaning provided in Condition 1.1;

"Listing" has the meaning provided in Condition 6.4.2;

"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;

"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 7.7.2;

"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 Japan including those modified 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, 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" has the meaning provided in Condition 5.1.4;

"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 determined by the Principal Agent as being equal to the offered rate quoted by a leading bank in the Euro-yen market selected by the Principal Agent for deposits in yen for the period of three months, 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 a capital contribution in kind by such Bondholder at the price equal to the principal amount of the Bond as of the Stock Acquisition Date.

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 ("Non-unit Shares") not constituting a unit (*tangen*) of 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.

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 ¥1,730 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 during the period from, and including, 28th September, 2017 to, and including, the close of business (at the place where the Stock Acquisition Right is to be exercised) on 31st August 2022, 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); or

(ii) if the Bonds 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; or

(iii) if the relevant Bond shall have been purchased by the Company or a Subsidiary and cancelled by the Company pursuant to Condition 7.8, then up to the time when such Bond is so cancelled; or

(iv) 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 31st August 2022;

(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 Right 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 and 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 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 holders of Shares in connection with Paragraph 1 of Article 151 of the Book-Entry Act;

"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); and

"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.

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 (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 of any Shareholder Determination Date Restriction Period (together with a description of the days included in such Shareholder Determination Date Restriction Period) at least two 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.

*So long as the Bonds are evidenced by the Global Certificate, the Company will be required to give 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 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 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.*

As at the date of this Offering Circular, the Record Dates fixed by the Articles of Incorporation are 31st March and 30th September. By way of example, in respect of the Record Date falling on 31st March, 2018, 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) 28th March, 2018 to (and including) 2nd April, 2018.

The period during which the Stock Acquisition Rights are exercisable pursuant to this Condition 5.1.4 is hereinafter referred to 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 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 happening 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 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 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 issue 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, issue or offer 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:

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

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, issue or offer 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 offered to and/or 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 offer and/or subscription, purchase or acquisition;

5.2.3 *Issue to Shareholders of Rights or Warrants to Acquire Convertible/Exchangeable Securities*: if the Company shall grant, issue or offer 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:

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

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 a grant, issue or offer 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 offered to and/or 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 offer and/or 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:

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

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 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 thereof.

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 ¥289,000.

The Base Dividend is the amount obtained by multiplying the Relevant Number of Shares (calculated at the initial Conversion Price) by ¥50.

"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 it 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 and bonds with acquisition rights due 2020 issued by the Company on the Closing Date, 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:

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

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 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 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, issued or offered by the Company, (ii) on the exercise of any rights or warrants (including stock acquisition rights) allotted, granted, issued or offered 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 merges into the Company upon such merger or which becomes a wholly-owned subsidiary of the Company by a share exchange (*kabushiki-kokan*), in proportion to their shareholding in such corporation immediately prior to such merger or such 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:

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

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) 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, issue or offer any rights or warrants (including stock acquisition rights) entitling them to subscribe for, purchase or otherwise acquire Shares or securities convertible into or exchangeable for Shares (other than the Stock Acquisition Rights and the stock acquisition rights incorporated in bonds with stock acquisition rights due 2020 issued by the Company on the Closing Date, 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, issue or offer 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, issue or offer of such rights or warrants shall, subject to Condition 5.2.8, be adjusted in accordance with the following formula:

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

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 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 issue of such rights or warrants;

5.2.8 *Combined Adjustment*: if the Company shall grant, issue, transfer or offer (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 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:

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

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 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).

Any such adjustment shall become effective immediately after the calendar day in Japan corresponding to the calendar day at the relevant place of issue 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 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 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 grant, issue or offer 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 grant, issue or offer 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, offered, exercised, allotted, appropriated, modified or granted to, or for the benefit of, employees, former employees, corporate auditors or directors (including directors 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 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. Neither the Trustee, the Registrar, the Principal Agent nor the other Agents shall be under any duty 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 will not be responsible or liable in any respect to Bondholders for any loss arising from any failure by it to do so.

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 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 not 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 Agent will not be bound to make any payments until the 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 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 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 Agent disclosing otherwise confidential information for the purposes of the 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*: The date on 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 Date" applicable to such Bond. 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 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). A Conversion Notice once deposited shall not be withdrawn without the consent in writing of the Company.

If delivery of the Conversion Notice is made after the end of normal business hours or on a day which is not a business day in the place of the specified office of the Agent, such delivery 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 Bond(s) is/are evidenced by the Global Certificate, the exercising Bondholder must deposit the Conversion Notice in the manner aforesaid with any Agent, together with an authority to Euroclear to debit, or to procure Clearstream, Luxembourg to debit, the Bondholder's account pro tanto. 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 Bond(s) the Stock Acquisition Right(s) incorporated in which has/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, or the Articles of Incorporation:

(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, securities (other than the Shares), property or cash 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), property or cash 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), property or cash 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;

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.

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 and (unless the Trustee is also the Principal Agent) the Principal Agent 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 and (unless the Trustee is also the Principal Agent) the Principal Agent 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 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, 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 14th September, 2022. 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 14th September, 2020, the Company may (subject to Condition 7.11), 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 7.11), 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 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 7.11), 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 29th August, 2017, 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 cannot be avoided by the Company taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate 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. 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 7.11) 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 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 cannot 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 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 entitled to accept such certificate as sufficient and conclusive evidence of the satisfaction of the condition set out in this Condition 7.5.

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 31st August 2022, 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
14th September, 2017	97.84	101.05	105.26	110.46	116.60	123.65	131.58	140.36	150.00
14th September, 2018	98.19	101.13	105.14	110.20	116.29	123.35	131.35	140.24	150.00
14th September, 2019	98.48	101.06	104.78	109.68	115.72	122.84	130.99	140.10	150.00
14th September, 2020	98.68	100.74	104.07	108.76	114.78	122.04	130.44	140.00	150.00
14th September, 2021	98.96	100.13	102.69	107.02	113.18	120.95	130.05	140.00	150.00
31st August, 2022	100.00	100.00	100.00	100.00	110.00	120.00	130.00	140.00	150.00

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 150.00 per cent., the Corporate Event Redemption Price shall be 150.00 per cent.

If the Corporate Event Redemption Date falls during the period from (and including) 1st September, 2022 to (and including) 13th September, 2022, 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 7.11) 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 may assume until it has received actual written notice from the Company 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 to the above redemption price without any adjustment.

7.6.3 *Offer Followed by Corporate 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 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 7.5 shall be applicable to such Corporate Event) unless such Corporate 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 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 7.11) give notice in writing to the Trustee and (unless the Trustee is also the Principal

Agent) the Principal Agent and to the Bondholders in accordance with Condition 19, 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 the provisions below, 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 the consolidation of the Shares with respect to the Squeezeout Event, 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*) by way of an amendment to the Articles of Incorporation, such as 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*) 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 to the above redemption price without any adjustment.

7.8 ***Purchase***

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 and shall be deemed not to be outstanding for the purpose of calculating the quorum at a meeting of Bondholders 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.

7.9 ***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 7.8 shall be forwarded to the Principal Agent for cancellation.

7.10 ***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.

7.11 ***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, 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.

7.12 ***Calculations***

The Trustee, 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).

8. **Payments**

8.1 ***Method of Payment***

Payments in respect of principal, default interest (if any) and premium (if any) will be made against presentation and (if no further payments are due in respect of the Bonds evidenced by the relevant Certificates) surrender of the Certificates in respect of the relevant Bonds at any specified office outside Japan of the Registrar or any Agent. 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 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 sixth Transfer Business Day before the due date of payment.

8.2 ***Agents***

The initial Principal Agent and the 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 with at least 30 days' written notice 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; (iv) such other agents as may be required by the rules of any stock exchange on which the Bonds are listed; and (v) an Agent with a specified office in a European Union member state, if any, that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive. 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 Business Days***

If the due date for payment of any amount in respect of any Bond is not a Business Day, then the holder of such Bond shall not be entitled to payment of the amount due until the next following 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. "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) held by or on behalf of 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;

(ii) where the relevant Certificate is presented for payment more than 30 days after the Due Date 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;

(iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(iv) held by or on behalf of a Bondholder who would have been able to avoid such withholding or deduction by presenting the Certificate in respect of such Bond to another Agent in a European Union member state.

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, 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 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 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 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 any material (in the opinion of the Trustee) 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 will 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 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 any material (in the opinion of the Trustee) 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 will 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 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 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) 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 acquired 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, 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, 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 with the prior written approval of the Trustee 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 of Shares pursuant to a Squeezeout Event);

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 *Conversion Price Adjustments*: 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 will 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 SWIFT message, fax or telex notices by the Trustee or the Agents to the Registrar, the Principal Agent, the Company or the Custodian's Agent and by the Custodian to the Company or the Custodian's Agent) 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, property or cash 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, and (ii) the Trustee being satisfied that the interests of the Bondholders will not be materially prejudiced by the substitution. 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 a 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 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:

(i) 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;

(ii) 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. 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;

(iii) 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);

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

(v) 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;

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

(vii) such substitution and grant of 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(ii)), 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(ii) except where the context requires otherwise.

13. Prescription

Each Bond will become void unless presented for payment 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, 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 effectual 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.

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 or potential breach by the Company of the provisions of the Trust Deed or the Bonds 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 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 to the Company and the Trustee of legal advisers 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 to the Company and the Trustee of legal advisers 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 imposes obligations, responsibilities or liabilities on it which are greater than those 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 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. 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 (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 accepting the Bond, the Bondholder irrevocably authorises and instructs the Trustee (without its direction whether by Extraordinary Resolution or otherwise) to take any action 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 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. The Trustee shall not take any action 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 to do so within 30 days of such direction or request or provision of indemnity and/or security and/or prefunding (whichever is the latest) and such failure 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 Auditors 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 Auditors, Independent Financial Adviser or such 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, the Trustee shall have the power, but shall not be obligated, to make such appointment in its absolute discretion.

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 (in the opinion of the Trustee) 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 a 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 Law Debenture Corporate Services Limited, whose office is at present at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom, as its agent in England to receive service of process in any Proceedings in England. If for any reason Law Debenture Corporate Services 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 Certificates contain provisions which apply to the Bonds in respect of which the Global Certificates are issued, some of which modify the effect of the Conditions of each Series 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 a Global Certificate is issued shall (unless such 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 such Global Certificate is issued. The Trustee may allow any accountholder (or the representative of such person) of a clearing system entitled to Bonds in respect of which a Global Certificate is issued to attend and speak (but not vote) at a meeting of Bondholders on appropriate proof of his 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 a Global Certificate is issued may be exercised by the presentation to, or to the order of, 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. Deposit of such 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 such Global Certificate.

Payments

Payments in respect of Bonds evidenced by a 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, such 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 Bonds evidenced by a 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.

For the purpose of any payments made in respect of the Global Certificate, the relevant place of presentation shall be disregarded in the definition of "Business Day" as set out in Condition 8.3 for each Series.

Notices

So long as the Bonds are evidenced by a Global Certificate and such 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 of each Series. Such notices shall be deemed to have been given in accordance with the Conditions of each Series on the date of delivery to Euroclear, Clearstream, Luxembourg or such Alternative Clearing System.

So long as the Bonds are evidenced by a 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 of each Series).

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 a 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 of the relevant Series 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 for the relevant Series may be exercised by the holder of the Bonds of such Series evidenced by a 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.

Electronic Consent

While the Bonds evidenced by a Global Certificate is registered in the name of any nominee for, or a nominee for any common depositary for, Euroclear, Clearstream, Luxembourg or another clearing system (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 Paying Agent or another specified agent in accordance with their operating rules and procedures by or on behalf of the holders of not less than 90 per cent in nominal amount of the 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 Bondholders duly convened and held, and shall be binding on all Bondholders 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 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 held.

Enforcement

For purposes other than with respect to the payment of principal and premium (if any) on the Bonds in respect of which a 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 such 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 of such Series.

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.

Today, the Group has established a unique "financial ecosystem" that can provide one-stop access to various financial services, including securities, banking and insurance, along with an asset management business that primarily involves venture capital investments. The Group is also accelerating the strengthening of its Biotechnology-related Businesses, in order to achieve a further transformation and future growth, and is deploying its business overseas in Asia, North America, the Middle East and Europe. As a "Strategic Business Innovator", the Group takes on the challenge of realising sustainable growth, placing these business segments, being financial services business, asset management business and biotechnology-related business, as its three core businesses.

With the acceleration of new technological developments on a global scale in fields such as cryptocurrency, IoT, AI and big data, the Group has introduced various new technologies ahead of its competitors to establish a new "FinTech" ecosystem, with blockchain technology as its core, in order to transition into a new dramatic growth phase.

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, the Group's reportable segments are divided into "Financial Services Business", "Asset Management Business", and "Biotechnology-related Business".

As at 30th June, 2017, the Group consisted of the Company, 164 consolidated subsidiaries, 21 consolidated partnerships and 37 equity method associates, of which the Company, two of its subsidiaries and three of its equity method associates were listed on stock exchanges as at 30th June, 2017.

For the fiscal year ended 31st March, 2017, 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 ¥261,939 million, ¥43,139 million and ¥32,455 million, respectively. For the three-month period ended 30th June, 2017, on a consolidated basis, the Group's revenue, profit before income tax expense and profit for the period attributable to owners of the Company amounted to ¥68,917 million, ¥14,750 million and ¥12,006 million, respectively.

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

The Shares are listed on the First Section of the Tokyo Stock Exchange. The market capitalisation of the Company based on the closing price of the Shares on the Tokyo Stock Exchange on 29th August, 2017 was approximately ¥337,965 million.

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 at/For the fiscal year ended March 31,		
	2015	2016	2017
	(Millions of yen, except per Share data and ratios)		
Operating Results for the Fiscal Year:			
Revenue[(1)]	¥ 247,423	¥ 261,744	¥ 261,939
Total expense	189,427	211,100	221,649
Of which:			
Operating cost	64,019	83,692	98,982
Selling, general and administrative expenses	92,039	96,646	95,970
Profit before income tax expense	63,067	52,227	43,139
Profit for the year attributable to owners of the Company	45,721	34,115	32,455
Financial Position at Year-end:			
Total assets	¥3,400,763	¥3,126,784	¥3,850,001
Total equity	430,615	419,063	415,524
Cash Flows for the Fiscal Year:			
Net cash (used in) generated from operating activities	¥ (36,197)	¥ 32,478	¥ (17,952)
Net cash generated from investing activities	52,305	11,179	2,437
Net cash (used in) generated from financing activities	(15,524)	(76,230)	159,467
Cash and cash equivalents at the end of the year	290,826	248,050	391,572
Per Share Data (Yen):			
Basic earnings per share attributable to owners of the Company	¥ 211.18	¥ 160.83	¥ 159.38
Diluted earnings per share attributable to owners of the Company	195.06	147.94	146.52
Equity per share attributable to owners of the Company	1,771.19	1,792.08	1,856.47
Financial Ratios:			
Ratio of equity attributable to owners of the Company to total assets (%)	11.3%	11.9%	9.8%
Substantive ratio of equity attributable to owners of the Company to total assets (%)[(2)]	22.2%	21.7%	18.3%
Ratio of profit to equity attributable to owners of the Company (%)	12.9%	9.0%	8.7%
Price-earnings ratio (PER) (times)[(3)(4)]	6.89	7.11	9.74
Price-book-value ratio (PBR) (times)[(4)(5)]	0.8	0.6	0.8

Notes:

(1) The Company presented revenue and expense from operating activities separately from those from other activities by presenting "Operating income (loss)" in the consolidated statements of income. However, since it became difficult to make such distinct classification due to varying revenue earning activities of the Group, the Group changed its presentation from the fiscal year ended 31st March, 2016, and now presents "Revenue" and each "Expense" category without presenting "Operating income (loss)". The presentation for the fiscal year ended 31st March, 2015 has been adjusted accordingly.

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

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

(4) Tokyo Stock Exchange closing price per share at the last trading day in March of 2015, 2016 and 2017 were ¥1,456, ¥1,143 and ¥1,552, respectively.

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

	As at/For the three-month period ended 30th June,	
	2016	2017
	(Millions of yen, except per Share data)	
Operating Results for the Period:		
Revenue	¥ 63,966	¥ 68,917
Total expense	54,875	54,769
Of which:		
Operating cost	22,553	25,927
Selling, general and administrative expenses	24,607	23,247
Profit before income tax expense	10,134	14,750
Profit for the period attributable to owners of the Company	7,722	12,006
Financial Position at Period-end:		
Total assets	¥3,000,850	¥3,967,781
Total equity	398,793	412,633
Cash Flows for the Period:		
Net cash (used in) generated from operating activities	¥ (23,661)	¥ (5,543)
Net cash (used in) generated from investing activities	(8,394)	5,598
Net cash generated from (used in) financing activities	39,730	(97,156)
Cash and cash equivalents, end of period	246,304	293,592
Per Share Data (Yen):		
Basic earnings per share attributable to owners of the Company	¥ 37.24	¥ 58.96
Diluted earnings per share attributable to owners of the Company	34.29	53.78

RECENT BUSINESS

Overview

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, the Group's reportable segments are divided into "Financial Services Business", "Asset Management Business", and "Biotechnology-related Business". The reporting segments of the Group represent businesses activities for which separate financial information of the Group's components is available and reviewed regularly by the board of directors of the Company for the purpose of allocation of financial resources and performance evaluation. The following is a description of business activities for the reporting segments:

- *Financial Services Business*. The Financial Services Business consists of a wide range of finance related business, including securities brokerage business, banking services business, and life, property and casualty insurance business.
- *Asset Management Business*. The Asset Management Business primarily consists of fund management and investment in internet technology, biotechnology and finance-related venture companies in Japan and overseas, financial services business overseas, and asset management services business which provides financial products information.
- *Biotechnology-related Business*. The Biotechnology-related Business represents development and distribution of pharmaceutical products, health foods and cosmetics with 5-Aminolevulinic Acid ("5-ALA"), a kind of amino acid which exists *in vivo*, and research and development of antibody drugs and nucleic acid medicine in the field of cancer and immunology.

"Others" includes the real estate business and other businesses, but they did not meet the quantitative criteria to be defined as reportable segments for the fiscal year ended March 31, 2017.

"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.

Significant Accounting Policies

Significant accounting policies adopted by the Group are set out in Note 3 to the audited consolidated financial statements of the Company set out in this Offering Circular.

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 about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the current period and future periods.

Measurement of financial instruments

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

Deferred tax assets

Temporary differences that arise from differences between the carrying amount of an asset or liability in the statement of financial position and its tax base and tax loss carryforwards are recorded as deferred tax assets as far as taxable profit is available against which the temporary deductible differences and tax loss carryforwards can be utilised, using the tax rates expected to apply to the period when they are realised.

Evaluation of goodwill

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

Impairment on financial assets at amortised cost

Impairment on financial assets at amortised cost is measured using carrying amount less present value of the future cash flows discounted at the financial assets' original effective interest rate.

Liability adequacy test for insurance contracts

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

Recent Developments

Restructuring of subsidiaries integrating FinTech related companies

SBI FinTech Solutions Co., Ltd. ("SBI FinTech Solutions", the former SBI AXES) is the holding company that comprised ZEUS Co., Ltd. and AXES Payment Co., Ltd. and certain others, which are comprehensive payment service providers, and it has been developing the settlement business since the early days of the Internet. In April 2017, the Group implemented a restructuring of subsidiaries to make three companies (SBI Remit Co., Ltd. (international money transfer service), SBI Social Lending Co., Ltd. (money lending business and operation of social lending) and SBI Business Solutions Co., Ltd. (cloud service of back office operations)), which are developing FinTech related business in the Group, subsidiaries of SBI FinTech Solutions, because their E-commerce payments business have a high affinity to FinTech. SBI FinTech Solutions intends to accelerate growth by focusing on FinTech related business as well as existing E-commerce payments business, and will aim to improve corporate value by providing a high level of customer benefit services.

Acquisition of YAR Bank

In July 2017, the Company agreed with METROPOL Investment Financial Company Ltd. ("METROPOL"), its joint venture partner in respect of the Russian commercial bank, YAR-Bank (limited liability company) ("YAR Bank"), to purchase all of the shares of YAR Bank in order to make YAR Bank a wholly owned subsidiary of the Company. YAR Bank, a commercial bank in Russia involved in the provision of settlement services such as credit card, debit card, deposit and payment services, and has since June 2014 been providing online banking services leveraging on the Group's online financial services expertise. Through making YAR Bank a wholly owned subsidiary of the Company, the Group intends, through cooperation with FinTech venture investees, to provide more innovative and customer-oriented online products and services through YAR Bank.

Acquisition of SBI Thai Online Securities Co., Ltd.

In August 2017, the Group acquired further shares in SBI Thai Online Securities Co., Ltd. ("SBI Thai Online Securities"), to make such company the Company's consolidated subsidiary. SBI Thai Online Securities, which the Company established as a joint venture with Thailand's leading securities company, Finansia Syrus Securities pcl. ("Finansia Syrus Securities"), commenced operations in 2015 as Thailand's first pure-play online securities company. The Company, which had owned a 59.49 per cent. share in SBI Thai Online Securities, purchased further shares in such company from Finansia Syrus Securities, increasing its holding to 79.49 per cent. The Group intends to increase its involvement in management of SBI Thai Online Securities with a view to offering further innovative products and services that benefit its customers.

Consolidated Results for the Fiscal Year Ended 31st March, 2017

Overview

During the fiscal year ended 31st March, 2017, the Japanese economy continued to recover at a moderate pace as consumer spending as a whole showed signs of recovery while corporate performance and employment conditions improved reflecting the effects of various policies of the Japanese government, although there were views of uncertainty arising from the results of the national referendum in the United Kingdom to leave the European Union and around the policies in the United States under the new administration.

Stock market conditions that significantly impact investment and securities related businesses started with a gradual upward trend at the beginning of this financial year reflecting positivity towards the postponement to an increase in consumption tax but dropped significantly following the results of the referendum in June 2016 for the United Kingdom to leave the European Union. However, in November following the presidential election in the United States, market conditions changed reflecting expectations on the policies for economic boost under the new administration and the effect on the stock market in the United States, resulting in further depreciation of yen and high stock prices. Since then, expectations over the new policies for boosting the economy in the United States lowered and due to the uncertainties around politics in the European countries, appreciation of yen gradually continued and from the backdrop of strong corporate performance, stock market conditions continued strong and Nikkei Stock Average closed at ¥18,909 on 31st March, 2017, an increase of 12.8 per cent. compared to 31st March, 2016. There were also 87 new listings excluding those who listed on the TOKYO PRO Market.

In overseas markets, the number of new listings continued to decrease for geopolitical reasons such as the uncertainty around policy trends and financial policy in the United States as well as a decrease in China's economic growth rate and tensions in the Middle East. Although there are still weaknesses in the global economy, economies in the Asian emerging markets and resource-rich countries have picked up, leading to a gradual recovery of the global economy.

In the operating environment surrounding the online financial services business, consumers continued to be increasingly aware of the merit in utilising online financial services as they sought the most advantageous conditions available in pursuing financial transactions to protect their livelihood. Consequently, the business remained strong with face-to-face transactions shifting to online transactions. The Group recognises that the market is likely to demonstrate vigorous growth, while competition is expected to intensify.

Results

Revenue

Revenue increased by ¥195 million, or 0.1 per cent., to ¥261,939 million for the fiscal year ended 31st March, 2017 compared to ¥261,744 million for the fiscal year ended 31st March, 2016. This increase principally reflected the increase in revenue in the Financial Services Business, which recorded a historical high in terms of revenue, set off to a certain extent by a decrease in revenue in the Asset Management Business.

Expense

Total expense increased by ¥10,549 million, or 5.0 per cent., to ¥221,649 million for the fiscal year ended 31st March, 2017 compared to ¥211,100 million for the fiscal year ended 31st March, 2016. Operating cost increased by ¥15,290 million, or 18.3 per cent., to ¥98,982 million for the fiscal year ended 31st March, 2017 compared to ¥83,692 million for the fiscal year ended 31st March, 2016, principally reflecting the increase in the operating cost that arose from insurance contracts, while other financial cost decreased by ¥965 million, or 21.7 per cent., to ¥3,477 million for the fiscal year ended 31st March, 2017 compared to ¥4,442 million for the fiscal year ended 31st March, 2016. Selling, general and administrative expenses also decreased slightly, by ¥676 million, or 0.7 per cent., to ¥95,970 million for the fiscal year ended 31st March, 2017 compared to ¥96,646 million for the fiscal year ended 31st March, 2016, principally reflecting a decrease in selling, general and administrative expenses due to the disposal of a formerly wholly owned subsidiary through an investment fund in July 2016, set off to a certain extent by an increase in research and development expenses of Quark Pharmaceuticals Inc. ("Quark Pharmaceuticals"). Other expenses decreased by ¥1,807 million, or 17.2 per cent., to ¥8,677 million for the fiscal year ended 31st March, 2017 compared to ¥10,484 million for the fiscal year ended 31st March, 2016.

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 ¥1,266 million to ¥2,849 million for the fiscal year ended 31st March, 2017 compared to ¥1,583 million for the fiscal year ended 31st March, 2016.

Profit before income tax expense

As a result of the above, profit before income tax expense decreased by ¥9,088 million, or 17.4 per cent., to ¥43,139 million for the fiscal year ended 31st March, 2017 compared to ¥52,227 million for the fiscal year ended 31st March, 2016.

Income tax expense

Income tax expense decreased by ¥725 million, or 4.7 per cent., to ¥14,836 million for the fiscal year ended 31st March, 2017 compared to ¥15,561 million for the fiscal year ended 31st March, 2016.

Profit for the year attributable to owners of the Company

As a result of the above, profit for the year amounted to ¥28,303 million for the fiscal year ended 31st March, 2017, compared to ¥36,666 million for the fiscal year ended 31st March, 2016. Profit for the year attributable to owners of the Company decreased by ¥1,660 million, or 4.9 per cent., to ¥32,455 million for the fiscal year ended 31st March, 2017, compared to ¥34,115 million for the fiscal year ended 31st March, 2016.

Results by Business Segments

Certain subsidiaries, including SBI AXES (currently SBI FinTech Solutions), which were included in the Asset Management Business until the fiscal year ended 31st March, 2016, have been included in the Financial Services Business from the fiscal year ended 31st March, 2017. Consequently, segment information for the fiscal year ended 31st March, 2016 has been restated in accordance with the new basis of segmentation.

Financial Services Business

Revenue in the Financial Services Business increased by ¥10,781 million, or 6.5 per cent., to ¥176,989 million for the fiscal year ended 31st March, 2017, a historical high, compared to ¥166,208 million for the fiscal year ended 31st March, 2016, reflecting increases in revenues across FX and insurance businesses. Profit before income tax expense decreased by ¥1,953 million, or 3.8 per cent., to ¥48,853 million for the fiscal year ended 31st March, 2017, compared to ¥50,806 million for the fiscal year ended 31st March, 2016, principally reflecting a decline in profits in the brokerage business, set off by increases in profits relating to FX and insurance businesses.

SBI SECURITIES maintained a stable expansion in its customer base with approximately 276 thousand new accounts opened during the fiscal year ended 31st March, 2017 and the total account number reaching approximately 3.84 million at year-end. While its trading income increased due to an expansion of FX trading, due to the decrease in individual stock trading on the Tokyo and Nagoya Stock Exchanges, its profits from individual brokerage fees decreased, thereby leading to a decrease in profit before income tax of 12.7 per cent. in the fiscal year ended 31st March, 2017 to ¥33,043 million.

SBI Insurance continued to achieve a high growth in the number of contracts for car insurance, at the same time as making efforts at cost reduction, which resulted in an increase in profit before income tax of 46.7 per cent. in the fiscal year ended 31st March, 2017 to ¥132 million.

SBI Sumishin Net Bank, Ltd. ("SBI Sumishin Net Bank"), an equity method associate of the Company, expanded its total deposit balance to ¥4,006.1 billion with the number of accounts reaching 2,827 thousand, but due to the recording of valuation losses on securities in respect of changes in market values of securities including government bonds, the Group's equity method investment income from SBI Sumishin Net Bank decreased by 5.9 per cent. in the fiscal year ended 31st March, 2017 to ¥3,185 million.

Asset Management Business

Revenue in the Asset Management Business decreased by ¥11,151 million, or 12.2 per cent., to ¥80,392 million for the fiscal year ended 31st March, 2017, compared to ¥91,543 million for the fiscal year ended 31st March, 2016. Profit before income tax expense decreased by ¥3,709 million, or 21.0 per cent., to ¥13,940 million for the fiscal year ended 31st March, 2017, compared to ¥17,649 million for the fiscal year ended 31st March, 2016.

During the fiscal year ended 31st March, 2017, the number of initial public offerings ("IPO") cases worldwide decreased, with domestic IPOs (excluding IPOs on the Tokyo PRO Market) reaching 87 cases, during that period, 10 of the companies in which the Group had invested in the Asset Management Business completed initial public offerings ("IPOs"), and the Group exited from four of its investing companies through M&A transactions. Although stagnant stock markets and extreme strengthening of the yen during the period, among other factors, led to volatility of fair values of securities held by the Group, negatively affecting results, the improvement in the business of SBI Savings Bank of South Korea (which the Company had made into a consolidated subsidiary in March 2013 and whose business rehabilitation has now been completed), which achieved a stable revenue base with a rapid growth of healthy loans, managed to support the results of the business segment.

Biotechnology-related Business

Revenue in the Biotechnology-related Business increased by ¥1,509 million, or 37.5 per cent., to ¥5,530 million for the fiscal year ended 31st March, 2017, compared to ¥4,021 million for the fiscal year ended 31st March, 2016. Loss before income tax expense was ¥9,574 million for the fiscal year ended 31st March, 2017, compared to ¥6,572 million for the fiscal year ended 31st March, 2016. The principal reasons for the increases in loss included the increase in R&D expenses at Quark Pharmaceuticals of the United States (a subsidiary of SBI Biotech Co., Ltd. ("SBI Biotech"), which steadily continued its multiple drug discovery pipelines, including two pipelines at Phase III clinical trial stage. On the other hand, SBI Biotech on a non-consolidated basis achieved a positive annual profit before income tax expenses for the first time since its establishment in the fiscal year ended 31st March, 2017, due to, among other things, the up-front fee received in respect of the drug discovery technology licensing-out contract which it entered into with Kyowa Hakko Kirin Co., Ltd.

SBI Pharmaceuticals Co., Ltd. ("SBI Pharmaceuticals"), which forms the core of the Group's 5-ALA related business, also achieved a positive annual profit before income tax expenses for the first time since its establishment in the fiscal year ended 31st March, 2017, principally due to the receipt of a lump-sum fee in respect of the exclusive sales contract it entered into in respect of "ALAGLIO® granules 1.5g", an intraoperative diagnostic agent for bladder cancer, as well as the technological licensing-out of drugs for treating diabetes and malaria. Further, sales at SBI ALApromo Co., Ltd. ("SBI ALApromo") increased by approximately 2.3 times in the fiscal year ended 31st March, 2017, due to factors such as the commencement of sales of "ALAPLUS *Tou* (Sugar)-down", the first functional food (aimed at helping to lower blood sugar levels) containing ALA as an active ingredient commenced sales in December 2015, which led to a rapid increase in the number of stores stocking ALA-related products, as well as an increase in the number of regular subscribers through direct sales and an increase in sales in respect of products jointly developed with RIZAP Co., Ltd. (a health and fitness company).

Consolidated Results for the Three-Month Period Ended 30th June, 2017

Results

Revenue

Revenue increased by ¥4,951 million, or 7.7 per cent., to ¥68,917 million for the three-month period ended 30th June, 2017 compared to ¥63,966 million for the three-month period ended 30th June, 2016. This increase principally reflected the increase in revenue in the Financial Services Business, set off to a certain extent by a decrease in revenue in the Asset Management Business.

Expense

Total expense decreased by ¥106 million, or 0.2 per cent., to ¥54,769 million for the three-month period ended 30th June, 2017 compared to ¥54,875 million for the three-month period ended 30th June, 2016. Operating cost increased by ¥3,374 million, or 15.0 per cent., to ¥25,927 million for the three-month period ended 30th June, 2017 compared to ¥22,553 million for the three-month period ended 30th June, 2016, principally reflecting the increase in operating costs that arose from insurance contracts, while other financial costs decreased by ¥117 million, or 12.1 per cent., to ¥852 million for the three-month period ended 30th June, 2017 compared to ¥969 million for the three-month period ended 30th June, 2016. Selling, general and administrative expenses decreased by ¥1,360 million, or 5.5 per cent., to ¥23,247 million for the three-month period ended 30th June, 2017 compared to ¥24,607 million for the three-month period ended 30th June, 2016, principally reflecting a decrease in selling, general and administrative expenses due to the disposal of a formerly wholly owned subsidiary through an investment fund in July 2016. Other expenses decreased by ¥2,914 million, or 81.0 per cent., to ¥685 million for the three-month period ended 30th June, 2017 compared to ¥3,599 million for the three-month period ended 30th June, 2016.

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 decreased by ¥441 million, or 42.3 per cent., to ¥602 million for the three-month period ended 30th June, 2017 compared to ¥1,043 million for the three-month period ended 30th June, 2016.

Profit before income tax expense

As a result of the above, profit before income tax expense increased by ¥4,616 million, or 45.6 per cent., to ¥14,750 million for the three-month period ended 30th June, 2017 compared to ¥10,134 million for the three-month period ended 30th June, 2016.

Income tax expense

Income tax expense decreased by ¥561 million, or 11.2 per cent., to ¥4,438 million for the three-month period ended 30th June, 2017 compared to ¥4,999 million for the three-month period ended 30th June, 2016.

Profit for the period attributable to owners of the Company

As a result of the above, profit for the period amounted to ¥10,312 million for the three-month period ended 30th June, 2017, compared to ¥5,135 million for the three-month period ended 30th June, 2016. Profit for the period attributable to owners of the Company increased by ¥4,284 million, or 55.5 per cent., to ¥12,006 million for the three-month period ended 30th June, 2017, compared to ¥7,722 million for the three-month period ended 30th June, 2016.

Results by Business Segments

Certain subsidiaries, including BroadBand Security, Inc., which were included in the Asset Management Business until the fiscal year ended 31st March, 2017, have been included in the Financial Services Business from the fiscal year ending 31st March, 2018. Consequently, segment information for the three-month period ended 30th June, 2016 has been restated in accordance with the new basis of segmentation.

Financial Services Business

Revenue in the Financial Services Business increased by ¥8,396 million, or 20.0 per cent., to ¥50,423 million for the three-month period ended 30th June, 2017, compared to ¥42,027 million for the three-month period ended 30th June, 2016, principally reflecting an increase in revenue of SBI SECURITIES due to an expansion of businesses other than individual brokerage fees such as financial incomes and trust fees of investment trusts. Profit before income tax expense increased by ¥989 million, or 7.5 per cent., to ¥14,238 million for the three-month period ended 30th June, 2017, compared to ¥13,249 million for the three-month period ended 30th June, 2016, principally reflecting an increase in the profit of SBI SECURITIES.

Asset Management Business

Revenue in the Asset Management Business decreased by ¥3,620 million, or 16.4 per cent., to ¥18,406 million for the three-month period ended 30th June, 2017, compared to ¥22,026 million for the three-month period ended 30th June, 2016, principally reflecting the disposal of a formerly wholly owned subsidiary through an investment fund in July 2016, in spite of an increase in the revenue of SBI Savings Bank. Profit before income tax expense increased by ¥2,368 million, or 75.1 per cent., to ¥5,520 million for the three-month period ended 30th June, 2017, compared to ¥3,152 million for the three-month period ended 30th June, 2016, principally reflecting an increase in revenue of SBI Savings Bank.

Biotechnology-related Business

Revenue in the Biotechnology-related Business increased by ¥344 million, or 111.7 per cent., to ¥652 million for the three-month period ended 30th June, 2017, compared to ¥308 million for the three-month period ended 30th June, 2016, principally reflecting an increase in revenue of Quark Pharmaceuticals. Loss before income tax expense was ¥2,841 million for the three-month period ended 30th June, 2017, compared to ¥3,530 million for the three-month period ended 30th June, 2016, principally reflecting that foreign exchange losses are not posted in the three-month period ended 30th June, 2017, in spite of such losses not being posted in the three-month period ended 30th June, 2016.

Financial Condition

Consolidated Statement of Financial Position as at 31st March, 2017 Compared to Consolidated Statement of Financial Position as at 31st March, 2016

As at 31st March, 2017, the Group's total assets amounted to ¥3,850,001 million, an increase of ¥723,217 million, or 23.1 per cent., from total assets of ¥3,126,784 million as at 31st March, 2016. This increase was attributable mainly to an increase in cash segregated as deposits in the assets related to securities business.

As at 31st March, 2017, the Group's total liabilities amounted to ¥3,434,477 million, an increase of ¥726,756 million, or 26.8 per cent., from total liabilities of ¥2,707,721 million as at 31st March, 2016. This increase was attributable mainly to increases in bonds and loans payable, as well as deposits from customers in the liabilities related to securities business.

The Group's total equity decreased by ¥3,539 million, or 0.8 per cent., to ¥415,524 million from ¥419,063 million as at 31st March, 2016.

Consolidated Statement of Financial Position as at 30th June, 2017 Compared to Consolidated Statement of Financial Position as at 31st March, 2017

As at 30th June, 2017, the Group's total assets amounted to ¥3,967,781 million, an increase of ¥117,780 million, or 3.1 per cent., from total assets of ¥3,850,001 million as at 31st March, 2017. This increase was attributable mainly to an increase in cash segregated as deposits in the assets related to securities business.

As at 30th June, 2017, the Group's total liabilities amounted to ¥3,555,148 million, an increase of ¥120,671 million, or 3.5 per cent., from total liabilities of ¥3,434,477 million as at 31st March, 2017. This increase was attributable mainly to increases in guarantee deposits received as well as deposits from customers in the liabilities related to securities business.

The Group's total equity decreased by ¥2,891 million, or 0.7 per cent., to ¥412,633 million from ¥415,524 million as at 31st March, 2017.

Liquidity and Capital Resources

Cash Flows for the Fiscal Year Ended 31st March, 2017 Compared to the Fiscal Year Ended 31st March, 2016

As at 31st March, 2017, the Group's cash and cash equivalents amounted to ¥391,572 million, an increase of ¥143,522 million, or 57.9 per cent., from ¥248,050 million as at 31st March, 2016. The changes in cash flows for each activity and the reasons for changes are as follows:

Operating Cash Flows

Cash flows used in operating activities amounted to ¥17,952 million of net cash outflows (¥32,478 million of net cash inflows for the fiscal year ended 31st March, 2016). The net cash outflows were primarily due to a ¥105,238 million cash outflow from an increase in accounts receivables and other receivables and a ¥29,362 million cash outflows from an increase in operational investment securities, despite a ¥87,149 million cash inflow from an increase in customer deposits in the banking business and a ¥43,139 million cash inflow from profit before income tax expense.

Investing Cash Flows

Cash flows used in investing activities amounted to ¥2,437 million of net cash inflows (¥11,179 million of net cash inflows for the fiscal year ended 31st March, 2016). The net cash inflows were primarily due to a ¥62,854 million cash inflow from proceeds from sales or redemption of investment securities and a ¥7,091 million cash inflow from payments of loans receivable, despite a ¥66,523 million cash outflow from purchases of investment securities.

Financing Cash Flows

Cash flows from financing activities amounted to ¥159,467 million of net cash inflows (¥76,230 million of net cash outflows for the fiscal year ended 31st March, 2016). The net cash inflows were primarily due to a

¥161,178 million cash inflow for increase in short term loans payable, a ¥102,325 million cash inflow for proceeds from issuance of bonds payable and a ¥30,462 million cash inflow from proceeds from long-term loans payable, despite a ¥74,930 million cash outflow for redemption of bonds payable and a ¥25,574 million cash outflow for repayment of long-term loans payable.

Cash Flows for the Three-Month Period Ended 30th June, 2017 Compared to the Three-Month Period Ended 30th June, 2016

As at 30th June, 2017, the Group's cash and cash equivalents amounted to ¥293,592 million, a decrease of ¥97,980 million, or 25.0 per cent., from ¥391,572 million as at 31st March, 2017. The changes in cash flows for each activity and the reasons for changes are as follows:

Operating Cash Flows

Cash flows used in operating activities amounted to ¥5,543 million of net cash outflows (¥23,661 million of net cash outflows for the three-month period ended 30th June, 2016). The net cash outflows were primarily due to a ¥18,315 million cash outflow from an increase in assets/ liabilities related to securities business and a ¥16,251 million cash outflow from an increase in accounts receivables and other receivables, despite a ¥27,671 million cash inflow from an increase in operational liabilities and other liabilities.

Investing Cash Flows

Cash flows used in investing activities amounted to ¥5,598 million of net cash inflows (¥8,394 million of net cash outflows for the three-month period ended 30th June, 2016). The net cash inflows were primarily due to a ¥18,611 million cash inflow from proceeds from sales or redemption of investment securities, despite a ¥14,468 million cash outflow from purchases of investment securities.

Financing Cash Flows

Cash flows from financing activities amounted to ¥97,156 million of net cash outflows (¥39,730 million of net cash inflows for the three-month period ended 30th June, 2016). The net cash outflows were primarily due to a ¥120,829 million cash outflow from a decrease in short term loans payable, despite a ¥31,405 million cash inflow from proceeds of bond issuance.

Funding

As at 31st March, 2017, the Group's interest-bearing debt (bonds and loans payable) amounted to ¥518,977 million compared to ¥324,585 million as at 31st March, 2016. Details of the Group's borrowings as at 31st March, 2015, 2016 and 2017 can be summarised as follows:

	As at 31st March,			Average Interest Rate[1]
	2015	2016	2017	
	(Millions of yen)			(per cent. per annum)
Short-term loans payable	¥197,268	¥101,099	¥262,336	0.58%
Current portion of long-term loans payable	41,323	22,014	26,694	0.43
Current portion of bonds payable	24,398	70,141	61,003	—
Long-term loans payable[2]	23,504	56,351	56,763	0.48
Bonds payable	88,278	74,980	112,181	—
Total	¥374,771	¥324,585	¥518,977	—

Notes:

(1) The average interest rate is calculated using the weighted average interest rate of the outstanding balance as at 31st March, 2017.

(2) Due 2018-2023. Due refers to the term of the outstanding balance as at 31st March, 2017.

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

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. As at 31st March, 2016 and 2017, ¥5,126 million and ¥7,648 million of bonds and borrowings, respectively, were secured. In addition, as at 31st March, 2017, the Group had lines of credit (such as overdraft facilities) with certain financial institutions in the aggregate amount of ¥346 billion, of which ¥218 billion 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 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 Life Insurance Co., Ltd. and SBI Insurance Co., Ltd. are required to maintain a certain level of Solvency Margin Ratio in conformity with the Insurance Business Act. 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.

SBI Savings Bank, whose headquarters is in the Republic of Korea, is obligated to maintain a certain level of capital adequacy ratio in conformity with the Main Shareholder eligibility standard or standard of Korea Asset Management Corporation ("KAMCO") or other standards. If the capital adequacy ratio falls below a certain level, the Korean Financial Supervisory Service may give warnings or order business suspension.

Capital Expenditure

Capital Expenditure for the Fiscal Year Ended 31st March, 2017

The amount of capital expenditure for the fiscal year ended 31st March, 2017 was ¥9,800 million. This amount mainly resulted from a capital expenditure made in the amount of ¥8,364 million focusing on enhancement of existing trading systems and software development to provide new services in order to smoothly respond to the increase in the number of orders caused by the increase in the number of customers as well as to provide the customers with expanded services in Financial Services Business.

Capital required for these investments was procured from internally generated funds.

USE OF PROCEEDS

The net proceeds from the issue of the Bonds are estimated to amount to approximately ¥50 billion, and are expected to be used by the Company primarily as follows:

(i) approximately ¥30 billion by the end of November 2017 for the redemption of existing convertible bonds due 2017. To the extent that such convertible bonds are converted prior to maturity, then the Company intends to use such proceeds as set out below; and

(ii) approximately ¥20 billion by the end of November 2017, as funding for the repurchase of Shares by the Company with a view to enable a smooth fundraising transaction through mitigating the potential short-term effect of the issuance of the Bonds on the market supply and demand of Shares (see "Information Concerning the Shares — Proposed Share Repurchase by the Company"). To the extent such repurchase takes place prior to the Closing Date in respect of the Bonds using cash reserves, the Company intends to apply the amount referred to above in respect of the proceeds of the offering of the Bonds for the replenishment of such cash reserves. As the amount which the Company is able to repurchase its Shares is dependent on, among other things, market conditions, to the extent not all of the amount referred to above in respect of the proceeds of the offering of the Bonds is applied towards such repurchase, any balance will be applied as set out below.

Including to the extent that the convertible bonds referred to in (i) above are converted prior to maturity, and/or to the extent not all of the amount referred to in (ii) above are used for the repurchase referred to above, the Company intends to apply the remaining net proceeds from the issue of the Bonds towards the following (in the order of early payment):

(1) approximately ¥10 billion by the end of March 2020, as business funds for the Asset Management Business, in particular for principal investments into domestic and overseas funds, and for lending to and investment in the overseas financial services business;

(2) approximately ¥5 billion by the end of March 2020, as funding for lending to and investments in the subsidiaries in the Biotechnology-related Business; and

(3) approximately ¥35 billion by the end of March 2019, for repayment of debt.

CAPITALISATION AND INDEBTEDNESS

The following table sets out the Company's capitalisation and indebtedness as at 30th June, 2017, which has been extracted without material adjustment from the Company's unaudited interim condensed consolidated financial statements as at the same date and as adjusted to give effect to the issue of the Bonds:

	As at 30th June, 2017	
	Actual	As adjusted
	(Millions of yen)	
Bonds and loans payable:		
Short-term debt:		
Short-term loans payable	¥142,085	¥142,085
Current portion of long-term loans payable	28,573	28,573
Current portion of bonds payable	86,251	86,251
Total short-term debt	256,908	256,908
Long-term debt:		
Long-term loans payable, less current portion	57,032	57,032
Bonds payable, less current portion	118,060	118,060
The Bonds now being issued	—	50,000
Total long-term debt	175,092	225,092
Total bonds and loans payable	432,000	482,000
Equity:		
Capital stock, no par value:		
Authorised: 341,690,000 Shares		
Issued: 224,561,761 Shares(4)	81,681	81,681
Capital surplus	128,349	128,349
Less: Treasury stock, at cost (20,889,823 Shares)	(23,729)	(23,729)
Other component of equity	19,122	19,112
Retained earnings	173,250	173,250
Equity attributable to owners of the Company	378,673	378,673
Non-controlling interests	33,960	33,960
Total equity	412,633	412,633
Total capitalisation and indebtedness(6)	¥844,633	¥894,633

Notes:

(1) The above table should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company as at and for the three-month period ended 30th June, 2017 contained herein.

(2) As at 30th June, 2017, ¥6,129 million of the Company's consolidated short-term debt and ¥572 million of the Company's consolidated long-term debt were secured and/or guaranteed.

(3) Since 30th June, 2017, the Company has issued bonds in the aggregate principal amount of ¥500 million.

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

(5) As mentioned in "Information Concerning the Shares — Proposed Share Repurchase by the Company", the Company intends to repurchase up to 15 million Shares in the period from and including 30th August, 2017 to and including 30th November, 2017. In addition, the Company has also announced that, as part of such Share repurchase plan, it intends to repurchase up to ¥20 billion worth of Shares at 8:45 a.m. (Tokyo time) on 30th August, 2017 at a price equal to the closing price of the Shares on the Tokyo Stock Exchange on 29th August, 2017, through the ToSTNeT-3 system. Any such repurchase, to the extent completed, will have the effect of increasing the amount of the Company's treasury stock and thereby reducing its total equity and total capitalisation and indebtedness. None of such potential changes are reflected in the above table.

(6) Total capitalisation and indebtedness is a total of total short-term debt, total long-term debt and total equity.

(7) There has been no material change in the Company's consolidated capitalisation, indebtedness, contingent liabilities and guarantees since 30th June, 2017.

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 at the dates indicated below:

Date	Dividends per Share
	(Yen)
31st March, 2013	¥ 10
30th September, 2013	—
31st March, 2014	20
30th September, 2014	—
31st March, 2015	35
30th September, 2015	10
31st March, 2016	35
30th September, 2016	10
31st March, 2017	40

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 shareholder returns, the Company set its basic policy on dividends as paying a minimum annual dividend of ¥10 per share. In the Company's judgment, when more profits can be returned to shareholders after giving overall consideration to the appropriate level of retained earnings for sustained growth and its current outlook for earnings, the Company will raise the dividend. Regarding the total shareholder return ratio, calculated as the sum of dividend payments and share repurchases, the Company intends to return to shareholders a minimum of 40 per cent. of profit for the year attributable to the owners of the Company.

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 341,690,000 Shares, of which 224,561,761 Shares were in issue as at 30th June, 2017. 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
1st October, 2012	10 for 1 stock split	202,067,487	224,518,790
1st April, 2012 to 31st March, 2013	Exercise of stock acquisition rights	6,991	224,525,781
1st April, 2013 to 31 March, 2014	Exercise of stock acquisition rights	35,980	224,561,761

Japanese Stock Market and Price Range of the Shares

The Shares are listed on the First Section of the Tokyo Stock Exchange. The following table shows the highest and lowest reported sales prices of the Shares on the Tokyo Stock Exchange, and the highs and lows of the daily closing Nikkei Stock Average (an index of 225 selected stocks listed on its First Section) and of the daily closing level of the Tokyo Stock Price Index ("TOPIX") for the periods indicated:

Calendar Year	Price per Share		Nikkei Stock Average		TOPIX	
	High	Low	High	Low	High	Low
	(Yen)		(Yen)		(Points)	
2012	¥ 834	¥ 456	¥10,395.18	¥ 8,295.63	872.42	695.51
2013	1,990	639	16,291.31	10,486.99	1,302.29	871.88
2014	1,590	1,007	17,935.64	13,910.16	1,447.58	1,132.76
2015	1,828	1,228	20,868.03	1,6795.96	1,691.29	1,357.98
2016:						
First quarter	1,326	903	18,450.98	14,952.61	1,509.67	1,196.28
Second quarter	1,281	921	17,572.49	14,952.02	1,407.50	1,204.48
Third quarter	1,278	952	17,081.98	15,106.98	1,352.67	1,209.88
Fourth quarter	1,571	1,158	19,494.53	16,251.54	1,552.36	1,301.16
2017:						
First quarter	1,717	1,488	19,633.75	18,787.99	15,77.40	1,506.33
Second quarter	1,575	1,420	20,230.41	18,335.63	1,624.07	1,459.07
Third quarter (up to 29th August)	1,602	1,492	20,195.48	19,353.77	1,639.27	1,592.20

Note:

(1) The Company conducted a 10 for 1 stock split, effective on 1st October, 2012. The Company's share prices in the above table have been adjusted to take account of such stock split throughout the periods indicated.

On 29th August, 2017, the reported closing price of the Shares on the Tokyo Stock Exchange was ¥1,505 per Share. The closing Nikkei Stock Average and TOPIX on the same date were ¥19,362.55 and 1,597.76, respectively.

Principal Shareholders and Distribution of Shares

As at 31st March, 2017, the Company had 80,291 shareholders of record. As at 31st March, 2017, 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
	(Shares)	(Per cent.)
Japan Trustee Services Bank, Ltd. (Trust account)	9,670,430	4.31%
NORTHERN TRUST GLOBAL SERVICES LIMITED RE 15PCT TREATY ACCOUNT (NON LENDING)	9,561,600	4.26
The Master Trust Bank of Japan, Ltd. (Trust account)	7,720,000	3.44
THE BANK OF NEW YORK 133524	4,892,436	2.18
JP Morgan Chase Bank 385164	4,470,400	1.99
Japan Trustee Services Bank, Ltd. (Trust account 9)	4,192,100	1.87
Japan Trustee Services Bank, Ltd. (Trust account 5)	4,097,600	1.82
Yoshitaka Kitao(2)	3,907,960	1.74
SAJAP	3,887,340	1.73
STATE STREET BANK WEST CLIENT — TREATY 505234	3,262,932	1.45
Total	55,662,798	24.79%

Notes:

(1) Other than the above, the Company held 20,954,080 Shares as treasury stock.

(2) Representative Director, President and Chief Executive Officer 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 Shareholders"). In connection with shareholdings during the fiscal year ended 31st March, 2017, the Company has received copies of the following reports which may not be reflected in the above table:

- a report relating to a change in shareholding filed on 22nd November, 2016 by Nomura Securities Co., Ltd. and other joint holders, informing of their ownership of Shares amounting to 12,982,508 Shares as at 15th November, 2016, as set out below. The Company was however unable to confirm the beneficial ownership of such Shares held by such holders and therefore such holdings are not set out in the above table:

Nomura Securities Co., Ltd.	939,507 Shares
Nomura International plc	7,724,181 Shares
Nomura Asset Management Co., Ltd.	4,318,820 Shares

- a report relating to a change in shareholding filed on 7th February, 2017 by Baillie Gifford & Co and a joint holder, informing of their ownership of Shares amounting to 27,800,061 Shares as at 2nd February, 2017, as set out below. The Company was however unable to confirm the beneficial ownership of such Shares held by such holders and therefore such holdings are not set out in the above table:

Baillie Gifford & Co.	6,152,426 Shares
Baillie Gifford Overseas Limited	21,647,635 Shares

- a report relating to a change in shareholding filed on 6th April, 2017 by Nomura Securities Co., Ltd. and other joint holders, informing of their ownership of Shares amounting to 13,584,677 Shares as at 31st March, 2017, as set out below. The Company was however unable to confirm the beneficial ownership of such Shares held by such holders and therefore such holdings are not set out in the above table:

Nomura Securities Co., Ltd.	1,384,166 Shares
Nomura International plc	7,065,091 Shares
Nomura Asset Management Co., Ltd.	5,135,420 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 at 31st March, 2017 was as follows:

Category	Number of Shareholders	Number of Shares held	Percentage of total Shares in issue
		(Units of 100 Shares)	(Per cent.)
Japanese financial institutions	34	432,778	19.55%
Japanese financial instruments and exchange operators	42	76,329	3.45
Other Japanese corporations(1)	552	9,534	0.43
Foreign corporations and others (including foreign individuals)	605	982,659	44.39
Japanese individuals and others(2)	79,058	712,139	32.18
Total	80,291	2,213,439	100.00%

Notes:

(1) Includes 46 units of Shares registered in the name of Japan Securities Depository Center, Inc.

(2) Includes 209,540 units of Shares of treasury stock held by the Company.

As at 31st March, 2017, the current Directors and Statutory Auditors of the Company together held 4,536,170 Shares, or 2.02 per cent. of the total issued and outstanding Shares.

As at 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 Options" for details of the Company's outstanding stock acquisition rights under its stock option scheme.

As at 31st May, 2017 the Company had outstanding stock acquisition rights in respect of its unsecured bonds with stock acquisition rights issued in November 2013:

Principal amount of bonds with stock acquisition rights outstanding	¥30,000 million
Number of stock acquisition rights outstanding	3,000
Type of shares into which the stock acquisition rights are exercisable	Shares of common stock of the Company
The number of Shares into which the stock acquisition rights are exercisable	21,128,248 Shares
Conversion price[1]	¥1,419.9
Period during which the stock acquisition rights may be exercised	19th November, 2013 to 19th October, 2017
Restrictions on the transfer of stock acquisition rights	None

Note:

(1) The conversion price in respect of these bonds with stock acquisition rights is subject to adjustment in certain events, and the price indicated shows the conversion price as so adjusted since issuance.

Proposed Share Repurchase by the Company

The Company announced on 29th August, 2017 that it intends to repurchase up to 15 million Shares (amounting to approximately 7.4 per cent. of the issued Shares (excluding treasury stock) as at 31st July, 2017) at a maximum cost of ¥20 billion from the market in the period from and including 30th August, 2017 to and including 30th November, 2017. The Company has decided to repurchase such Shares with a view to enable a smooth fundraising transaction through mitigating the potential short-term effect of the issuance of the Bonds on the market supply and demand of Shares.

The Company has also announced that, as part of the above-mentioned share repurchase plan, it intends to repurchase up to ¥20 billion worth of Shares (amounting to approximately 6.5 per cent of the issued Shares (excluding treasury stock) as at 31st July, 2017, if calculated on the basis of the closing price of the Shares on the Tokyo Stock Exchange on 29th August, 2017) at 8:45 a.m. (Tokyo time) on 30th August, 2017 at the closing price of the Shares on the ToSTNeT-3 system. The result of such repurchase will be announced by the Company in Japan on 30th August, 2017. As the amount which the Company is able to repurchase through the ToSTNeT-3 system is completely dependent on the amount market investors offer to sell the Shares at the relevant price at the relevant time, there can be no assurance that such repurchase will be executed in full or at all.

To the extent any Shares remain to be repurchased (within the maximum cost of ¥20 billion and the maximum number of 15 million Shares) after the above-mentioned repurchase through the ToSTNeT-3 system, the Company may repurchase further Shares (on the auction market (at the market prices prevailing at the relevant time) or otherwise), until 30th November, 2017. There can however be no assurance that any such repurchase will be proposed or effected.

BUSINESS

Overview

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.

Today, the Group has established a unique "financial ecosystem" that can provide one-stop access to various financial services, including securities, banking and insurance, along with an asset management business that primarily involves venture capital investments. The Group is also accelerating the strengthening of its Biotechnology-related Businesses, in order to achieve a further transformation and future growth, and is deploying this business model of "financial ecosystem" overseas. As a "Strategic Business Innovator", the Group takes on the challenge of realising sustainable growth, placing these business segments, being financial services business, asset management business and biotechnology-related business, as its three core businesses.

With the acceleration of new technological developments on a global scale in fields such as cryptocurrency, IoT, AI and big data, the Group has introduced various new technologies ahead of its competitors to establish a new "FinTech" ecosystem, with blockchain technology as its core, in order to transition into a new dramatic growth phase.

As at 30th June, 2017, the Group consisted of the Company, 164 consolidated subsidiaries, 21 consolidated partnerships and 37 equity method associates, of which the Company, two of its subsidiaries and three of its equity method associates were listed on stock exchanges as at 30th June, 2017.

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

The Shares are listed on the First Section of the Tokyo Stock Exchange. The market capitalisation of the Company based on the closing price of the Shares on the Tokyo Stock Exchange on 29th August, 2017 was approximately ¥337,965 million.

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 (currently the JASDAQ market) 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).

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. ("Morningstar Japan") its subsidiary. The Company transferred its venture fund management business to SBI VENTURES K.K. (currently SBI Investment Co., Ltd. ("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 is a joint venture company with The Sumitomo Trust and Banking

Co., Ltd. (currently Sumitomo Mitsui Trust Bank, Limited) in September 2007, and SBI Insurance, in January 2008. In addition, the Group has expanded its business overseas through its representative offices or subsidiaries in Beijing, Singapore, Hong Kong, Shanghai, and Malaysia in October 2005, February 2007, December 2008, April 2010 and May 2011, respectively.

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 March 2013, the Company acquired shares of the SBI Savings Bank Group (the former Hyundai Swiss Savings Bank and its subsidiaries) of Korea and made them its subsidiaries.

In February 2015, the Company acquired all outstanding shares of SBI Life Insurance Co., Ltd. ("SBI Life Insurance", the former PCA Life Insurance Co., Ltd. ("PCA Life Insurance")). As a result, SBI Life Insurance is a consolidated subsidiary of the Company.

Strategy

The Group has achieved dramatic growth by taking advantage of the past two major trends of the Internet revolution and deregulation. Currently, two new major trends of "the policy change of the Financial Administration" and the "FinTech Revolution" have begun, and a new major transformative wave is being pressed upon the financial industry. Under these circumstances, the Group is endeavouring to raise its corporate value, and is moving to migrate to a new paradigm, which goes beyond the current framework and value viewpoint. More specifically, the Group intends to promptly incorporate new technologies, such as FinTech, which is currently a major global trend, into its businesses, to further expand the existing business ecosystem by cooperating with companies outside of the Group, including those involved in the same industry, in order to actualize the Company's intrinsic corporate value. Regarding "the policy change of the Financial Administration", the Financial Services Agency of Japan (the "JFSA") has placed corporate and economic growth, along with asset formation as its highest priority, and is directing financial institutions to conduct business in the best interests of the customers ("customer-oriented business operations" (as a fiduciary duty)), but the Group has always thoroughly extolled the "Customer-centric Principle" since its founding, and has a track record of placing high priority in the best interests of the customer to provide services that are truly to the benefit of the customer. The Group intends to continue to further strengthen and thoroughly implement initiatives based on the "Customer-centric Principle", in order to take advantage of its accumulated know-how, and to take on the role of leading the Japanese financial institutions.

In light of the above, the Group is implementing the following strategies:

A paradigm shift to Fintech 2.0

Migrating to FinTech 2.0, which provides innovative financial services

During the 1990s, when the Group was founded, Japan was experiencing two major trends of financial deregulation (the so-called "Financial Big Bang in Japan" from the fiscal year ended 31st March 1997 to the fiscal year ended 31st March, 2002, when the government implemented major reforms of the financial system), and the Internet revolution. Considering the high affinity between finance and the Internet, the Group sequentially entered into the securities, banking and insurance businesses with the Internet as the main channel, and has subsequently provided services with higher economic potential and convenience, by drawing fully on the strength of technology. At the same time, the Group constructed a financial ecosystem that pursues synergies and mutual development of companies within the Group, which was fully completed with the start of operations of the life insurance business in 2016. The establishment of a financial ecosystem with the Internet as its main channel is the primary factor that brought about a dramatic growth in the Group, which the Group refers to as FinTech 1.0, or the initial stage of FinTech. Today, using elemental technologies in fields that are drawing attention for their new technological revolutions, including AI, big data, IoT, and robotics, in addition to blockchain, the Group is advancing the construction of FinTech 1.5 on the established Web-based online financial ecosystem, in a stage where new financial businesses are being created one after another. In this way, within the technologies the Group refers to as FinTech, blockchain is a platform that facilitates the exchange of value over the Internet, and safely processes a large variety of digital financing, and holds the promise of incorporating significant social changes. Progress in the development of blockchain will engender the creation of innovative financial services, which will utilize blockchain-based applications, as the era of FinTech 2.0 with blockchain as its core technology approaches closer to reality. The Group will continue to drive its migration process to a complete blockchain financial ecosystem in this FinTech 2.0 era.

Enhancing alliances with FinTech venture companies in the Group's portfolio

A large proportion of technical innovation comes from venture companies. In the FinTech field, as a result of the flourishing of technology in blockchain, the core FinTech technology, and in such fields as AI, big data, IoT, and robotics, venture companies have been playing the main role since 2013 in promoting innovation in financial technology. Accordingly, the Group established the FinTech Business Innovation Investment Limited Partnership (FinTech Fund) in December 2015. With a total capital commitment of ¥30 billion, this specialised FinTech Fund is the first such fund in the industry, and has invested heavily in a variety of fields related to FinTech. This activity has not been limited to investment alone, as the Group also introduces technology, ahead of other companies, from the venture companies in the Group's portfolio to the Financial Services Business. Specifically, the Group is creating new financial businesses, and advancing business efficiency through alliances between venture companies in the Group's portfolio and individual Financial Services Business companies within the Group. This has led to the launch of a "robo-adviser" service, and a loan service based on accounting transactions, while for the development of new businesses, examples include the development of personalized insurance products and the establishment of next generation remittance systems leveraging blockchain.

Creating a new finance business leveraging blockchain

While various initiatives to leverage blockchain in the financial business are advancing throughout the world, in order for the Group and Japanese corporations to heighten their global presence, the Group must enter new businesses while at the same time participate in globally advanced frameworks. Specifically, the Group has invested in U.S. FinTech companies, such as Ripple and R3, which hold advantages in distributed ledger technology ("DLT"), which is a technology related to blockchain. With Ripple, the Group has established SBI Ripple Asia, which is a joint venture. Ripple is drawing worldwide attention for its success in all parts of the globe in practical testing, using the Interledger Protocol ("ILP") platform which was developed proprietarily. The Group, who is the largest outside shareholder of R3, also participates in a consortium led by the company. This consortium includes over 80 participating financial institutions from countries around the world, and operates on the highest global scale as a working group engaged in raising market efficiency, by making use of DLT. In November 2016, it completed a pilot implementation for the commercialisation of "Corda", a DLT for financial institutions that has moved to open source. The Group, along with the world's major financial institutions, who are also members of other groups, will endeavour to make ILP and Corda the global standard in finance. Also, SBI Virtual Currencies, established in November 2016, promotes alliances with virtual currency exchanges in Japan and abroad, which are included as investment targets in the FinTech Fund of the Group, and participates in trading exchange operations that handle a variety of virtual currencies, such as bitcoin and XRP.

Expanding the corporate ecosystem by strengthening cooperation with companies outside of the group

Collaborations with companies outside of the Group in the online and face-to-face realms

The Group not only provides services through the Internet, but in order to provide the most optimal financial products for each customer, is buttressing the operations of SBI MONEY PLAZA, a face-to-face sales channels, which has enabled the Group to organically supply its financial services, both on an online and face-to-face basis, to receive high customer satisfaction feedback. Going forward, the Group believes that it will become necessary to strengthen alliances with companies outside of the Group, on both an online and face-to-face basis, regardless of whether they are involved in the same or different industries. In the past, the Group had provided a high level of customer convenience through a comprehensive provision of information, finance and services, on an intra-Group basis, but by strengthening our alliances with companies outside of the Group, the Group will be able to greatly expand the breadth of products and services that the Group will be able to provide. Taking the securities-related business as an example, the Group is flexibly and strategically rolling out the defined contribution pension plans ("iDeCo") services, by partnering with the Daiwa Securities Group in iDeCo, by merging both companies' corporate resources. By taking advantage of the external company's resources, such as the sales force and the customer base in this case, along with our efforts to develop and provide products and services with high customer benefits, the Group will be positioned to continue to expand our corporate ecosystem by developing various such business domains in the future.

Speeding up the Diffusion of FinTech Open Innovation and the API Economy

The Group is developing new financial services, one after another, through alliances with companies outside of the Group, but the key to accelerating the diffusion of FinTech are an open innovation and the API economy. Even with venture companies that boast superior elemental technology, it is rare that an individual company can deliver a complete range of products and services using only the technologies that it possesses. Instead, the

Group believes that additional attractive products and services can be created through a combination of these elemental technologies, and that it is important to reduce the cost of introducing these new technologies. An effective means of bringing this to reality is to lower the cost per individual company, by sharing the cost burden of technology introduction and product development with our many strategic partners, as well as promoting joint development. By using this type of an open innovation method, the Group intends to conclude strategic partnerships with numerous regional financial institutions. Also, the rapid expansion of the API economy is regarded as an example of an advanced initiative that strengthens a Group alliance. Through the release of a bank's API, to connect it with a FinTech venture company, breakthrough services formerly unavailable are now realised. In this context, customers will be able to safely and accurately retrieve their own bank account balance or account activity statements, as well as conduct actual transfer of funds through means such as bank transfer, through the services supplied by FinTech venture companies. Towards the expansion of the API economy, SBI Sumishin Net Bank is proactively working towards an API connection with technology development ventures in accounting, asset management and operations.

Establishing a business structure that realises sustainable growth in the biotechnology-related business

In the Biotechnology-related Business, which the Group views as one of the core industries of the 21st century, SBI Pharmaceuticals and SBI Biotech both achieved their first full year profitability since their founding, and the other companies of the Biotechnology-related Business are all establishing a structure that will position them to generate a profit. Going forward, through the expansion of pharmaceutical out-licensing, and the boosting of the sales of health foods with function claims, the major companies within the Biotechnology-related Business will move toward an IPO, and a structure will be established that will enable each of the companies to operate independently. In anticipation of the medium- to long-term growth, a stringent selection of the R&D pipeline in the 5-ALA business, which is the core pillar of the Biotechnology- related Business, will be made, while planning the expansion of the R&D domain into related areas. For example, in the case of an intraoperative diagnostic agent, in addition to that which is already on the market for malignant glioma, the Group has moved into the clinical phase for bladder cancer and peritoneal dissemination of gastric cancer, as the Group seeks to expand the application to other strains of cancer.

Actualising intrinsic corporate value by listing the Group's subsidiaries

The Group will continue to focus on actualising the Company's intrinsic corporate value. Some institutional investors have been voicing concerns about how difficult it is to understand the wide range of fields in which the Group conducts its business, with some also claiming that a conglomerate discount might arise from operating such a diverse number of businesses. In response, the Group is promoting the IPOs of the Group companies, which the Group expects will clarify their business value, and help actualise the corporate value of the entire Group. For example, SBI FinTech Solutions (formerly SBI AXES) is already listed on the KOSDAQ market in South Korea, and operates a payments-related business that has an affinity with FinTech. For the purpose of accelerating growth and raising the corporate value even further, three FinTech-related Group companies were consolidated under SBI FinTech Solutions, which will put FinTech at the centre of its business. In the insurance business, six companies that operates insurance businesses within the Group were placed under SBI Insurance Group, an insurance holding company that started operations in March 2017, with the intention of listing it as an insurance holding company. In this way, the Group is enhancing shareholder value by reorganising individual Group companies, and by manifesting the latent corporate value through public stock offerings. The Group believes that the creation of customer value is the foundation of corporate value, and that customer value, shareholder value and human capital value are mutually interconnected and increase over time in a virtuous cycle. Increasing customer value through close adherence to the "Customer-centric Principle" on a group-wide basis contributes to improvements in business performance, and an increase in shareholder value. This makes it possible to recruit and retain talented personnel, which leads to an increase in human capital value. The Group believes that if talented personnel can be secured, then the Group can produce better goods and services, which leads to substantially higher customer value, and produces the conditions for a virtuous cycle.

Operations

General

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, the Group's reportable segments are divided into "Financial Services Business", "Asset

Management Business", and "Biotechnology-related Business". The reporting segments of the Group represent businesses activities for which separate financial information of the Group's components is available and reviewed regularly by the board of directors for the purpose of allocation of financial resources and performance evaluation. Business segments classified into "Others" includes the real estate business and other businesses, but they did not meet the quantitative criteria to be defined as reportable segments for the fiscal year ended 31st March, 2017.

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 31st March,					
	2015		2016		2017	
	Revenue	Percentage of Consolidated Revenues	Revenue	Percentage of Consolidated Revenues	Revenue	Percentage of Consolidated Revenues
	(Millions of yen)	(Per cent.)	(Millions of yen)	(Per cent.)	(Millions of yen)	(Per cent.)
Financial Services Business(1)	¥160,093	64.7%	¥166,208	63.5%	¥176,989	67.6%
Asset Management Business(1)	71,316	28.8	91,543	35.0	80,392	30.7
Biotechnology-related Business	2,183	0.9	4,021	1.5	5,530	2.1
Others	15,731	6.4	2,259	0.9	883	0.3
Elimination/Corporate	(1,900)	(0.8)	(2,287)	(0.9)	(1,855)	(0.7)
Total consolidated revenues	¥247,423	100.0%	¥261,744	100.0%	¥261,939	100.0%

Note:

(1) Certain subsidiaries, including SBI AXES (currently SBI FinTech Solutions), which were included in the Asset Management Business until the fiscal year ended 31st March, 2016, have been included in the Financial Services Business from the fiscal year commenced on 1st April, 2016. Consequently, segment information for the fiscal year ended 31st March, 2016, has been restated in accordance with the new basis of segmentation; however, segment information for the fiscal year ended 31st March, 2015 has not been so restated.

	Three-month period ended 30th June,			
	2016		2017	
	Revenue	Percentage of Consolidated Revenues	Revenue	Percentage of Consolidated Revenues
	(Millions of yen)	(Per cent.)	(Millions of yen)	(Per cent.)
Financial Services Business	¥42,027	65.7%	¥50,423	73.2%
Asset Management Business	22,026	34.4	18,406	26.7
Biotechnology-related Business	308	0.5	652	0.9
Others	87	0.1	120	0.2
Elimination/Corporate	(482)	(0.7)	(684)	(1.0)
Total consolidated revenues	¥63,966	100.0%	¥68,917	100.0%

Note:

(1) Certain subsidiaries, including BroadBand Security, Inc., which were included in the Asset Management Business until the fiscal year ended 31st March, 2017, have been included in the Financial Services Business from the fiscal year ending 31st March, 2018. Consequently, segment information for the three-month period ended 30th June, 2016 has been restated in accordance with the new basis of segmentation.

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 31st March,		
	2015	2016	2017
	(Millions of yen)		
Financial Services Business	¥66,524	¥50,806	¥48,853
Asset Management Business	8,917	17,649	13,940
Biotechnology-related Business	(7,310)	(6,572)	(9,574)
Others	2,779	(835)	(830)
Elimination/Corporate	(7,843)	(8,821)	(9,250)
Total consolidated profit before income tax expense	¥63,067	¥52,227	¥43,139

Note:

(1) Certain subsidiaries, including SBI AXES (currently SBI FinTech Solutions), which were included in the Asset Management Business until the fiscal year ended 31st March, 2016, have been included in the Financial Services Business from the fiscal year commencing on 1st April, 2016. Consequently, segment information for the fiscal year ended 31st March, 2016, has been restated in accordance with the new basis of segmentation; however, segment information for the fiscal year ended 31st March, 2015 has not been so restated.

	Three-month period ended 30th June,	
	2016	2017
	(Millions of yen)	
Financial Services Business	¥13,249	¥14,238
Asset Management Business	3,152	5,520
Biotechnology-related Business	(3,530)	(2,841)
Others	(390)	(200)
Elimination/Corporate	(2,347)	(1,967)
Total consolidated profit before income tax expense	¥10,134	¥14,750

Note:

(1) Certain subsidiaries, including BroadBand Security, Inc., which were included in the Asset Management Business until the fiscal year ended 31st March, 2017, have been included in the Financial Services Business from the fiscal year ending 31st March, 2018. Consequently, segment information for the three-month period ended 30th June, 2016 has been restated in accordance with the new basis of segmentation.

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.

Securities related Business

The Group's securities related business primarily consists of the provision of a wide range of value-added financial services, such as the provision mainly to individual 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 brokerage commissions from securities transactions, financial revenue from margin transactions, underwriting and sales fees for initial public offerings, commissions for the placement and sale of stock and trading income from FX margin trading.

Brokerage Business

Since its Internet transaction services started in October 1999 and as a pioneer online securities firm in Japan, SBI SECURITIES has endeavoured to provide some of the industry's lowest levels of commission rate structure, abundant and high-quality investment information and real time transaction tools, attractive investment opportunities (products) and safe transactions, having the customer-centric principle as its business philosophy. Strong investor support has made SBI SECURITIES the leading online securities company in the industry in Japan in terms of the number of accounts, customer assets and individual brokerage trading value.

The following table sets out certain data relating to the number of customer accounts and the amount of customer deposit assets at SBI SECURITIES as at the dates indicated:

	As at 31st March,		
	2015	2016	2017
Number of customer accounts (thousands)	3,246	3,564	3,840
Customer deposit assets (trillions of yen)[1]	¥ 8.2	¥ 8.3	¥ 9.4

Note:
(1) Excluding the deposit balance of SBI Hybrid Deposit.

In domestic stock trading, the Group offers industry-leading economical fees, and through connection with the PTS (Proprietary Trading System) operated by SBI Japannext Co., Ltd. ("SBI Japannext"), the Group offers the SOR (smart order routing) service in which orders are executed by selecting the best market among the multiple options. As a result, the Group provides support to individual investors for efficient asset management in terms of both trading fees and contract prices. Trading and investment information is offered through a diversity of channels centred on the website, including the HYPER SBI real-time trading tool that enables investors to cover the gamut from gathering investment information to placing an order in addition to smart phone sites and apps.

Offering a Wide Range of Products

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 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, SBI SECURITIES offers foreign stocks from nine countries: the U.S., China (Hong Kong), South Korea, Russia, Vietnam, Indonesia, Thailand, Singapore, and Malaysia.

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 MBOs. In terms of IPO underwriting, SBI SECURITIES was involved in the underwriting of 77 companies out of 87 companies that listed on the Japanese stock exchanges during the fiscal year ended 31st March, 2017, accounting for an 88.5 per cent. participation ratio that kept it in a leading position within the industry.

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 stock exchanges. The Financial System Reformation Act of Japan made it possible for securities firms to start PTS in Japan.

There are two roles that Japannext PTS plays in the Japanese equity market. The first is to provide investors with the opportunity to trade stocks after the market closes, when information relating to particular stocks may become available. Also, Japannext PTS provides investors with the opportunity to observe the U.S. and European stock market activity, and therefore to trade according to their contemplation of the next day's trading. The second role is that of an "alternative channel of liquidity", where investors may seek the best order execution during the daytime trading session that overlaps the stock exchange trading session. The Group believes that playing these roles will lead to a significant increase in investors' opportunities.

Japannext PTS started operations in August 2007 as a highly public proprietary trading system operated by several securities companies. Japannext PTS operated by SBI 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 approximately 3,700 issues, which account for the majority of the stocks and financial products listed on the four 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 Japan Government Bonds.

In July 2016, the Group disposed of a part of its holding of shares in SBI Japannext. As a result, the Group's ownership ratio has changed from 52.8 per cent. to 48.8 per cent., and SBI Japannext has changed from being a subsidiary to an equity method associate of the Company.

Foreign Exchange Margin Trading

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.

FX trading (over-the-counter FX margin trading) came into existence as a result of the enactment of the Revised Foreign Exchange and Foreign Trade Act in April 1998. On the back of growing demand from individual investors, the volume of FX trading has been posting a significant increase in recent years, steadily solidifying its position as a common asset-management method.

SBI Liquidly 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. But 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 Co., Ltd. ("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, the 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 Business

Since it began operations in September 2007, SBI Sumishin Net Bank, a joint venture between the Company and Japan's largest trust bank, Sumitomo Mitsui Trust Bank, Limited ("Sumitomo Mitsui Trust Bank") has endeavoured to realise an Internet full-banking business, 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 is diversifying its asset management in response to the increase in deposit balance. For its core product of housing loans, its principal offerings are the Internet Exclusive Housing Loan, which it provides as an agent for Sumitomo Mitsui Trust Bank, and MR. Housing Loan REAL, a banking agency specialised product. SBI Sumishin Net Bank also started a full-scale offering of the Flat 35 product in September 2015, through an alliance with the Japan Housing Finance Agency.

SBI Sumishin Net Bank's deposit balance was ¥4,007 billion with a total of 2,827 thousand customer accounts as at 31st March, 2017. As SBI Sumishin Net Bank is an equity method associate with 50 per cent. shareholding by the Company as at 31st March, 2017, its profit was included in share of profit of associates, using the equity method.

The following table sets out the level of SBI Sumishin Net Bank's outstanding housing loans as at the dates indicated:

	As at 31st March,		
	2015	2016	2017
	(Billions of yen)		
SBI Sumishin Net Bank's outstanding housing loans	¥1,556.5	¥1,777.7	¥1,990.9

Insurance Business

Non-life Insurance

Since it began operations in January 2008, SBI Insurance has offered its customers automobile insurance at affordable premiums, through the implementation of low cost operations that maximize use of the Internet, based on the knowhow and experience accumulated by the Group in the online financial services business.

Including contracts of customers switching from other insurers, the number of contracts is increasing at a rapid pace, and consequently insurance premium income is also rapidly increasing. The number of SBI Insurance's auto insurance contracts was 913 thousand as at 31 March 2017. Auto insurance premium income of SBI Insurance totalled ¥32.2 billion as at 31 March 2017.

Life Insurance

In February 2015, the Company acquired all outstanding shares of PCA Life Insurance from Prudential plc. The corporate name of PCA Life Insurance has been changed to SBI Life Insurance from May 2015. SBI Life Insurance started sales of new products for term life insurance and whole life medical insurance in February 2016. In addition, SBI Life Insurance began offering group credit life insurance for housing loan borrowing customers of SBI Sumishin Net Bank from June 2017. Even for these products, the Group's synergies are leveraged to expand sales through online channels, as well as "face-to-face" channels of insurance shops and call centres. As at 31st March, 2017, SBI Life Insurance's individual life insurance policies and individual annuities in force amounted to approximately 102 thousand and 5 thousand, respectively, with an annualised insurance premium for the fiscal year then ended of ¥5,569 million and 2,229 million, respectively.

In March 2017, the Group reorganised to consolidate six subsidiaries engaging in insurance business within the Group, including SBI Insurance, SBI Life Insurance, and low-cost short-term insurance companies under the SBI Insurance Group Co., Ltd ("SBI Insurance Group"), which is an insurance holding company. SBI Insurance Group plans to reduce costs by consolidating management functions, and to improve corporate value through synergistic effects.

Face-to-Face Sales Channels

The Group is promoting integration of the online and face-to-face service and seeks to be Japan's largest distributor of financial products by providing a wide range of financial products from the Group companies and third parties from a neutral perspective.

SBI MONEY PLAZA which provides a one-stop response to diverse customer needs for asset management, insurance, bank deposits and housing loans, will take the lead in developing the operation of the Group's face-to-face channels. SBI MONEY PLAZA expanded its network of face-to-face shops that offer securities, insurance and/or housing loans to 385 locations (19 shops of which are directly operated) nationwide as of the end of March 2017.

Other Financial Services

The Group also provides services through its insurance comparison website "InsWeb" and the loan comparison website "E-LOAN" to individual users.

Competition in the Financial Services Business

In the Financial Services Business, the Group currently competes primarily with other online securities firms in Japan as well as FX trading firms. SBI SECURITIES currently holds the leading position among the online securities companies in Japan in terms of the number of accounts, customer assets and individual brokerage trading value.

Competition among brokerage companies has been intensifying. The Group expects competition to continue to intensify as more companies from other industries enter the online securities brokerage market in response to deregulation. Furthermore, large securities companies are developing and improving their online securities brokerage businesses. Moreover, competition among companies, which provide over-the-counter FX margin transactions, has been intensifying. In addition, the minimum unit cost needed to acquire a single new customer account is also projected to increase due to such competition.

Asset Management Business

The Asset Management Business primarily consists of fund management and investment in Internet technology, biotechnology and finance-related venture companies in Japan and overseas, financial services business overseas, and asset management services business which provides financial products information. The Group includes venture companies acquired in the Asset Management Business in the Group's consolidation; thus, the businesses operated by the venture companies are included in this segment.

SBI Capital Management Co., Ltd., an intermediate holding company established in June 2012, is planning to centrally manage the operations of this segment, such as the management of the Group's investment portfolio including overseas investment. In November 2015, as part of the internal restructuring to enhance the entire Group's structure of the asset management businesses, an asset management services business was spun-off within the Asset Management Business, with SBI Global Asset Management Co., Ltd. ("SBI Global Asset Management") as an intermediate holding company.

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. The Group's Asset Management Business primarily focuses on investing in venture companies in the areas of IT, biotechnology and finance related companies.

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 Group company 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.

For the fiscal year ended 31st March, 2017, 14 investee companies of the Group were involved in IPO and M&A transactions. Of these, four IPOs were conducted by domestic companies, and six IPOs were conducted by overseas companies.

In general, through the Asset Management 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 the merger or acquisition of investee companies.

In December 2015, SBI Investment launched FinTech Business Innovation Investment LPS (the "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. The FinTech Fund plans 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.

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.

Today, 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, is active. SBI Investment has jointly established CVCs with three companies, including INTAGE HOLDINGS Inc., and NIKON CORPORATION, and 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 in China and other countries in Asia. 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 venture capital funds and other funds managed by and/or invested in by the Group include the following key funds as at 31st March, 2017:

Name of fund	Partners	Portfolio	Capital commitment (Percentage of Group's capital contribution)
			(millions)
SBI Venture Fund Investment LPS.[(1)]	N/A	Investment mainly in domestic and overseas information technology/environment/ healthcare related companies	¥15,000 (18.4%)
FinTech Business Innovation Investment LPS.	N/A	Investment mainly in domestic and overseas new technology such as Fintech, IoT, AI and big data related companies	¥30,000 (20.3%)
Nikon-SBI Innovation Fund	Nikon Corporation	Investment in opto-electronics and precision technology companies in Japan and overseas	¥5,000 (10.0%)
INTAGE Open Innovation LPS	INTAGE HOLDINGS Inc.	Investment mainly in information technology / healthcare /service related companies domestic and overseas	¥5,000 (4.0%)
SBI & BDJB China Fund, LP.	Peking University Beida Jade Bird	Investment mainly in companies in China	US$100 (50.0%)
DIGITAL NIRVANA FUND COMPANY LIMITED	Nirvana Venture Advisors	Investment mainly in information technology/mobile/ EC related unlisted companies in India	US$25.5 (72.5%)
Shanghai INESA-SBI Equity Investment Partnership Enterprise (Limited Partnership)	Shanghai Yidian Holding	Investment mainly in unlisted companies in China that engage in information industry	RMB202 (50.5%)
SBI FMO EMERGING ASIA FINANCIAL SECTOR FUND PTE. LTD.	Financierings-Maatschappij voor Ontwikkelingslanden	Investment mainly in companies in emerging countries in Asia	US$60.5 (43.0%)
SBI Islamic Fund (Brunei) Limited	Brunei Darussalam, Ministry of Finance	Investment in companies in the world based on the Shari' a method	SGD75 (50.0%)
Jefferies SBI USA Fund L.P.	Jefferies Group Inc.	Investment mainly in unlisted companies in U.S.	US$150 (50.0%)

Name of fund	Partners	Portfolio	Capital commitment (Percentage of Group's capital contribution)
			(millions)
SBI & Capital 22 JV FundII, L.P.	Wise Range Limited, Top Master Limited, Guardian First Limited, and Capital 22 Corp.	Investment mainly in companies in Chinese Taipei	US$22.5 (66.7%)
SBI Islamic Fund II (Brunei) Limited	Brunei Global Islamic Investments Sdn Bhd, and Islamic Development Bank	Investment in shariah-compliant companies mainly in the Asia Pacific with emphasis on ASEAN countries	US$60 (41.7%)
SBI JI Innovation Fund L.P.	Vertex Management (IV) Ltd.	Investment mainly in companies in Israel	US$30 (100.0%)

Note:

(1) Figures in the capital commitment column of SBI Venture Fund Investment LPS. are the aggregate amount of SBI Venture Fund Investment LPS., SBI Venture Fund No. 2 Investment LPS., SBI Venture Fund No. 3 Investment LPS., and SBI Venture Fund No. 4 Investment LPS.

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 of South Korea, which became a consolidated subsidiary of the Company in March 2013, is expanding its savings bank business with individuals, self-proprietors, and small- to medium-size enterprises as its core customers. In October 2014, SBI SAVINGS BANK merged with three of its affiliate banks to become the largest savings bank in South Korea by assets and has completed the merger.

Shortly after becoming a subsidiary of the Company, SBI SAVINGS BANK completed a revitalisation process to manage non-performing loans before becoming a subsidiary of the Company and profitability has steadily improved, achieving a stable revenue base. SBI SAVINGS BANK's performing loans are steadily increasing, particularly in the retail area, while retail credit acquisition has been growing. The retail mobile credit loan Product "Cyder" was introduced in January 2016 and has contributed to the acquisition of new credit.

Asset Management Services Business

Owing to the increase in total assets managed by the Group operating securities business, banking business and insurance business, the Group has initiated restructuring and strengthening of the structure of its asset management business, and in November 2015, the Company established SBI Global Asset Management as an intermediate holding company. SBI Global Asset Management is considering presiding over the asset management divisions of the companies within the Group.

For the purpose of such restructuring and strengthening, in December 2015 SBI Global Asset Management acquired all the shares of Morningstar Japan held by the Company. In addition, SBI Global Asset Management established SBI Bond Investment Management Co., Ltd. ("SBI Bond Investment Management") with Pacific Investment Management Company, LLC in order to provide investors with an actively managed bond fund, and in June 2016 SBI Bond Investment Management launched its first product.

SBI Global Asset Management and its subsidiaries provide companies within the Group with asset management know-how, and further options for asset management products as well as for expanding operational scale by providing unique financial products through SBI SECURITIES and SBI MONEY PLAZA to general investors.

Biotechnology-related Business

The Group regards biotechnology as a next-generation core industry. In addition to investing in venture companies in this field, the Group is directly engaged in the operations of biotechnology-related businesses, through the operations of SBI Pharmaceuticals, SBI ALApromo, and SBI Biotech. In the fiscal year ended 31st March 2013, the Group made the Biotechnology-related Business one of its three core business segments.

The Group has been focusing on development and sales by SBI Pharmaceuticals and SBI ALApromo of pharmaceutical, cosmetic and health food products that contain ALA as the main active ingredient. In January 2016, the Group acquired all shares of photonamic GmbH & Co. KG. in Germany, which has marketing routes in more than 25 countries for pharmaceuticals that contain ALA as the main active ingredient. As a result, the Group built an internal structure to expand the ALA-related business globally under SBI ALA Hong Kong Co., Limited, an intermediate holding company focusing on ALA-related business.

SBI Pharmaceuticals has realised three licensings-out of ALA related drugs in the fiscal year ended 31st March, 2017. SBI Pharmaceuticals licensed out R&D pipelines of drugs for treating diabetes and malaria, to Neopharma LLC, and provided domestic exclusive sales rights of "ALAGLIO® granules 1.5g", an intraoperative diagnostic agent for bladder cancer, to Chugai Pharmaceutical Co., Ltd. SBI Pharmaceuticals achieved a positive annual profit before income tax expenses for the first time since its establishment, due to the up-front fee received in respect of these licensing-out contracts.

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. SBI Biotech received part of the milestone income associated with the start of Phase I clinical trials of the anti-ILT7 antibody (MEDI7734) licensed to MedImmune LLC (USA), a subsidiary of AstraZeneca PLC, a leading pharmaceutical company. In addition, SBI Biotech achieved a positive annual profit before income tax expenses on a non-consolidated basis for the first time since its establishment in the fiscal year ended 31st March, 2017, due to the up-front fee received in respect of the licensing-out contract of "SBI-9674" which it entered into with Kyowa Hakko Kirin Co., Ltd.

Quark Pharmaceuticals, a wholly owned subsidiary of SBI Biotech, holds technology in the field of small interfering RNA (siRNA) and has made progress on its multiple drugs in the development pipeline. One drug in the pipeline is QPI-1002 (licensed to Novartis International AG), which is proceeding to Phase III clinical trials as a preventive agent for the failure of kidney function following an organ transplant (delayed graft function), and has Phase II clinical trials under way for acute kidney injury. Phase II/III clinical trials have also started for QPI-1007 (licensed to Biocon of India) for non-arteritic anterior ischemic optic neuropathy as an indication.

Others

Business segments classified into "Others" includes the real estate business and other businesses, but they did not meet the quantitative criteria to be defined as reportable segments for the fiscal year ended 31st March, 2017.

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 system for online transactions is a crucial management issue. The Group has put in place a number of countermeasures, which include building redundant mission critical systems and monitoring functions for 24/7, as well as establishing back-up sites at multiple locations.

Research and Development

The R&D expenses of the Group amounted to ¥8,622 million on a consolidated basis for the fiscal year ended 31st March, 2017. They were primarily related to R&D activities in the Biotechnology-related Business, which amounted to ¥8,619 million.

The R&D activities in the Biotechnology-related Business includes 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.

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 "恩倍益" brand in Hong Kong, China and Taiwan).

The Group also owns a number of patents relating to products which use 5-ALA in its Biotechnology-related Business.

Property and Equipment

The Group principally leases its office space (mainly located in Tokyo) from third parties. As at 31st March, 2017, the carrying amount of the Group's buildings and related facilities, furniture and fixtures, land, and other property and equipment amounted to ¥3,424 million, ¥4,683 million, ¥1,965 million and ¥426 million, respectively.

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 Director is appointed as Director responsible for compliance matters, and the Compliance Department of the Company directly manages compliance activities of the Group. 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 Director responsible for compliance matters, the Compliance Department of the Company and compliance officers from Group companies regularly hold compliance meetings where group-wide compliance issues are discussed.

Risk Management

The Board of Directors of the Company appoints a Director to be in charge of risk management in accordance with the Company's regulations regarding crisis management, risk management and group risk management. In addition, the Risk Management Department of the Company monitors, evaluates and manages risk for the Group.

In the event that a potential or actual risk threatening the Company arises, the Director 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.

The Company has established a management structure for information gathered in the process of conducting the Group's business, including customer information, through the Information Security Committee which comprises members from each business division and is chaired by the Director in charge of risk management. In addition, the Company has established a system to minimise risks involving the computer systems operated by the Group, including doubling systems and backing-up systems at multiple locations.

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. While a number of aspects of the Group's Financial Services business and Asset Management business are regulated by the FIEA, its general banking business and insurance businesses are primarily subject to the Banking Act and the Insurance Business Act, respectively. In addition, its Biotechnology-related Business is subject to 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

The FIEA regulates most aspects of transactions and businesses that relate to financial instruments 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 money lending 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 Group companies 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.

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 the Banking Act, the authority over banks, delegated to the FSA, extends to various areas and is part of the prompt corrective action system whereby the FSA may take corrective action in certain cases. 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. Under the Insurance Business Act, the FSA is delegated broad regulatory powers over insurance companies. Also, 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.

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 of Japan (Act No. 100 of 1954, as amended), the Act Regulating the Receipt of Contributions, the Receipt of Deposits, and Interest Rates and the Money Lending Business Act in respect of the business of money lending; the Building Lots and Buildings Transaction Business Act in respect of the sale, purchase or lease of buildings or building lots; and the Construction Business Act, the Building Standards Act and the Act on Architects and Building Engineers in respect of construction-related operations.

Regulations in countries in which the Group has deployed such as South Korea, Russia, Thailand, Indonesia, Cambodia require financial institutes to comply with adequacy ratios including to maintain certain minimum equity ratio as well as a prescribed solvency position and liquidity ratio, and to set aside a certain level of legal reserve.

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 all premises for risks such as fire, theft and third party liability, 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, President & Chief Executive Officer
Katsuya Kawashima	Representative Director, Senior Executive Vice President & Co-Chief Operating Officer
Takashi Nakagawa	Representative Director, Senior Executive Vice President & Co-Chief Operating Officer
Tomoya Asakura	Director & Senior Managing Executive Officer
Shumpei Morita	Director, Senior Managing Executive Officer & Chief Financial Officer
Masato Takamura	Director & Senior Managing Executive Officer
Kazuhiro Nakatsuka	Director & Managing Executive Officer
Tatsuo Shigemitsu	Director & Managing Executive Officer
Tatsuyoshi Otobe	Director & Managing Executive Officer
Masayuki Yamada	Director & Executive Officer
Masaki Yoshida	Director
Teruhide Sato(1)	Director
Ayako Hirota Weissman(1)	Director

Name	Title
Heizo Takenaka[1]	Director
Hirofumi Gomi[1]	Director
Yoshitaka Asaeda[1]	Director
Yasuhiro Suzuki[1]	Director
Atsushi Fujii	Standing Statutory Auditor
Toru Ichikawa[2]	Standing Statutory Auditor
Minoru Tada	Statutory Auditor
Yasuo Sekiguchi[2]	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 Statutory Auditors and outside Directors, for the fiscal year ended 31st March, 2017 paid to by the Company was ¥664 million, ¥14 million and ¥133 million, respectively.

As at 31st March, 2017, 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 31st March, 2017, 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. Also, certain of the stock options were allocated to the directors or employees at the fair value.

None of the expenses arising from share-based payment transactions regarding granted stock options are recorded during the fiscal years ended 31st March, 2015, 2016, and 2017.

The outline of the Group's stock option plans relating to Shares as at 31st March, 2017 is as follows:

Grantees	Aggregate number of shares purchasable	Date of board meeting(s)	Exercise price	Exercise period
7 directors of the Company 97 employees of the Company 41 directors of its subsidiaries 362 employees of its subsidiaries	3,817,600	30th October, 2014 / 19th November, 2014	¥1,247	1st July, 2015 to 30th June, 2018

In addition, the Board of Directors of the Company resolved at its meeting held on 27th July, 2017 and 29th August, 2017, to issue the following stock acquisition rights as part of its stock option plans on 1st September, 2017 ("Allotment Date"):

Grantees[(1)]	Aggregate number of shares purchasable[(2)]	Date of board meeting(s)	Exercise price	Exercise period
50 directors of the Company and its subsidiaries	2,800,000	27th July, 2017 / 29th August, 2017	¥1,563	1st July, 2020 to 30th September, 2021[(3)]
978 employees of the Company and its subsidiaries	3,300,000	27th July, 2017 / 29th August, 2017	¥1,563 or the closing price of the Company's common stock on the Tokyo Stock Exchange on the Allotment Date, whichever is higher	29th July, 2019 to 30th September, 2024[(4)]

Notes:

(1) Each number of grantees is a planned number, and it may be changed before the Allotment Date.

(2) Each aggregate number of shares purchasable is the maximum number, and it may be changed before the Allotment Date.

(3) These stock options are also subject to the condition that they may only be exercised if the profit before income tax expense of the Financial Services Business segment for each of the three fiscal years ending 31st March, 2020 is ¥50 billion or higher, and the aggregate of the profit before income tax expense of the Financial Services Business segment for those three fiscal years is ¥170 billion or higher.

(4) 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.

Stock Benefit Trust

Upon resolution of the board meeting held on 29th September, 2011, the directors of the Company introduced a "Stock Benefit Trust (Employee Stockholding Association Purchase-type)" (the "Plan").

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

Accounting for the Plan is based upon the assumption that the Company and the Plan are inseparable. The Company's stock held by the Plan is accounted for as treasury stock while the Plan's assets and liabilities as well as its income and expenses are included in the Company's financial statements. The number of the stocks held by the Plan is included in the number of treasury stock and not included in the number of shares outstanding for the calculation of per share information.

This Plan has been terminated as of 23rd January, 2017.

Employees

The Group had 4,455 full-time employees as at 31st March, 2017. The following table sets out the number of full-time employees of the Group according to reporting segments as at 31st March, 2017:

	As at 31st March,		
	2015[(1)]	2016[(1)]	2017
Financial Services Business	2,895	2,616	3,146
Asset Management Business	2,883	2,511	959
Biotechnology-related Business	168	191	205
Others	29	36	12
Common[(2)]	119	126	133
Total	6,094	5,480	4,455

Notes:

(1) The segmentation in this table denote segmentations as at 31st March, 2015 and 31st March, 2016 as at those dates, without restatements which have subsequently been made to reflect the change in segmentation of certain subsidiaries.

(2) "Common" represents the number of individuals mainly belonging to the administrative divisions of the Company.

The decreases in the number of employees compared from 31st March, 2015 through to 31st March, 2017 were principally caused by disposals of formerly consolidated subsidiaries in the Asset Management Business.

Employees of the Group are not organised into labour unions. The Group believes that its relations with its employees are good.

SUBSIDIARIES AND ASSOCIATES

As at 30th June, 2017, the Group consisted of the Company, 164 consolidated subsidiaries, 21 consolidated partnerships and 37 equity method associates.

The following table sets out certain information as at 31st March, 2017 with respect to the Company's major subsidiaries and equity method associates:

Subsidiary/Associate	Location	Principal business	Percentage of voting rights held by the Company[1]	Paid-in capital[2]
			(Per cent.)	(Millions of yen, unless otherwise stated)
Subsidiaries				
Financial Services Business				
SBI FINANCIAL SERVICES Co., Ltd.	Tokyo, Japan	Implementation of various measures for enhancing synergies among the three major core businesses (securities, banking and insurance) in financial service operations	100.0%	¥ 100
SBI SECURITIES Co., Ltd.	Tokyo, Japan	Comprehensive online securities company	100.0 (100.0)	48,323
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 MONEY PLAZA Co., Ltd.	Tokyo, Japan	Insurance agency, financial instruments intermediary service provider and housing loan agency	100.0 (100.0)	100
SBI Insurance Group Co., Ltd.	Tokyo, Japan	Business management of insurance subsidiaries	100.0 (3.7)	3,240
SBI Life Insurance Co., Ltd.	Tokyo, Japan	Life insurance company	100.0 (100.0)	47,500
SBI Insurance Co., Ltd.	Tokyo, Japan	Non-life insurance company using primarily the Internet	98.1 (98.1)	16,500
Asset Management Business				
SBI Capital Management Co., Ltd.	Tokyo, Japan	Business specialising in the Group's asset management business; efficient and central management of funds and investment portfolio for the said business	100.0	100
SBI Investment Co., Ltd.	Tokyo, Japan	Operate and manage venture capital funds	100.0 (100.0)	50

Subsidiary/Associate	Location	Principal business	Percentage of voting rights held by the Company[(1)]	Paid-in capital[(2)]
			(Per cent.)	(Millions of yen, unless otherwise stated)
SBI Global Asset Management Co., Ltd.	Tokyo, Japan	Intermediate company of the asset management services business	100.0	100
Morningstar Japan K.K.[(3)]	Tokyo, Japan	Internet-based evaluation, information service and consulting on financial products and websites	49.5 (49.5)	2,116
SBI Asset Management Co., Ltd.	Tokyo, Japan	Investment advisory services, investment trust management	100.0 (100.0)	400
SBI Estate Finance Co., Ltd.	Tokyo, Japan	Real estate secured loans	100.0 (5.0)	2,405
SBI Hong Kong Holdings Co., Limited	Hong Kong	Overseas business management	100.0	HK$7,633 million
SBI VEN HOLDINGS PTE. LTD.	Singapore	Holding company such as overseas companies and funds	100.0	U.S.$71 million
SBI SAVINGS BANK	South Korea	Savings bank in South Korea	98.9 (98.9)	KRW1,561.5 billion
Biotechnology-related Business				
SBI ALA Hong Kong Co., Limited	Hong Kong	Management of the 5-ALA-related business	95.5 (95.5)	HK$6,125 million
SBI Pharmaceuticals Co., Ltd.	Tokyo, Japan	Development, manufacturing and sales of pharmaceuticals, health foods and cosmetics using 5-ALA	84.9 (84.9)	4,791
SBI ALApromo Co., Ltd.	Tokyo, Japan	Manufacturing and sales of cosmetics and health foods using 5-ALA	100.0 (100.0)	100
SBI Biotech Co., Ltd.	Tokyo, Japan	Pharmaceuticals research and development	87.6 (1.1)	8,628
Quark Pharmaceuticals, Inc.[(4)]	United States of America	Pharmaceuticals research and development	100.0 (100.0)	U.S.$845 thousand
Associates				
SBI Sumishin Net Bank, Ltd.	Tokyo, Japan	Internet banking	50.0	31,000

Notes:
(1) Percentage of voting rights in parentheses indicates indirect ownership within the entire holding.
(2) In the above table, "U.S.$" means U.S. dollars, "KRW" means South Korean Won, "HK$" means Hong Kong dollars and "€ " means Euro.
(3) Although the Company holds 50.0 per cent. or less of voting rights, treated as a subsidiary due to effective control by the Company.
(4) Company in negative net worth. Its excess of debts over assets was ¥17,241 million as at 31st March, 2017.

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 341,690,000 Shares, of which 224,561,761 Shares were issued as of 30th June, 2017. 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 dematerialized. 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:

(a) 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

(b) 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.

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 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 30th 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 I. through IV. below, less the aggregate of V. through VII. below:

I. the aggregate of other additional paid-in capital and other retained earnings at the end of the last fiscal year;

II. 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;

III. 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);

IV. 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);

V. in the event that the Company cancelled treasury stock after the end of the last fiscal year, the book value of such treasury stock;

VI. 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;

VII. the aggregate amounts of (i) through (iv) below, less (v) and (vi) 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 (x) a merger in which the Company acquired all rights and obligations of a company, (y) a corporate split in which the Company acquired all or a part of the rights and obligations of a split company or (z) a share exchange in which the Company acquired all shares of a company after the end of the last fiscal year, 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 (x) a merger in which the Company acquired all rights and obligations of a company, (y) a corporate split in which the Company acquired all or a part of the rights and obligations of a split company or (z) a share exchange in which the Company acquired all shares of a company after the end of the last fiscal year, the aggregate amount of (i) the amount of the Company's other additional paid-in capital after such merger, corporate split or share exchange, less the amount of the Company's other additional paid-in capital before such merger, corporate split or share exchange, and (ii) the amount of the Company's other retained earnings after such merger, corporate split or share exchange, less the amount of the Company's other retained earnings before such merger, corporate split or share exchange; and

(vi) in the event that an obligation to cover a deficiency, such as the obligation of a person who subscribed 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.

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 "Taxation — Japan".

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 31st 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.

Notice of convocation of a general meeting of shareholders setting forth the time, place, purpose thereof and certain other matters set forth in the Companies Act and relevant ordinances 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, 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. The Company's Articles of Incorporation have not been amended to 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 or their legal representatives 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;
- 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 31st March. The record date for interim dividends is 30th 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;

- 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; or
- by purchase from any of the Company's subsidiaries, pursuant to a resolution of the Board of Directors.

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, 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 who has become beneficially, solely or jointly, a holder of more than five per cent. of the Company's total issued Shares, 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. Copies of each report must also be furnished to all the Japanese stock exchanges on which Shares are listed.

TAXATION

Japan

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.

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 original withholding tax rate from and including 1st January, 2013 to and including 31st 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.

Other

Proposed Financial Transactions Tax

The European Commission has published a proposal for a Directive for a common financial transactions tax ("FTT") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States"). However, Estonia has ceased to participate.

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in Bonds (including secondary market transactions) in certain circumstances.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of Bonds are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Daiwa Capital Markets Europe Limited ("Daiwa") and SBI Securities (Hong Kong) Limited ("SBI Securities" and together with Daiwa, the "2020 Bonds Joint Lead Managers") and Mizuho International plc (together with the 2020 Bonds Joint Lead Managers, the "2020 Bonds Managers") have entered into a subscription agreement with the Company dated 29th August, 2017 in respect of the 2020 Bonds (the "2020 Bonds Subscription Agreement"). Subject to certain conditions, the 2020 Bonds Managers have agreed with the Company, severally but not jointly, to purchase the aggregate principal amount of the 2020 Bonds as indicated in the table below, at the issue price (the "2020 Bonds Issue Price") of 101.0 per cent. of the principal amount of the 2020 Bonds and to offer the 2020 Bonds at the Offer Price relating to the 2020 Bonds as stated on the cover page of this Offering Circular ("the 2020 Bonds Offer Price").

2020 Bonds Managers	**Aggregate Principal Amount of the 2020 Bonds**
Daiwa Capital Markets Europe Limited	¥16,000,000,000
SBI Securities (Hong Kong) Limited	3,000,000,000
Mizuho International plc	1,000,000,000
Total	¥20,000,000,000

Daiwa and SBI Securities (together, the "2022 Bonds Joint Lead Managers) and Mizuho International plc (together with the 2022 Bonds Joint Lead Managers, the "2022 Bonds Managers", and together with the 2020 Bonds Managers, the "Managers" and each a "Manager") have entered into a subscription agreement with the Company dated 29th August, 2017 in respect of the 2022 Bonds (the "2022 Bonds Subscription Agreement", and together with the 2020 Bonds Subscription Agreement, the "Subscription Agreements" and each a "Subscription Agreement"). Subject to certain conditions, the 2022 Bonds Managers have agreed with the Company, severally but not jointly, to purchase the aggregate principal amount of the 2022 Bonds as indicated in the table below, at the issue price (the "2022 Bonds Issue Price", and together with the 2020 Bonds Issue Price, the "Issue Prices" and each an "Issue Price") of 101.0 per cent. of the principal amount of the 2022 Bonds and to offer the 2022 Bonds at the Offer Price relating to the 2022 Bonds as stated on the cover page of this Offering Circular ("the 2022 Bonds Offer Price"", and together with the 2020 Bonds Offer Price, the " Offer Prices" and each an " Offer Price").

2022 Bonds Managers	**Aggregate Principal Amount of the 2022 Bonds**
Daiwa Capital Markets Europe Limited	¥24,000,000,000
SBI Securities (Hong Kong) Limited	4,500,000,000
Mizuho International plc	1,500,000,000
Total	¥30,000,000,000

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 2020 Bonds Offer Price and the 2020 Bonds Issue Price will be retained by the 2020 Bonds Managers, and the difference between the 2022 Bonds Offer Price and the 2022 Bonds Issue Price will be retained by the 2022 Bonds Managers.

The closings of the 2020 Bonds and the 2022 Bonds are conditional upon each other.

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 Agreements or to terminate the Subscription Agreements 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 of 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 Daiwa (on behalf of the 2020 Bonds Managers (in the case of the 2020 Bonds) and Daiwa on behalf of the 2022 Bonds Managers (in the case of the 2022 Bonds)), 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 and the issue or transfer of Shares upon exercise of such stock options, stock acquisition rights or warrants;

(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.

For the avoidance of doubt, the issue of stock acquisition rights pursuant to the Company's stock option plans on 1st September, 2017 as set out in "Management and Employees — Stock Option Plans" falls under the carve-out set out in (iv) above.

Selling Restrictions

United States

Neither the Bonds nor the Shares issuable upon exercise of the Stock Acquisition Rights offered herein have been or will be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Neither the Bonds nor the Shares issuable upon exercise of the Stock Acquisition Rights offered herein have been or will be registered under the Securities Act or may be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Each Manager has represented and agreed that it has not offered, sold or delivered and will not offer or sell the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights (i) as part of the distribution at any time or (ii) otherwise, until 40 days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons, and only in accordance with Rule 903 of Regulation S, and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration to whom it sells the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds or the Shares issuable upon exercise of the Stock Acquisition Rights within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

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.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), it has not made and will not make an offer of Bonds which are the subject of the offering contemplated by this Offering Circular to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of Daiwa nominated by the Issuer for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Bonds shall require the Company or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Bonds to the public" in relation to any Bonds in any Relevant Member State means 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, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

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 acquired 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 acquired 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 (the "MAS"). Accordingly, each Manager has represented, warranted 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, this 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 (Chapter 289 of Singapore) (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

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 and the Shares to be acquired upon exercise of the Stock Acquisition Rights, other than (a) 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 (b) 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 to be acquired 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 the Shares to be acquired 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.

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.

GENERAL INFORMATION

1. The Bonds have been accepted for clearance through Euroclear and through Clearstream, Luxembourg. The ISINs and Common Codes are as follows:

	ISIN	Common Code
2020 Bonds	XS1669861764	166986176
2022 Bonds	XS1669861848	166986184

2. The Securities Identification Code for the Shares given by Securities Identification Code Committee of Japan is 8473.

3. Approval in-principle has been received for the listing of the Bonds of each Series on the SGX-ST. The Bonds of each Series will be traded on the SGX-ST in a minimum board lot size of ¥200,000 with a minimum of 100 lots to be traded in a single transaction for so long as the Bonds of such Series are listed on the SGX-ST. For so long as the Bonds of any Series 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 a Global Certificate is exchanged for definitive Certificates. In addition, in the event that a 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 29th August, 2017 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 31st March, 2017.

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 at 31st March, 2017, 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 at 31st March, 2016, 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 interim condensed consolidated statement of financial position of the Company as at 30th June, 2017, and the related interim condensed consolidated statement of income, comprehensive income, changes in equity and cash flows for the three-month period then ended, included in this Offering Circular, have been reviewed by Deloitte Touche Tohmatsu LLC, the Company's independent auditor, as stated in their review report appearing herein.

11. 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.

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INDEX TO THE FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated statement of financial position of SBI Holdings, Inc. and its subsidiaries as at March 31, 2017, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SBI Holdings, Inc. and its subsidiaries as at March 31, 2017, and the consolidated results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

/s/ Deloitte Touche Tohmatsu LLC
Tokyo, Japan
June 27, 2017

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at March 31, 2016	**As at March 31, 2017**
		Millions of Yen	Millions of Yen
Assets			
Cash and cash equivalents	5,17	248,050	**391,572**
Trade and other accounts receivable	5,7,8,17	369,006	**472,128**
Assets related to securities business			
Cash segregated as deposits		1,139,908	**1,399,851**
Margin transaction assets		516,843	**617,550**
Other assets related to securities business	9	251,924	**315,640**
Total assets related to securities business	5,6	1,908,675	**2,333,041**
Other financial assets	5,17	29,215	**30,050**
Operational investment securities	5,7,10	118,886	**111,067**
Other investment securities	5,7,10	173,907	**186,512**
Investments accounted for using the equity method	11	43,853	**90,394**
Investment properties	13	12,027	**7,105**
Property and equipment	14,17	11,778	**10,498**
Intangible assets	15	188,454	**185,493**
Other assets		22,607	**28,392**
Deferred tax assets	16	326	**3,749**
Total assets		3,126,784	**3,850,001**
Liabilities			
Bonds and loans payable	5,7,17	324,585	**518,977**
Trade and other accounts payable	5,7,18	38,759	**52,887**
Liabilities related to securities business			
Margin transaction liabilities		85,677	**135,698**
Loans payable secured by securities		344,423	**399,673**
Deposits from customers		573,957	**738,144**
Guarantee deposits received		533,862	**600,621**
Other liabilities related to securities business	19	222,424	**304,476**
Total liabilities related to securities business	5,6,7	1,760,343	**2,178,612**
Customer deposits for banking business	5,7	386,027	**485,827**
Insurance contract liabilities	20	154,133	**147,573**
Income tax payable		7,066	**10,040**
Other financial liabilities	5	12,899	**14,663**
Other liabilities		13,396	**11,946**
Deferred tax liabilities	16	10,513	**13,952**
Total liabilities		2,707,721	**3,434,477**
Equity			
Capital stock	22	81,681	**81,681**
Capital surplus	22	145,735	**128,004**
Treasury stock	22	(19,132)	**(23,801)**
Other components of equity	22	17,107	**22,720**
Retained earnings	22	146,199	**169,388**
Equity attributable to owners of the Company		371,590	**377,992**
Non-controlling interests		47,473	**37,532**
Total equity		419,063	**415,524**
Total liabilities and equity		3,126,784	**3,850,001**

CONSOLIDATED STATEMENT OF INCOME

	Notes	Fiscal year ended March 31, 2016	**Fiscal year ended March 31, 2017**
		Millions of Yen	Millions of Yen
Revenue	4,25	261,744	**261,939**
Expense			
Financial cost associated with financial income	26	(15,836)	**(14,543)**
Operating cost	26	(83,692)	**(98,982)**
Selling, general and administrative expenses	26	(96,646)	**(95,970)**
Other financial cost	26	(4,442)	**(3,477)**
Other expenses	26	(10,484)	**(8,677)**
Total expense		(211,100)	**(221,649)**
Share of the profit of associates and joint ventures accounted for using the equity method	4,11	1,583	**2,849**
Profit before income tax expense	4	52,227	**43,139**
Income tax expense	27	(15,561)	**(14,836)**
Profit for the year		36,666	**28,303**
Profit for the year attributable to			
Owners of the Company		34,115	**32,455**
Non-controlling interests		2,551	**(4,152)**
Profit for the year		36,666	**28,303**
Earnings per share attributable to owners of the Company			
Basic (Yen)	29	160.83	**159.38**
Diluted (Yen)	29	147.94	**146.52**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Fiscal year ended March 31, 2016	**Fiscal year ended March 31, 2017**
		Millions of Yen	Millions of Yen
Profit for the year		36,666	**28,303**
Items that will not be reclassified subsequently to profit or loss			
Fair value through other comprehensive income ("FVTOCI") financial assets	28	301	**124**
Items that may be reclassified subsequently to profit or loss			
Currency translation differences	28	(18,349)	**680**
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	28	(1,555)	**3,699**
Other comprehensive income, net of tax		(19,603)	**4,503**
Total comprehensive income		17,063	**32,806**
Total comprehensive income attributable to			
Owners of the Company		14,750	**38,082**
Non-controlling interests		2,313	(5,276)
Total comprehensive income		17,063	**32,806**

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, 2015		81,681	148,676	(5,137)	36,934	121,337	383,491	47,124	430,615
Profit for the year		—	—	—	—	34,115	34,115	2,551	36,666
Other comprehensive income		—	—	—	(19,365)	—	(19,365)	(238)	(19,603)
Total comprehensive income		—	—	—	(19,365)	34,115	14,750	2,313	17,063
Change in scope of consolidation		—	—	—	—	—	—	4,663	4,663
Dividends paid	23	—	—	—	—	(9,715)	(9,715)	(9,406)	(19,121)
Treasury shares purchased	22	—	—	(15,030)	—	—	(15,030)	—	(15,030)
Treasury shares sold	22	—	111	1,035	—	—	1,146	—	1,146
Changes of interests in subsidiaries without losing control		—	(3,052)	—	—	—	(3,052)	2,779	(273)
Transfer	22	—	—	—	(462)	462	—	—	—
As at March 31, 2016		81,681	145,735	(19,132)	17,107	146,199	371,590	47,473	419,063
Profit for the year		**—**	**—**	**—**	**—**	**32,455**	**32,455**	**(4,152)**	**28,303**
Other comprehensive income		**—**	**—**	**—**	**5,627**	**—**	**5,627**	**(1,124)**	**4,503**
Total comprehensive income		**—**	**—**	**—**	**5,627**	**32,455**	**38,082**	**(5,276)**	**32,806**
Change in scope of consolidation		**—**	**(4)**	**—**	**—**	**—**	**(4)**	**(1,294)**	**(1,298)**
Dividends paid	**23**	**—**	**—**	**—**	**—**	**(9,280)**	**(9,280)**	**(35,612)**	**(44,892)**
Treasury shares purchased	**22**	**—**	**—**	**(8,019)**	**—**	**—**	**(8,019)**	**—**	**(8,019)**
Treasury shares sold	**22**	**—**	**304**	**3,350**	**—**	**—**	**3,654**	**—**	**3,654**
Changes of interests in subsidiaries without losing control		**—**	**(18,031)**	**—**	**—**	**—**	**(18,031)**	**32,241**	**14,210**
Transfer	**22**	**—**	**—**	**—**	**(14)**	**14**	**—**	**—**	**—**
As at March 31, 2017		**81,681**	**128,004**	**(23,801)**	**22,720**	**169,388**	**377,992**	**37,532**	**415,524**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Fiscal year ended March 31, 2016	**Fiscal year ended March 31, 2017**
		Millions of Yen	Millions of Yen
Net cash generated from (used in) operating activities			
Profit before income tax expense		52,227	**43,139**
Depreciation and amortization		11,103	**10,690**
Share of profits of associates and joint ventures accounted for using the equity method		(1,583)	**(2,849)**
Interest and dividend income		(72,238)	**(80,891)**
Interest expense		20,278	**18,019**
Increase in operational investment securities		(6,449)	**(29,362)**
Increase in accounts receivables and other receivables		(58,514)	**(105,238)**
(Decrease) increase in operational liabilities and other liabilities		(13,890)	**15,233**
Decrease (increase) in assets/liabilities related to securities business		19,882	**(6,275)**
Increase in customer deposits in the banking business		59,883	**87,149**
Others		(10,562)	**(17,663)**
Subtotal		137	**(68,048)**
Interest and dividend income received		71,537	**79,991**
Interest paid		(19,860)	**(16,106)**
Income taxes paid		(19,336)	**(13,789)**
Net cash generated from (used in) operating activities		32,478	**(17,952)**
Net cash generated from investing activities			
Purchases of intangible assets		(7,223)	**(6,241)**
Purchases of investment securities		(57,693)	**(66,523)**
Proceeds from sales or redemption of investment securities		70,533	**62,854**
Acquisition of subsidiaries, net of cash and cash equivalents acquired	30	(3,222)	**(1,968)**
Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of	30	550	**3,344**
Payments of loans receivable		(1,806)	**(4,182)**
Collection of loans receivable		1,942	**7,091**
Others		8,098	**8,062**
Net cash generated from investing activities		11,179	**2,437**

CONSOLIDATED STATEMENT OF CASH FLOWS — (Continued)

	Notes	Fiscal year ended March 31, 2016	**Fiscal year ended March 31, 2017**
		Millions of Yen	Millions of Yen
Net cash (used in) generated from financing activities			
Increase (decrease) in short term loans payable		(108,085)	**161,178**
Proceeds from long-term loans payable		59,690	**30,462**
Repayment of long-term loans payable		(30,146)	**(25,574)**
Proceeds from issuance of bonds payable		56,103	**102,325**
Redemption of bonds payable		(24,088)	**(74,930)**
Proceeds from stock issuance to non-controlling interests		91	**222**
Contributions from non-controlling interests in consolidated investment funds		8,244	**20,234**
Cash dividends paid		(9,684)	**(9,266)**
Cash dividends paid to non-controlling interests		(381)	**(378)**
Distributions to non-controlling interests in consolidated investment funds		(8,827)	**(35,266)**
Purchase of treasury stock		(15,030)	**(8,019)**
Proceeds from sale of interests in subsidiaries to non-controlling interests		47	**1,032**
Payments for purchase of interests in subsidiaries from non-controlling interests		(4,486)	**(5,112)**
Others		322	**2,559**
Net cash (used in) generated from financing activities		(76,230)	**159,467**
Net (decrease) increase in cash and cash equivalents		(32,573)	**143,952**
Cash and cash equivalents at the beginning of the year		290,826	**248,050**
Effect of changes in exchange rate on cash and cash equivalents		(10,203)	**(430)**
Cash and cash equivalents at the end of the year		248,050	**391,572**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting Entity

SBI Holdings, Inc. (the “Company”) was incorporated in Japan. The consolidated financial statements of the Company consist of the Company, its subsidiaries (hereinafter referred to as the “Group”) and interests in the Group’s associates and joint ventures. The Group is engaged in various businesses, which primarily consist of three key businesses: “Financial Services Business”, “Asset Management Business” and “Biotechnology-related Business”. See Note 4 “Segment Information” for detailed information on each business.

The consolidated financial statements were approved and authorized for issue by the Company’s Representative Director, President and CEO, Yoshitaka Kitao and Director, Senior Managing Executive Officer and CFO, Shumpei Morita on June 27, 2017.

2. Basis of Preparation

(1) Compliance with IFRS

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

(2) Basis of measurement

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

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

The measurement basis of fair value of the financial instruments is provided in Note 5 “Fair value of financial instruments”.

(3) Reporting currency

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

(4) Use of estimates and judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the current period and future periods.

(a) Measurement of financial instruments

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

(b) Deferred tax assets

Temporary differences which arise from differences between the carrying amount of an asset or liability in the statement of financial position and its tax base and tax loss carryforwards are recorded as deferred tax assets up to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and tax loss carryforwards can be utilized, using the tax rates that are expected to apply to the period when they are realized.

(c) Evaluation of goodwill

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

(d) Impairment on financial assets at amortized cost

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

(e) Liability adequacy test for insurance contracts

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

(5) Application of new and revised IFRSs

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

(6) Early adoption of IFRSs

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

3. Significant Accounting Policies

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

(1) Basis of consolidation

(a) Subsidiaries

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

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

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

(b) Associates and joint ventures

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

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

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

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

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

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

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

(c) Business combination

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

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

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

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

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

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

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

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

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

(e) Loss of control

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

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

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

(2) Foreign currency

(a) Foreign currency translation

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

(b) Foreign operations

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

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

(3) Financial instruments

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

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

(a) Initial recognition and measurement

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

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

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss. Equity instruments held for purposes other than trading are designated as financial assets at FVTOCI.

(b) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Group currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(c) Non-derivative financial assets

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

Financial assets measured at amortized cost

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

Financial assets at FVTPL

Financial assets, other than those subsequently measured at amortized cost, are subsequently measured at fair value, and all changes in fair value are recognized in profit or loss.

Financial assets at FVTOCI

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

(d) Cash and cash equivalents

Cash and cash equivalents are cash and highly liquid financial assets that are readily convertible to known amounts of cash with original maturities of three months or less.

(e) Non-derivative financial liabilities

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

(f) Trading assets and liabilities

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

- Financial assets acquired for the purpose of sale or repurchase mostly in the short term
- At initial recognition, the financial assets are managed together by the Group as part of a certain financial instrument portfolio, from which an actual short term gain has been realized.
- Derivative (either not classified as hedging instruments or proved to be not effective as hedging instruments)

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

(g) Derecognition

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

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

(h) Fair value measurement

The Group measures the fair value of a financial asset or liability using a quoted market price from an active market, if available.

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

(i) Impairment of financial assets measured at amortized cost

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

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

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

Interest on the impaired asset is recognized as adjustments to discounts realized through the passage of time. When the amount of impairment decreases and the decrease can be related objectively to an event occurring after the impairment, reversal of previously recognized impairment loss is recognized in profit or loss.

(j) Derivatives

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

Derivatives to which hedge accounting is applied

At the inception of the hedge, the Group formally documents the hedging relationship between the hedged item or transaction and the 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 presented as a deduction of other comprehensive income in the consolidated statement of comprehensive income and reclassified to profit or loss in the same period during which the hedged item of cash flows affects profit or loss.

The Group shall prospectively discontinue hedge accounting when the criteria of hedge accounting are no longer satisfied. In such 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.

Derivatives to which hedge accounting is not applied

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

(k) Capital stock

Common stock

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

Treasury stock

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

(4) Lease as lessee

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

(5) Property and equipment

(a) Initial recognition and measurement

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

(b) Depreciation

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

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

• Buildings	3-47 years
• Furniture and equipment	3-20 years

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

(6) Intangible assets

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

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

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

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

(b) Research and development

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

(c) Other intangible assets (separately acquired)

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

(d) Amortization

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

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

• Software	5 years
• Customer Relationship	5-16 years

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

(7) Investment properties

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

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

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

- Buildings 8-50 years

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

(8) Impairment of non-financial assets

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

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

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

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

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

(9) Accounting for insurance contracts

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

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

(10) Employee benefits

(a) Defined contribution plans

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

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

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

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

(11) Provisions

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

(12) Revenue recognition

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

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

Changes in the fair value of financial assets at FVTOCI are presented in other comprehensive income. When such financial assets are derecognized (sold) or the decline in fair value of such financial assets is other than temporary when compared with the initial cost, the cumulative gains or losses previously recognized in other comprehensive income are directly transferred to retained earnings.

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

(b) Net trading income

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

(c) Commission income

Commission income arises from transactions in which the Group is involved as an agent instead of a principal who gains the main part of the profit from the transaction. Revenue from commission income is recognized by reference to the stage of completion of the transaction at the end of the reporting period if the result of the transaction can be reliably estimated.

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

- The Group neither retains ownership of the goods nor assumes any responsibility for after service.
- Though the Group ultimately collect consideration from customers, all the credit risk is assumed by the supplier of the goods.

(d) Sale of goods

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

(13) Income tax expense

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

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

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

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

(14) Earnings per share

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

(15) Segment reporting

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

(16) Non-current assets held for sale

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

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

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

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

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

IFRS		Mandatory for fiscal year beginning on or after	Adopted by the group from fiscal year ended	Summary of new standards and amendments
IFRS 9	Financial Instruments	January 1, 2018	March 2019	Amendment with regard to hedge accounting, impairment accounting, and classification and measurement of financial instruments
IFRS 10	Consolidated Financial Statements	To be determined	To be determined	Clarification of the accounting treatment for sale or contribution of assets between an investor and its associate and joint venture
IAS 28	Investments in Associates and Joint Ventures			
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	March 2019	Amendment with regard to the accounting of revenue recognition
IFRS 16	Lease	January 1, 2019	March 2020	Amendment with regard to the definition and the accounting treatment of lease
IFRS 17	Insurance Contracts	January 1, 2021	March 2022	Amendment with regard to measurement method of insurance liability
IAS 7	Statement of Cash Flows	January 1, 2017	March 2018	Additional disclosure requirement relating to changes in liabilities arising from financial activities

4. Segment Information

The Group engages in a wide range of business activities, primarily online financial service businesses and investment activities in Japan and overseas. Based on the similarities or economic characteristics of business or nature of services, "Financial Services Business", "Asset Management Business", and "Biotechnology-related Business", which is anticipated to be a growth industry in the 21st century, are determined as reportable segments.

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

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

"Financial Services Business"

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

"Asset Management Business"

The Asset Management Business primarily consists of fund management and investment in Internet technology, biotechnology and finance-related venture companies in Japan and overseas, financial services business overseas, and asset management services business which provides financial products information.

"Biotechnology-related Business"

The Biotechnology-related Business represents development and distribution of pharmaceutical products, health foods, and cosmetics with 5-aminolevulinic acid (ALA), a kind of amino acid which exists in vivo, and research and development of antibody drugs and nucleic acid medicine in the field of cancer and immunology.

"Others" includes the real estate business and other businesses, but they did not meet the quantitative criteria to be defined as reportable segments for the fiscal year ended March 31, 2017.

"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:

Certain subsidiaries, including SBI AXES Co., Ltd., which were included in the Asset Management Business until the previous reporting period, are now included in the Financial Services Business beginning with this fiscal year. Consequently, segment information for the year ended March 31, 2016, is restated in accordance with the new basis of segmentation.

For the year ended March 31, 2016

	Financial Services Business	Asset Management Business	Biotechnology -related 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 customers	164,381	90,914	3,874	259,169	2,259	316	261,744
Inter-segment revenue	1,827	629	147	2,603	—	(2,603)	—
Total	166,208	91,543	4,021	261,772	2,259	(2,287)	261,744
Segment operating income (loss)							
Profit before income tax expense	50,806	17,649	(6,572)	61,883	(835)	(8,821)	52,227
Other Items							
Interest income	32,880	38,253	0	71,133	0	(1,079)	70,054
Interest expense	(6,224)	(11,102)	(121)	(17,447)	(40)	(2,791)	(20,278)
Depreciation and amortization	(5,421)	(5,097)	(225)	(10,743)	(115)	(180)	(11,038)
Gain or loss from investments applying the equity-method	3,556	(279)	(1,683)	1,594	(11)	—	1,583

For the year ended March 31, 2017

	Financial Services Business	Asset Management Business	Biotechnology -related 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 customers	175,266	79,993	5,398	260,657	880	402	261,939
Inter-segment revenue	1,723	399	132	2,254	3	(2,257)	—
Total	176,989	80,392	5,530	262,911	883	(1,855)	261,939
Segment operating income (loss)							
Profit before income tax expense	48,853	13,940	(9,574)	53,219	(830)	(9,250)	43,139
Other Items							
Interest income	32,476	47,922	0	80,398	0	(935)	79,463
Interest expense	(4,863)	(10,201)	(247)	(15,311)	(50)	(2,659)	(18,020)
Depreciation and amortization	(5,435)	(4,081)	(536)	(10,052)	(85)	(253)	(10,390)
Gain or loss from investments applying the equity-method	3,448	109	(697)	2,860	(11)	—	2,849

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

Non-current assets

	As at March 31, 2016	As at March 31, 2017
	Millions of Yen	Millions of Yen
Japan	68,791	65,051
Korea	124,421	119,678
Others	19,047	18,367
Consolidated total	212,259	203,096

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

Revenue from external customers

	For the year ended March 31, 2016	For the year ended March 31, 2017
	Millions of Yen	Millions of Yen
Japan	215,709	204,501
Overseas	46,035	57,438
Consolidated total	261,744	261,939

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

5. Fair Value of Financial Instruments

(1) Fair value measurement

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

Cash and cash equivalents, Other financial assets, and Other financial liabilities

The fair values are determined at the carrying values as they approximate the carrying values due to their short-term maturities.

Trade and other accounts receivable

The fair values are determined based on the future cash inflows discounted using interest rates adjusted for the term to maturity and credit risk. The fair values of those with short-term maturities are determined at the carrying values as they approximate the carrying values.

Assets and liabilities related to securities business

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

Operational investment securities and other investment securities

The fair values of listed equity securities are determined based on the quoted market prices in the stock exchange. The fair values of unlisted equity securities, bonds with share options and stock warrants are determined using valuation models appropriate in the circumstances including discounted cash flow analysis, pricing analysis with reference to comparable industry prices, and analysis based on revenues, profits and net assets. The fair values of bonds are determined using reasonable valuation 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.

Bonds and loans payable and Trade and other accounts payable

With respect to those with floating interest rates, the fair values are determined at the carrying 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 companies 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 the remaining term and credit risk or discounted using expected interest rates with reference to similar types of new loans or lease transactions. The fair value of bonds payable and loans payable with short-term maturities are determined at the carrying values as they approximate the carrying values.

Customer deposits for banking business

The fair values of demand deposits are determined at the carrying values which are the amounts paid on demand at the reporting date. The fair values of time deposits are determined based on the future cash outflows discounted using interest rates adjusted for the term to maturity and credit risk. The fair values of time deposits with short-term maturities are determined at the carrying values as they approximate the carrying values.

(2) Classification and fair value of financial instruments

Classification and fair value of financial assets were as follows:

As at March 31, 2016

	Carrying Amount				
	Financial assets at FVTPL	Financial assets 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
Trade and other accounts receivable	—	—	369,006	369,006	373,990
Assets related to securities business	11,948	—	1,896,727	1,908,675	1,908,675
Operational investment securities	118,886	—	—	118,886	118,886
Other investment securities	109,109	1,158	63,640	173,907	175,997
Total	239,943	1,158	2,329,373	2,570,474	2,577,548

As at March 31, 2017

	Carrying Amount				
	Financial assets at FVTPL	Financial assets 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
Trade and other accounts receivable	—	—	472,128	472,128	477,051
Assets related to securities business	22,816	—	2,310,225	2,333,041	2,333,041
Operational investment securities	111,067	—	—	111,067	111,067
Other investment securities	107,853	1,243	77,416	186,512	187,680
Total	241,736	1,243	2,859,769	3,102,748	3,108,839

Classification and fair value of financial liabilities were as follows:

As at March 31, 2016

	Carrying Amount			
	Financial liabilities 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	—	324,585	324,585	325,804
Trade and other accounts payable	1,987	36,772	38,759	38,878
Liabilities related to securities business	2,092	1,758,251	1,760,343	1,760,343
Customer deposits for banking business	—	386,027	386,027	386,132
Total	4,079	2,505,635	2,509,714	2,511,157

As at March 31, 2017

	Carrying Amount			
	Financial liabilities 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	—	518,977	518,977	518,887
Trade and other accounts payable	2,118	50,769	52,887	53,013
Liabilities related to securities business	51,854	2,126,758	2,178,612	2,178,612
Customer deposits for banking business	—	485,827	485,827	485,997
Total	53,972	3,182,331	3,236,303	3,236,509

(3) Financial instruments categorized by fair value hierarchy

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

The fair value hierarchy is defined as follows:

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

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

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

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

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

	As at March 31, 2017			
	Level 1	Level 2	Level 3	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Financial assets				
Assets related to securities business	22,816	—	—	22,816
Operational investment securities and other investment securities				
Financial assets at FVTPL	96,206	614	122,100	218,920
Financial assets at FVTOCI	20	—	1,223	1,243
Total financial assets	119,042	614	123,323	242,979
Financial liabilities				
Trade and other accounts payable	—	—	2,118	2,118
Liabilities related to securities business	51,854	—	—	51,854
Total financial liabilities	51,854	—	2,118	53,972

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

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

	As at March 31, 2017			
	Level 1	Level 2	Level 3	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Financial assets				
Trade and other accounts receivable	—	477,051	—	477,051
Assets related to securities business	—	2,310,225	—	2,310,225
Operational investment securities and other investment securities	75,084	—	3,500	78,584
Total financial assets	75,084	2,787,276	3,500	2,865,860
Financial liabilities				
Bonds and loans payable	—	518,887	—	518,887
Trade and other accounts payable	—	50,895	—	50,895
Liabilities related to securities business	—	2,126,758	—	2,126,758
Customer deposits for banking business	—	485,997	—	485,997
Total financial liabilities	—	3,182,537	—	3,182,537

(4) Financial instruments categorized as Level 3

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

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

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

	As at March 31, 2017			
	Fair Value	Valuation Technique	Unobservable Input	Range
	Millions of Yen			
Operational investment securities and other investment securities	123,323	Income approach and market approach	Discount rate	5%–10%
			P/E ratio	9.8–30.4
			EBITDA ratio	7.9–24.8
			Illiquidity discount	10%–30%

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

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

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

For the year ended March 31, 2016

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

For the year ended March 31, 2017

	Financial assets			Financial liabilities
	Operational investment securities and other investment securities			
	Financial assets at FVTPL	Financial assets at FVTOCI	Total	Trade and other accounts payable
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at April 1, 2016	109,708	1,122	110,830	1,987
Acquisitions through business combinations	29	—	29	200
Purchase	36,910	—	36,910	—
Comprehensive income				
Net profit (Note 1)	(1,527)	—	(1,527)	—
Other comprehensive income (Note 2)	—	150	150	—
Dividends	(5,185)	—	(5,185)	—
Sale or redemption	(13,630)	(59)	(13,689)	—
Settlements	—	—	—	(69)
Currency translation differences	(118)	10	(108)	—
Others (Note 3)	906	—	906	—
Transferred from Level 3 (Note 4)	(4,993)	—	(4,993)	—
Transferred to Level 3	—	—	—	—
Balance as at March 31, 2017	122,100	1,223	123,323	2,118

Notes:

1. Gains and losses recognized as profit (loss) for the period in relation to financial instruments are included in "Revenue" in the consolidated statement of income. Gains and losses recognized arising from financial assets at FVTPL held as at March 31, 2016 and 2017 were ¥135 million of gains and ¥3,041 million of losses, respectively.
2. Gains and losses recognized as other comprehensive income (loss) in relation to financial instruments are included in "FVTOCI financial assets" in the consolidated statement of comprehensive income.
3. Transfer due to obtaining or losing of control.
4. Transfer due to significant input used to measure fair value becoming observable.

6. 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, 2016

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)	1,089,319	(441,248)	648,071	(541,464)	(106,607)	—
Assets related to securities business (Receivables related to securities transactions)	259,111	(192,308)	66,803	(19,177)	—	47,626
Assets related to securities business (Financial assets related to foreign exchange transactions)	10,037	—	10,037	(354)	(7,979)	1,704

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

As at March 31, 2017

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: Financial instruments	Related amounts not set off in the consolidated statement of financial position: Cash collateral received	Net amount
	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)	1,140,312	(356,987)	783,325	(671,519)	(111,649)	157
Assets related to securities business (Receivables related to securities transactions)	287,576	(194,397)	93,179	(21,593)	—	71,586
Assets related to securities business (Financial assets related to foreign exchange transactions)	6,752	—	6,752	(381)	(6,005)	366

Financial liabilities

	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position: Financial instruments	Related amounts not set off in the consolidated statement of financial position: Cash collateral pledged	Net amount
	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)	1,441,678	(356,987)	1,084,691	(690,523)	—	394,168
Liabilities related to securities business (Payables related to securities transactions)	1,133,945	(194,397)	939,548	(21,593)	—	917,955
Liabilities related to securities business (Financial liabilities related to foreign exchange transactions)	153,083	—	153,083	(6,386)	—	146,697

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

7. Financial Risk Management

(1) Risk management policy over capital management and financing

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

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

	As at March 31, 2016	As at March 31, 2017
	Millions of Yen	Millions of Yen
Interest-bearing debt (Bonds and borrowings)	324,585	518,777
Cash and cash equivalents	(248,050)	(391,572)
Net	76,535	127,405
Equity attributable to owners of the Company	371,590	377,992

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

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

1. SBI SECURITIES CO., Ltd. is required to maintain a certain level of capital-to-risk ratio set forth under the FIEA. If the ratio falls below 120%, the Financial Services Agency ("FSA") may order changes to operational methods and other changes.

2. SBI Life Insurance Co., Ltd. and SBI Insurance Co., Ltd. are required to maintain a certain level of Solvency Margin Ratio in conformity with the Insurance Business Act of Japan. If the Solvency Margin Ratio falls below 200%, the FSA may order submission and implementation of a reasonable improvement plan for sound management.

SBI Savings Bank whose headquarter is in the Republic of Korea is obligated to maintain certain level of capital adequacy ratio in conformity with the Main Shareholder eligibility standard or standard of KIPCO Asset Management Company KSC (KAMCO) or other standards. If the capital adequacy ratio falls below certain level, Korean Financial Supervisory Service may give warning or order business suspension.

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

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

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

- Credit risk
- Market risk
- Liquidity risk

(2) Risks arising from financial instruments

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

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

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

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

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

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

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

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

(3) Risk management system over financial instruments

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

(4) Credit risk management

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

Credit risk management policies of the Group are as follows:

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

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

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

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

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

The maximum exposure to credit risk for financial assets excluding the evaluation value of collateral is the carrying amount of financial assets after impairment loss presented in the consolidated statement of financial position. The maximum exposure to credit risk for loan commitment, which the Group grants, is as described in Note 33 "Contractual Liabilities".

The Group evaluates recoverability of operating receivables and other receivables by considering the credit condition of customers and recognizes impairment losses. The Group is not exposed to excessively concentrated credit risk from a specific customer.

Impairment losses and analysis of the age regarding "trade and other accounts receivable" presented in the consolidated statement of financial position are as follows:

There are no financial assets that are past due related to the securities business.

Impairment losses regarding trade and other accounts receivable as at March 31, 2016 and 2017 were as follows:

	March 31, 2016	March 31, 2017
	Millions of Yen	Millions of Yen
Trade and other accounts receivable (gross)	396,281	502,204
Impairment losses	(27,275)	(30,076)
Trade and other accounts receivable (net)	369,006	472,128

The analysis of the age of trade and other accounts receivable that are past due but not impaired as at March 31, 2016 and 2017 were as follows:

	March 31, 2016	March 31, 2017
	Millions of Yen	Millions of Yen
No later than 6 months	218	123
Later than 6 months and not later than 1 year	5	94
Later than 1 year	3,867	23
Total	4,090	240

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

(5) Market risk management

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

Market risk management policies of the Group are as follows:

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

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

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

① Stock Market Risk

The Group is exposed to stock market risk arising from its investment portfolio. If the market price of operational investment securities and other investment securities held by the Group as at March 31, 2016 and 2017 increased by 10%, profit before income tax expense in the consolidated statement of income would have increased by ¥11,767 million and ¥9,621 million, respectively.

The investment portfolios as at March 31, 2016 and 2017 were as follows:

	March 31, 2016	March 31, 2017
	Millions of Yen	Millions of Yen
Operational investment securities		
Listed equity securities	37,327	17,212
Unlisted equity securities	53,821	66,749
Bonds	3,759	4,602
Investments in funds	23,979	22,504
Total	118,886	111,067
Other investment securities		
Listed equity securities	113	133
Unlisted equity securities	6,322	5,020
Bonds	91,734	94,717
Investments in funds	75,738	86,642
Total	173,907	186,512

② Foreign Exchange Risk

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

As at March 31, 2016

	USD	HKD	Others
	Millions of Yen	Millions of Yen	Millions of Yen
Monetary financial instruments dominated in foreign currency			
Assets	37,192	5,810	22,334
Liabilities	31,475	5,603	13,271

As at March 31, 2017

	USD	HKD	Others
	Millions of Yen	Millions of Yen	Millions of Yen
Monetary financial instruments dominated in foreign currency			
Assets	62,912	5,541	14,464
Liabilities	42,913	5,270	10,311

If the foreign currencies strengthened by 1% against the functional currency with all other variables (such as interest rate) held constant, profit before income tax expense in the consolidated statement of income for the years ended March 31, 2016 and 2017 would have increased by ¥150 million and ¥244 million, respectively, mainly as a result of monetary financial instruments dominated in foreign currency held by the Group.

③ Interest Rate Risk

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

In management's sensitivity analysis, if interest rates had been 100 basis points higher and all other variables were held constant, profit before income tax expense in the consolidated statement of income for the years ended March 31, 2016 and 2017 would have increased by ¥1,997 million and ¥2,840 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, 2016 and 2017.

(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, 2016

	Carrying amount	Contractual cash flow	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	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	324,585	329,535	195,078	87,627	46,596	119	101	14
Trade and other accounts payable	38,759	38,915	36,709	751	662	549	244	—
Liabilities related to securities business	1,760,343	1,760,343	1,760,343	—	—	—	—	—
Customer deposits for banking business	386,027	391,323	356,047	32,623	2,634	10	1	8

As at March 31, 2017

	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	518,977	523,039	352,364	138,404	15,258	383	16,558	72
Trade and other accounts payable	52,887	53,038	50,405	896	986	521	180	50
Liabilities related to securities business	2,178,612	2,178,612	2,178,612	—	—	—	—	—
Customer deposits for banking business	485,827	493,203	428,948	55,887	8,327	31	2	8

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

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

	March 31, 2016	March 31, 2017
	Millions of Yen	Millions of Yen
Lines of credit	333,650	345,590
Used balance	51,500	217,950
Unused portion	282,150	127,640

8. Trade and Other Accounts Receivable

Trade and other accounts receivable as at March 31, 2016 and 2017, consisted of the following:

	As at March 31, 2016	As at March 31, 2017
	Millions of Yen	Millions of Yen
Trade accounts receivable and installment receivables	5,003	3,954
Loans receivable	332,862	430,967
Operational receivables	10,819	13,244
Deposits in relation to banking business	19,904	23,525
Others	418	438
Total	369,006	472,128

Maturity analysis to the collection or the settlement of trade and other accounts receivable as at March 31, 2016 and 2017, consisted of the following:

	As at March 31, 2016	As at March 31, 2017
	Millions of Yen	Millions of Yen
No later than 1 year	189,930	164,463
Later than 1 year	179,076	307,665
Total	369,006	472,128

9. Other Assets Related to Securities Business

Other assets related to securities business as at March 31, 2016 and 2017, consisted of the following:

	As at March 31, 2016	As at March 31, 2017
	Millions of Yen	Millions of Yen
Trade date accrual	195,905	195,732
Short-term guarantee deposits	43,824	49,671
Loans receivable secured by securities	—	46,977
Others	12,195	23,260
Total	251,924	315,640

10. 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, 2016 and 2017 consisted of the following:

	As at March 31, 2016	As at March 31, 2017
	Millions of Yen	Millions of Yen
Operational investment securities		
Financial assets at FVTPL	118,886	111,067
Total	118,886	111,067
Other investment securities		
Financial assets at FVTPL	109,109	107,853
Financial assets at FVTOCI	1,158	1,243
Financial assets measured at amortized cost	63,640	77,416
Total	173,907	186,512

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

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

	As at March 31, 2016	As at March 31, 2017
	Millions of Yen	Millions of Yen
Fair value		
Listed	36	20
Unlisted	1,122	1,223
Total	1,158	1,243

	For the year ended March 31, 2016	For the year ended March 31, 2017
	Millions of Yen	Millions of Yen
Dividends income		
Listed	0	0
Unlisted	1	1
Total	1	1

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

	As at March 31, 2016	As at March 31, 2017
	Millions of Yen	Millions of Yen
Other investment securities		
Money Forward, Inc.	579	681
Asahi Fire & Marine Insurance Co., Ltd.	213	213

Fair value at disposal, cumulative gain (net of tax) transferred from other components of equity to retained earnings and dividend income of financial assets at FVTOCI disposed during the years ended March 31, 2016 and 2017 are as follows:

For the year ended March 31, 2016			For the year ended March 31, 2017		
Fair value at disposal	Cumulative gain	Dividend income	Fair value at disposal	Cumulative gain	Dividend income
Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
1,019	462	7	78	14	0

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

11. 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, 2016	For the year ended March 31, 2017
	Millions of Yen	Millions of Yen
Profit for the year attributable to the Group	(1,435)	(123)
Other comprehensive income attributable to the Group	(1,513)	4,105
Total comprehensive income attributable to the Group	(2,948)	3,982

	As at March 31, 2016	As at March 31, 2017
	Millions of Yen	Millions of Yen
Book value	12,938	57,403

An impairment loss of ¥2,191 million was recognized in the Asset Management Business as the recoverable amount of certain associates fell below the carrying amount at March 31, 2017. The impairment loss is 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, 2016	For the year ended March 31, 2017
	Millions of Yen	Millions of Yen
Profit for the year attributable to the Group	3,018	2,972
Other comprehensive income attributable to the Group	(77)	(406)
Total comprehensive income attributable to the Group	2,941	2,566

	As at March 31, 2016	As at March 31, 2017
	Millions of Yen	Millions of Yen
Book value	30,915	32,991

12. Structured Entities

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

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

(1) Consolidated structured entities

Total assets of the consolidated investment partnerships and investment trusts were ¥99,063 million and ¥69,372 million as at March 31, 2016 and 2017, respectively. Total liabilities were ¥2,769 million and ¥269 million as at March 31, 2016 and 2017, respectively.

(2) Unconsolidated structured entities

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

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

	As at March 31, 2016	As at March 31, 2017
	Millions of Yen	Millions of Yen
Operational investment securities	24,784	23,233
Other investment securities	79,187	83,215
Total	103,971	106,448

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

13. 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, 2016	For the year ended March 31, 2017
	Millions of Yen	Millions of Yen
Balance, beginning of year	23,272	16,195
Acquisitions	100	—
Sales or disposals	(5,194)	(6,883)
Foreign currency translation adjustment on foreign operations	(1,983)	3
Balance, end of year	16,195	9,315

Accumulated depreciation and impairment losses	For the year ended March 31, 2016	For the year ended March 31, 2017
	Millions of Yen	Millions of Yen
Balance, beginning of year	(4,794)	(4,168)
Depreciation	(134)	(49)
Impairment losses	(1,317)	(42)
Sales or disposals	1,518	2,033
Foreign currency translation adjustment on foreign operations	559	16
Balance, end of year	(4,168)	(2,210)

Impairment losses recognized for the years ended March 31, 2016 and 2017 were ¥1,317 million and ¥42 million, respectively, due to a significant decline in fair value of certain investment properties, and were recorded in "Other expenses" in the consolidated statement of income. Impairment losses recognized by segment for the year ended March 31, 2016 were ¥1,205 million in the Asset Management Business and ¥112 million in the real estate business, which is included in "Others." Impairment losses for the year ended March 31, 2017 were recognized in the Asset Management Business. The recoverable amount of the investment properties is measured at fair value less cost of disposal through real estate valuation.

Carrying amount and fair value

As at March 31, 2016		As at March 31, 2017	
Carrying amount	Fair value	Carrying amount	Fair value
Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
12,027	11,953	7,105	8,091

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, 2016 and 2017 was ¥264 million and ¥31 million, respectively, which was included in "Revenue" in the consolidated statement of income. Expenses incurred in direct relation to the rental income (including repairs and maintenance) for the years ended March 31, 2016 and 2017, were ¥585 million and ¥249 million, respectively, which were included in "Operating cost" and "Selling, general and administrative expenses".

14. Property and Equipment

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

Cost	Buildings	Furniture and fixtures	Land	Others	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at April 1, 2015	7,230	8,773	3,555	1,414	20,972
Acquisitions	1,495	2,505	—	57	4,057
Acquisitions through business combinations	9	315	—	—	324
Sales or disposals	(870)	(862)	(1,467)	(176)	(3,375)
Foreign currency translation adjustment on foreign operations	(62)	(372)	(80)	(110)	(624)
Others	200	133	—	(137)	196
Balance as at March 31, 2016	8,002	10,492	2,008	1,048	21,550
Acquisitions	894	1,528	—	88	2,510
Acquisitions through business combinations	29	1	1	41	72
Sales or disposals	(3,172)	(1,291)	(7)	(13)	(4,483)
Foreign currency translation adjustment on foreign operations	11	5	5	20	41
Others	44	31	—	107	182
Balance as at March 31, 2017	5,808	10,766	2,007	1,291	19,872

Accumulated depreciation and impairment losses	Buildings	Furniture and fixtures	Land	Others	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at April 1, 2015	(3,143)	(5,242)	(1,174)	(823)	(10,382)
Sales or disposals	527	735	1,132	176	2,570
Depreciation	(689)	(1,224)	—	(170)	(2,083)
Impairment losses	(136)	(110)	—	—	(246)
Foreign currency translation adjustment on foreign operations	9	211	—	149	369
Balance as at March 31, 2016	(3,432)	(5,630)	(42)	(668)	(9,772)
Sales or disposals	1,696	921	—	—	2,617
Depreciation	(470)	(1,303)	—	(187)	(1,960)
Impairment losses	(177)	(72)	—	—	(249)
Foreign currency translation adjustment on foreign operations	(1)	1	—	(10)	(10)
Balance as at March 31, 2017	(2,384)	(6,083)	(42)	(865)	(9,374)

Carrying amount	Buildings	Furniture and fixtures	Land	Others	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at March 31, 2016	4,570	4,862	1,966	380	11,778
Balance as at March 31, 2017	3,424	4,683	1,965	426	10,498

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

Carrying amount	Buildings	Furniture and fixtures	Others	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at March 31, 2016	689	1,846	—	2,535
Balance as at March 31, 2017	—	2,176	14	2,190

Impairment losses recognized for the years ended March 31, 2016 and 2017 were ¥246 million and ¥249 million, respectively, due to no expectation of initially expected profits and were included in "Other expenses" in the consolidated statement of income. Impairment losses recognized by segment for the year ended March 31, 2016 were ¥204 million in the Financial Services Business and ¥42 million in the Asset Management Business, respectively. Impairment losses recognized for the year ended March 31, 2017 were ¥186 million in the Financial Services Business, ¥5 million in the Asset Management Business and ¥58 million in the real estate business, which is included in "Others", respectively.

15. 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, 2016 and 2017 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, 2015	170,442	35,379	34,185	2,305	242,311
Acquisitions	—	6,796	—	239	7,035
Acquisitions through business combinations	5,215	195	1,650	177	7,237
Sales or disposals	(2,729)	(5,556)	—	(1)	(8,286)
Foreign currency translation adjustment on foreign operations	(11,355)	(571)	(2,330)	(52)	(14,308)
Balance as at March 31, 2016	161,573	36,243	33,505	2,668	233,989
Acquisitions	—	7,283	—	7	7,290
Acquisitions through business combinations	1,947	18	840	—	2,805
Sales or disposals	(4,088)	(3,805)	(1,624)	(5)	(9,522)
Foreign currency translation adjustment on foreign operations	1,791	109	87	(6)	1,981
Balance as at March 31, 2017	161,223	39,848	32,808	2,664	236,543

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, 2015	(8,114)	(20,573)	(12,577)	(1,237)	(42,501)
Sales or disposals	1,105	5,434	—	0	6,539
Amortization	—	(5,584)	(3,127)	(175)	(8,886)
Impairment losses	(1,541)	(416)	—	—	(1,957)
Foreign currency translation adjustment on foreign operations	—	344	887	39	1,270
Balance as at March 31, 2016	(8,550)	(20,795)	(14,817)	(1,373)	(45,535)
Sales or disposals	—	3,521	437	2	3,960
Amortization	—	(5,388)	(3,017)	(277)	(8,682)
Impairment losses	(5)	(417)	—	—	(422)
Foreign currency translation adjustment on foreign operations	—	(104)	(265)	(2)	(371)
Balance as at March 31, 2017	(8,555)	(23,183)	(17,662)	(1,650)	(51,050)

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, 2016	153,023	15,448	18,688	1,295	188,454
Balance as at March 31, 2017	152,668	16,665	15,146	1,014	185,493

The carrying amount of software in the above table as at March 31, 2016 and 2017 includes the carrying amount of leased assets of ¥106 million and ¥801 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 ¥1,957 million and ¥422 million for the years ended March 31, 2016 and 2017, 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, 2016 were ¥400 million in the Financial Services Business and ¥1,557 million in the Asset Management Business, respectively. Impairment losses recognized by segment for the year ended March 31, 2017 were ¥413 million in the Financial Services Business and ¥9 million in the Asset Management Business, respectively.

(3) Carrying amount of goodwill

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

Significant goodwill arising from business combinations were ¥105,204 million and ¥107,235 million as at March 31, 2016 and 2017, respectively, related to SBI Savings Bank in the Asset Management Business and ¥24,910 million as at March 31, 2016 and 2017, related to SBI SECURITIES Co., Ltd. in the Financial Services Business.

The recoverable amounts used for impairment test of goodwill and intangible assets are calculated based on the value in use. Value in use is the present value calculated by discounting the estimated cash flows based on the projection approved by management and a growth rate. The business plans are not longer than five years in principle, and reflect the management assessments of future industry trends and historical data based on the external and internal information. The growth rate is determined by considering the long-term average growth rate of the market or the country which the CGU belongs to. The growth rate used for measuring value in use was 5% and 3% at the maximum per annum as at March 31, 2016 and 2017, respectively. The discount rate used for measuring value in use was 6.4% to 23.7% and 5.9% to 25.9% per annum as at March 31, 2016 and 2017, 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.

16. Deferred Taxation

The following are the major deferred tax assets (liabilities) recognized and movements thereon during the years ended March 31, 2016 and 2017:

For the year ended March 31, 2016

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

For the year ended March 31, 2017

	As at April 1, 2016	Recognized through profit or loss	Recognized through other comprehensive income	Change in scope of consolidation	Recognized directly in equity	As at March 31, 2017
	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	924	(9)	—	—	—	915
Fixed assets (Note)	813	(143)	—	(183)	—	487
Tax loss carryforwards	1,976	(1,726)	—	(180)	—	70
Other	1,572	(80)	—	—	6	1,498
Total	5,285	(1,958)	—	(363)	6	2,970
Deferred Tax Liabilities	7,265	165	—	(5,162)	—	2,268
Financial Assets at FVTPL	4	—	32	—	—	36
Financial Assets at FVTOCI	1,291	(167)	—	—	—	1,124
Financial Assets measured at amortized cost	—	(1,598)	1,270	5,162	—	4,834
Intangible assets	6,372	(1,477)	(48)	(175)	—	4,672
Other	540	(302)	1	—	—	239
Total	15,472	(3,379)	1,255	(175)	—	13,173

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

In assessing the recoverability of the deferred tax assets, the Group considers the future taxable temporary differences, projected future taxable income, and tax planning strategies. The tax losses for which deferred tax assets were not recognized as at March 31, 2016 and 2017, were ¥276,663 million (including ¥238,036 million with the carryforward period over 5 years), and ¥268,431 million (including ¥227,757 million with the carryforward period over 5 years), respectively.

The Group recognized deferred tax assets of ¥1,855 million and ¥10 million as at March 31, 2016 and 2017, respectively, associated with certain subsidiaries that had net losses during the years ended March 31, 2016 and 2017. 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, 2016 and 2017, 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 ¥117,831 million and ¥126,829 million as at March 31, 2016 and 2017, respectively.

17. Bonds and Borrowings

(1) Details of bonds and borrowings

Bonds and borrowings as at March 31, 2016 and 2017, consisted of the following:

	As at March 31, 2016	As at March 31, 2017	Average interest rate (Note 1)	Due (Note 2)
	Millions of Yen	Millions of Yen	%	
Short-term loans payable	101,099	262,336	0.58	—
Current portion of long-term loans payable	22,014	26,694	0.43	—
Current portion of bonds payable	70,141	61,003	—	—
Long-term loans payable	56,351	56,763	0.48	2018~2023
Bonds payable	74,980	112,181	—	—
Total	324,585	518,977		

Notes:

1. The average interest rate is calculated using the weighted average coupon rate of the outstanding balance as at March 31, 2017.
2. The due represents the repayment term of the outstanding balance as at March 31, 2017.

Details of the bonds were as follows:

Issuer and the name of bond	Date of issuance	As at March 31, 2016	As at March 31, 2017	Interest rate (Note 1)	Due
		Millions of Yen	Millions of Yen	%	
The Company Japanese yen straight bond (Note 2)	April 2015~ March 2017	39,988	59,902	0.48-0.70	April 2016~ March 2019
The Company No.5 Unsecured straight bond	August 2013	29,983	—	—	August 2016
The Company No.6 Unsecured straight bond	December 2014	29,932	29,969	2.00	January 2018
The Company No.7 Unsecured straight bond	March 2016	14,943	14,962	1.10	March 2019
The Company No.8 Unsecured straight bond	April 2016	—	4,985	0.75	April 2018
The Company No.9 Unsecured straight bond	June 2016	—	15,941	0.85	June 2021
The Company No.10 Unsecured straight bond	September 2016	—	13,956	0.55	September 2019
The Company Euroyen convertible bonds (Note 3)	November 2013	28,960	29,614	—	November 2017
SBI SECURITIES Co., Ltd. Exchangeable bond Stock price linked bond (Note 2)	January 2016~ March 2017	1,195	2,990	0.32-0.71	September 2016 ~April 2022
SBI SECURITIES Co., Ltd. No.1 Microfinance bond	August 2016	—	785	2.50	August 2017
SBI Trade Win Tech Co., Ltd. No.1 Unsecured straight bond	March 2014	120	80	1.99	March 2019
Total		145,212	173,184		

Notes:
1. Interest rate is the coupon rate of the balance as at March 31, 2017. 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.

(2) Assets pledged as security

Assets pledged for liabilities and contingent liabilities were as follows:

	As at March 31, 2016	As at March 31, 2017
	Millions of Yen	Millions of Yen
Cash and cash equivalents	75	—
Trade and other accounts receivable	6,695	9,453
Other financial assets	6	6
Property and equipment	311	308
Total	7,087	9,767

The corresponding liabilities were as follows:

	As at March 31, 2016	As at March 31, 2017
	Millions of Yen	Millions of Yen
Bonds and borrowings	5,126	7,648

Besides the above, securities received as collateral for financing from broker's own capital of ¥16,321 million and ¥25,621 million were pledged as collateral for borrowings on margin transactions as at March 31, 2016 and 2017, respectively.

18. Trade and Other Payables

The components of trade and other payables were as follows:

	As at March 31, 2016	As at March 31, 2017
	Millions of Yen	Millions of Yen
Accounts payable and notes payable	2,932	2,025
Accounts payable-other	10,290	11,941
Advances received and guarantee deposit received	22,636	35,650
Finance lease liability	2,901	3,271
Total	38,759	52,887

19. Other Liabilities Related to Securities Business

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

	As at March 31, 2016	As at March 31, 2017
	Millions of Yen	Millions of Yen
Trade date accrual	219,114	251,333
Trading products	2,091	51,853
Deposits for subscription	1,219	1,290
Total	222,424	304,476

20. Insurance Contract Liabilities

(1) Risk management system over insurance contracts

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

(a) Market risk management

Interest rate risk management

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

Price fluctuation risk management

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

(b) Conducting of stress testing

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

(c) Insurance underwriting risk

Regarding insurance underwriting risk, the department-in-charge of each company engaged in the insurance business determines its underwriting policies, and conducts risk control by managing the risk portfolio, reforming or abolishing products, establishing the underwriting standards, changing sales policies, designing and arranging reinsurance, etc.

(2) Insurance contract liabilities

(a) Details and movements of insurance contract liabilities

Insurance contract liabilities as at March 31, 2016 and 2017, consisted of the following:

	As at March 31, 2016	As at March 31, 2017
	Millions of Yen	Millions of Yen
Claims reserves	14,484	15,317
Policy reserves	139,649	132,256
Total	154,133	147,573

The movements in insurance contract liabilities for the years ended March 31, 2016 and 2017 were as follows:

	For the year ended March 31, 2016	For the year ended March 31, 2017
	Millions of Yen	Millions of Yen
Balance, beginning of year	170,042	154,133
Life insurance business		
Expected cash flows from policy reserves	(18,351)	(19,987)
Interest incurred	163	143
Adjustments	20	9,584
Non-life insurance business		
Insurance premiums	29,571	33,264
Unearned premium	(27,580)	(30,987)
Others	268	1,423
Balance, end of year	154,133	147,573

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	147,573	47,287	26,238	13,428	60,620

(b) Sensitivity to insurance risk

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

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

(3) Concentration of insurance risk

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

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

	Accident year				
	2012	2013	2014	2015	2016
	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	14,442	16,518	16,377	18,471	20,489
1 year later	14,418	16,442	16,810	18,813	—
2 year later	14,697	16,513	17,188	—	—
3 year later	14,980	16,802	—	—	—
4 year later	15,186	—	—	—	—
Estimate of cumulative claims	15,186	16,802	17,188	18,813	20,489
Less: Cumulative payments to date	14,994	16,411	16,281	16,927	13,944
Claim reserves (gross)	192	391	907	1,886	6,545

21. Leases as Lessee

The Group leases servers for online transaction systems and certain other assets under finance leases. Future minimum lease payments and their present value under finance lease contracts of each payment period as at March 31, 2016 and 2017 were as follows:

	As at March 31, 2016	As at March 31, 2017
	Millions of Yen	Millions of Yen
No later than 1 year		
Future minimum lease payments	888	961
Less: future financial cost	(63)	(55)
Present value	825	906
Later than 1 year and not later than five years		
Future minimum lease payments	2,193	2,429
Less: future financial cost	(117)	(111)
Present value	2,076	2,318
Later than 5 years		
Future minimum lease payments	—	50
Less: future financial cost	—	(3)
Present value	—	47
Total		
Future minimum lease payments	3,081	3,440
Less: future financial cost	(180)	(169)
Present value	2,901	3,271

The Group leases office buildings and certain other assets under operating leases. The total future minimum lease payments recorded as expenses under cancellable or non-cancellable operating lease contracts for the years ended March 31, 2016 and 2017 were 5,261 million and ¥4,429 million, respectively.

22. Capital Stock and Other Equity Items

(1) Capital stock and treasury stock

The number of authorized shares as at March 31, 2016 and 2017 was 341,690,000 shares.

The Company's issued shares were as follows:

	For the year ended March 31, 2016	For the year ended March 31, 2017
	shares	shares
Number of issued shares		
(common shares with no par value)		
As at the beginning of the year	224,561,761	224,561,761
Increase during the year	—	—
As at the end of the year	224,561,761	224,561,761

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

	For the year ended March 31, 2016	For the year ended March 31, 2017
	shares	shares
Number of treasury stock		
As at the beginning of the year	8,046,610	17,211,580
Increase during the year (Notes 1,3)	10,114,550	6,869,170
Decrease during the year (Notes 2,4)	(949,580)	(3,126,670)
As at the end of the year	17,211,580	20,954,080

Notes:

1. The increase of 10,114,550 shares related to the acquisition of 10,095,200 shares subject to Article 156 of the Companies Act (replacement of the third paragraph of Article 165) and 19,350 shares purchased from shareholders with less than one unit of shares.
2. The decrease of 949,580 shares related to 1,680 shares sold to shareholders with less than one unit of shares, and sales of 59,900 shares to the Employee Stockholding Association and appropriation of 888,000 shares for the exercise of stock acquisition rights.
3. The increase related to the acquisition of 6,855,600 shares subject to Article 156 of the Companies Act (replacement of the third paragraph of Article 165) and 13,570 shares purchased from shareholders with less than one unit of shares.
4. The decrease related to 930 shares sold to shareholders with less than one unit of shares, appropriation of 2,730,100 shares for the exercise of stock acquisition rights, 44,600 shares to sold to the Employee Stockholding Association by the Stock Benefit Trust (Employee Stockholding Association Purchase-type) and 351,040 shares sold.

(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	Financial assets at FVTOCI	Total
	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at April 1, 2015	36,862	72	36,934
Change for the year	(19,668)	303	(19,365)
Transfer to retained earnings	—	(462)	(462)
Balance as at March 31, 2016	17,194	(87)	17,107
Change for the year	5,501	126	5,627
Transfer to retained earnings	—	(14)	(14)
Balance as at March 31, 2017	22,695	25	22,720

23. Dividends

Dividends paid were as follows:

Year ended March 31, 2016

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

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

Year ended March 31, 2017

	Type of share	Dividend amount (Millions of Yen)	Amount per share (Yen)	Record date	Effective date
Board of Directors' Meeting on April 28, 2016	Common shares	7,271	35	March 31, 2016	June 9, 2016
Board of Directors' Meeting on October 27, 2016	Common shares	2,009	10	September 30, 2016	December 12, 2016

Dividends for which the declared date fell in the year ended March 31, 2017, and for which the effective date will be in the year ending March 31, 2018

	Type of share	Dividend amount (Millions of Yen)	Amount per share (Yen)	Record date	Effective date
Board of Directors' Meeting on April 28, 2017	Common shares	8,144	40	March 31, 2017	June 9, 2017

24. Share-based Payment

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

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

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

None of the expenses arising from granted stock options are recorded during the years ended March 31, 2016 and 2017.

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, 2016		For the year ended March 31, 2017	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	Shares	Yen	Shares	Yen
Beginning balance	7,604,405	1,315	6,547,700	1,247
Forfeited	(168,705)	4,317	—	—
Exercised	(888,000)	1,247	(2,730,100)	1,247
Unexercised balance	6,547,700	1,247	3,817,600	1,247

Notes:
1. Weighted average stock prices upon exercise of stock options for the years ended March 31, 2016 and 2017 were ¥1,616 and ¥1,570, respectively.
2. The stock options noted for the year ended March 31, 2017 vest upon receipt of cash for the price equivalent to their fair value.

The unexercised stock options as at March 31, 2017 are as follows:

Name	Exercise price	Number of shares	Expiration date
	Yen	Shares	
SBI Holdings, Inc. 2014 Stock Acquisition Rights	1,247	3,817,600	June 30, 2018

② Subsidiaries

The outline of the Company's subsidiaries' stock option plans is as follows. For those subsidiaries having no stock option balances as at March 31, 2016, the details of their stock option plans are not provided below.

(a) Stock option plans which were unvested as at March 31, 2017

a-1 SBI Biotech Co., Ltd.

	For the year ended March 31, 2016		For the year ended March 31, 2017	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	Shares	Yen	Shares	Yen
Beginning balance	280	59,643	100	5,000
Forfeited	(180)	90,000	—	—
Unvested balance	100	5,000	100	5,000

Notes:
1. The exercise period as at March 31, 2017 was defined as 30 months after 6 months passed from the IPO date.
2. The remaining stock options as at March 31, 2017 were granted before November 7, 2002; thus, the Group does not apply IFRS 2 "Share-based Payment".

a-2 SBI Japannext Co., Ltd.

	For the year ended March 31, 2016		For the year ended March 31, 2017	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	Shares	Yen	Shares	Yen
Beginning balance	12,251	81,092	12,251	81,092
Change in scope of consolidation	—	—	(12,251)	81,902
Unvested balance	12,251	81,092	—	—

a-3 SBI MONEYPLAZA CO., Ltd.

	For the year ended March 31, 2016		For the year ended March 31, 2017	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Beginning balance	—	—	885,200	971
Granted	885,200	971	—	—
Unvested balance	885,200	971	885,200	971

Notes:

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

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

2. The average remaining exercise period as at March 31, 2017 was 0.1 years.

a-4 BroadBand Security, Inc.

	For the year ended March 31, 2016		For the year ended March 31, 2017	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	Shares	Yen	Shares	Yen
Beginning balance	—	—	217,400	400
Granted	—	—	160,500	800
Forfeited	—	—	(10,000)	540
Change in scope of consolidation	217,400	400	—	—
Unvested balance	217,400	400	367,900	571

Notes:

1. The effect of the consolidation of shares executed at the rate of 1 for 100 shares of common stock on October 28, 2016 has been adjusted retrospectively in the number of shares and the weighted average exercise price in the table above.
2. The fair value of the stock option granted during the year ended March 31, 2017 was ¥4,053 (The number of shares to be issued per stock acquisition right: 10 share). The fair value was determined based on the Black-Scholes Model. The following assumptions were used in the Black-Scholes Model regarding the stock options:

Stock price at the grant date	¥ 800	Estimated remaining exercise period	6 years
Exercise price	¥ 800	Dividend yield	0.00%
Estimated volatility	56.0%	Risk free rate	(0.07)%

3. The average remaining exercise period as at March 31, 2017 was 4.1 years.

(b) Stock option plans which were vested at the time of receiving cash

b-1 Morningstar Japan K.K.

	For the year ended March 31, 2016		For the year ended March 31, 2017	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	Shares	Yen	Shares	Yen
Beginning balance	1,676,700	267	1,499,700	267
Exercised	(177,000)	267	(11,000)	267
Unexercised balance	1,499,700	267	1,488,700	267

Notes:
1. Weighted average stock price of stock options upon exercise for the year ended March 31, 2016 and 2017 was ¥318 and ¥338, respectively.
2. The average remaining exercise period as at March 31, 2017 was 1.2 years.

b-2 NARUMIYA INTERNATIONAL CO., LTD.

	For the year ended March 31, 2016		For the year ended March 31, 2017	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	Shares	Yen	Shares	Yen
Beginning balance	3,650	78,557	3,650	78,557
Change in scope of consolidation	—	—	(3,650)	78,557
Unvested balance	3,650	78,557	—	—

(2) Cash-settled share-based compensation plan

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

The expenses arising from granted cash-settled share-based compensation plan for the year ended March 31, 2017 were ¥10 million, which was recorded in "Selling, general and administrative expenses". The corresponding liability as at March 31, 2017 was ¥1 million, which was recorded in "Other financial liabilities".

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

SBI AXES Co., Ltd.

	For the year ended March 31, 2016		For the year ended March 31, 2017	
	Number of rights	Weighted average exercise price	Number of rights	Weighted average exercise price
	Shares	Yen	Shares	Yen
Beginning balance	153,113	259	133,039	259
Forfeited	(20,074)	259	—	—
Exercised	—	—	(126,078)	259
Unexercised balance	133,039	259	6,961	259

Note: The average remaining exercise period as at March 31, 2017 was 2.3 years.

25. Revenue

Revenue for the years ended March 31, 2016 and 2017 consisted of the following:

	For the year ended March 31, 2016	For the year ended March 31, 2017
	Millions of Yen	Millions of Yen
Revenue		
Financial income		
Interest income (Note)	70,054	79,463
Dividends received	2,118	1,524
Income arising from financial assets at FVTPL	14,057	10,776
Gain from trading	18,892	17,686
Others	854	58
Total financial income	105,975	109,507
Revenue arising on insurance contracts	48,922	55,605
Revenue from rendering of services	75,296	70,710
Others	31,551	26,117
Total revenue	261,744	261,939

Note: Interest income in financial income arises from financial assets measured at amortized cost.

26. Expense

Expense for the years ended March 31, 2016 and 2017 consisted of the following:

(1) Financial cost associated with financial income

	For the year ended March 31, 2016	For the year ended March 31, 2017
	Millions of Yen	Millions of Yen
Financial cost associated with financial income		
Interest expense		
Financial liabilities measured at amortized cost	(15,836)	(14,543)
Total financial cost associated with financial income	(15,836)	(14,543)

(2) Operating cost

	For the year ended March 31, 2016	For the year ended March 31, 2017
	Millions of Yen	Millions of Yen
Payroll	(7,413)	(8,196)
Outsourcing fees	(3,025)	(5,393)
Depreciation and amortization	(1,264)	(1,168)
Cost arising on insurance contracts	(32,626)	(41,690)
Others	(39,364)	(42,535)
Total operating cost	(83,692)	(98,982)

(3) Selling, general and administrative expenses

	For the year ended March 31, 2016	For the year ended March 31, 2017
	Millions of Yen	Millions of Yen
Payroll	(27,343)	(25,592)
Outsourcing fees	(16,640)	(17,051)
Depreciation and amortization	(9,774)	(9,222)
Research and development	(4,613)	(8,622)
Others	(38,276)	(35,483)
Total selling, general and administrative expenses	(96,646)	(95,970)

(4) Other financial cost

	For the year ended March 31, 2016	For the year ended March 31, 2017
	Millions of Yen	Millions of Yen
Other financial cost		
Interest expense		
Financial liabilities measured at amortized cost	(4,442)	(3,477)
Total other financial cost	(4,442)	(3,477)

(5) Other expenses

	For the year ended March 31, 2016	For the year ended March 31, 2017
	Millions of Yen	Millions of Yen
Impairment loss	(3,520)	(2,904)
Foreign exchange loss	(2,947)	(4,143)
Others (Note)	(4,017)	(1,630)
Total other expenses	(10,484)	(8,677)

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

27. Income Tax Expense

The amount of income tax expenses for the years ended March 31, 2016 and 2017 were as follows:

	For the year ended March 31, 2016	For the year ended March 31, 2017
	Millions of Yen	Millions of Yen
Income tax expense		
Current	(12,478)	(16,257)
Deferred	(3,083)	1,421
Total income tax expense	(15,561)	(14,836)

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 30.9%. 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, 2016 and 2017 is as follows:

	For the year ended March 31, 2016	For the year ended March 31, 2017
	%	%
Normal effective statutory tax rate	33.1	30.9
Expenses not deductible for income tax purposes	0.5	0.8
Tax effect on minority interests of investments in fund	(2.1)	0.4
Temporary differences arising from consolidation of investments	(1.5)	1.1
Change in valuation allowance	(3.9)	(0.8)
Other	3.7	2.0
Average effective tax rate	29.8	34.4

28. 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, 2016 and 2017 were as follows:

For the year ended March 31, 2016

	Amount recorded during the year	Reclassification adjustment	Amount before income tax	Income tax effect	Amount after income tax
	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					
FVTOCI financial assets	179	—	179	122	301
Items that may be reclassified subsequently to profit or loss					
Currency translation differences	(18,349)	—	(18,349)	—	(18,349)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(1,609)	54	(1,555)	—	(1,555)
Total	(19,779)	54	(19,725)	122	(19,603)

For the year ended March 31, 2017

	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					
FVTOCI financial assets	156	—	156	(32)	124
Items that may be reclassified subsequently to profit or loss					
Currency translation differences	680	—	680	—	680
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	5,592	(623)	4,969	(1,270)	3,699
Total	6,428	(623)	5,805	(1,302)	4,503

29. 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:

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
	Millions of Yen	Millions of Yen
Earnings		
Profit attributable to owners of the Company	34,115	32,455
Dilutive effect: Convertible bonds	373	435
Profit attributable to owners of the Company after dilutive effect	34,488	32,890
Shares		
Basic weighted average number of ordinary shares (shares)	212,117,299	203,627,774
Dilutive effect: Stock options (shares)	980,540	206,932
Dilutive effect: Convertible bonds (shares)	20,030,713	20,645,516
Weighted average number of ordinary shares after the dilutive effect (shares)	233,128,552	224,480,222
Earnings per share attributable to owners of the Company		
Basic (in Yen)	160.83	159.38
Diluted (in Yen)	147.94	146.52

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

30. Cash Flow Information

Supplemental disclosure of consolidated statement of cash flow information for the years ended March 31, 2016 and 2017 was as follows:

(1) Expenditures on acquisition of subsidiaries

The amounts of payments for acquisition of subsidiaries were ¥4,594 million and ¥2,944 million for the years ended March 31, 2016 and 2017, respectively. Consideration paid 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, 2016	For the year ended March 31, 2017
	Millions of Yen	Millions of Yen
Cash and cash equivalents	1,372	976
Trade and other receivables	337	31
Other assets	2,606	1,256
Total assets	4,315	2,263
Bonds and loans payable	207	—
Trade and other payables	364	535
Other liabilities	1,689	600
Total liabilities	2,260	1,135

(2) Proceeds from sales of subsidiaries

Total consideration received in respect of sales of subsidiaries was ¥4,005 million and ¥9,693 million for the years ended March 31, 2016 and 2017, respectively. 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, 2016	For the year ended March 31, 2017
	Millions of Yen	Millions of Yen
Cash and cash equivalents	3,455	6,349
Trade and other receivables	4,177	1,878
Other assets	1,229	9,998
Total assets	8,861	18,225
Bonds and loans payable	2,000	1
Trade and other payables	1,702	2,931
Other liabilities	2,095	1,793
Total liabilities	5,797	4,725

31. Subsidiaries

Major subsidiaries of the Group as at March 31, 2017 were as follows:

Business segment	Name	Location	Voting Rights Holding Ratio (%)
			%
Financial Services Business	SBI FINANCIAL SERVICES Co., Ltd.	Japan	100.0
	SBI SECURITIES Co., Ltd.	Japan	100.0 (100.0)
	SBI Liquidity Market Co., Ltd.	Japan	100.0 (100.0)
	SBI FXTRADE Co., Ltd.	Japan	100.0 (100.0)
	SBI MONEYPLAZA Co., Ltd.	Japan	100.0 (100.0)
	SBI Insurance Group Co., Ltd.	Japan	100.0 (3.7)
	SBI Life Insurance Co., Ltd.	Japan	100.0 (100.0)
	SBI Insurance Co., Ltd.	Japan	98.1 (98.1)
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	49.5 (49.5)
	SBI Asset Management Co., Ltd.	Japan	100.0 (100.0)
	SBI Estate Finance Co., Ltd.	Japan	100.0 (5.0)
	SBI Hong Kong Holdings Co., Ltd.	Hong Kong	100.0
	SBI VEN HOLDINGS PTE. LTD.	Singapore	100.0
	SBI Savings Bank	Korea	98.9 (98.9)
Biotechnology-related Business	SBI ALA Hong Kong Co., Ltd.	Hong Kong	95.5 (95.5)
	SBI Pharmaceuticals Co., Ltd.	Japan	84.9 (84.9)
	SBI ALApromo Co., Ltd.	Japan	100.0 (100.0)
	SBI Biotech Co., Ltd.	Japan	87.6 (1.1)

Notes:

Major changes in the scope of consolidation are as follows:

- Newly consolidated due to establishment of company: SBI Insurance Group Co., Ltd.
- Deconsolidated due to change from subsidiary to associate accounted for using the equity method: SBI Japannext Co., Ltd.

32. Related Party Transactions

(1) Related Party Transactions

The Group entered into the following related party transactions during the year ended March 31, 2017. There were no significant related party transactions during the year ended March 31, 2016.

Type	Name	Relationship with related party	Transaction description	Transaction Amount	Balance
				Millions of Yen	Millions of Yen
Corporate officer	Yoshitaka Kitao	Representative Director	Exercise of stock options (Note 1)	873	—
			Investment in kind of subsidiary (Note 2)	1,016	—
			Sale of investment in associates (Note 3)	204	—
Corporate officer	Takashi Nakagawa	Representative Director	Exercise of stock options (Note 1)	499	—
Corporate officer	Shumpei Morita	Executive Officer	Exercise of stock options (Note 1)	200	—
			Sale of investment in subsidiary (Note 4)	45	—
Corporate officer	Masayuki Yamada	Executive Officer	Exercise of stock options (Note 1)	20	—

Notes:

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 October 30, 2014, and November 19, 2014, pursuant to Article 236, 238 and 240 of the Companies Act.
2. In connection with a reorganization within the Group, shares held in a subsidiary were invested in kind to subscribe shares issued for a capital increase by another subsidiary. Stated in the "Transaction Amount" column is the amount of capital increased by the transaction, which was determined considering the share price calculation by an independent third-party advisory firm.
3. The sales price of investment in associates was determined based on the market price at the time of each transaction.
4. The sales price of investment in subsidiary was determined based on the stock valuation report of an independent third-party advisory firm.

(2) The remuneration of key management personnel of the Company for the years ended March 31, 2016 and 2017

	For the year ended March 31, 2016	For the year ended March 31, 2017
	Millions of Yen	Millions of Yen
Remuneration and bonuses	469	1,025
Post-employment benefits	4	4
Total	473	1,029

33. Contract Liabilities

The Group has entered into loan agreements with the customers in accordance with the condition of the contracts. The total amount of loan commitments amounted to ¥18,315 million and ¥10,847 million, with an unused portion of ¥9,545 million and ¥4,531 million, as at March 31, 2016 and 2017, respectively. However, contracts are revised regularly upon changes to customer's credit condition and other matters considered necessary to ensure secure credit facilities. Thus, the unused portion of the commitment will not affect the Group's future cash flow.

34. Events after the Reporting Period

There were no significant events after the reporting period.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated statement of financial position of SBI Holdings, Inc. and its subsidiaries as at March 31, 2016, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SBI Holdings, Inc. and its subsidiaries as at March 31, 2016, and the consolidated results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

/s/ Deloitte Touche Tohmatsu LLC
Tokyo, Japan
June 27, 2016

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

CONSOLIDATED STATEMENT OF INCOME

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

(Changes in presentation of consolidated statement of income)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Fiscal year ended March 31, 2015	**Fiscal year ended March 31, 2016**
		Millions of Yen	Millions of Yen
Net cash (used in) generated from operating activities			
Profit before income tax expense		63,067	**52,227**
Depreciation and amortization		11,515	**11,103**
Share of profits of associates and joint ventures accounted for using the equity method		(5,071)	**(1,583)**
Interest and dividend income		(63,795)	**(72,238)**
Interest expense		22,122	**20,278**
Decrease (Increase) in operational investment securities		16,984	**(6,449)**
Increase in accounts receivables and other receivables		(59,017)	**(58,514)**
Increase (decrease) in operational liabilities and other liabilities		4,828	**(13,890)**
(Increase) decrease in assets/liabilities related to securities business		(46,629)	**19,882**
Increase in customer deposits in the banking business		21,696	**59,883**
Others		(28,573)	**(10,562)**
Subtotal		(62,873)	**137**
Interest and dividend income received		66,304	**71,537**
Interest paid		(22,086)	**(19,860)**
Income taxes paid		(17,542)	**(19,336)**
Net cash (used in) generated from operating activities		(36,197)	**32,478**
Net cash generated from investing activities			
Purchases of intangible assets		(5,772)	**(7,223)**
Purchases of investment securities		(24,166)	**(57,693)**
Proceeds from sales or redemption of investment securities		50,480	**70,533**
Acquisition of subsidiaries, net of cash and cash equivalents acquired	31	(6,649)	**(3,222)**
Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of	31	30,137	**550**
Payments of loans receivable		(2,579)	**(1,806)**
Collection of loans receivable		2,539	**1,942**
Others		8,315	**8,098**
Net cash generated from investing activities		52,305	**11,179**

CONSOLIDATED STATEMENT OF CASH FLOWS — (Continued)

	Notes	Fiscal year ended March 31, 2015	**Fiscal year ended March 31, 2016**
		Millions of Yen	Millions of Yen
Net cash used in financing activities			
Increase (decrease) in short term loans payable		30,360	**(108,085)**
Proceeds from long-term loans payable		43,842	**59,690**
Repayment of long-term loans payable		(52,461)	**(30,146)**
Proceeds from issuance of bonds payable		49,866	**56,103**
Redemption of bonds payable		(76,400)	**(24,088)**
Proceeds from stock issuance to non-controlling interests		181	**91**
Contributions from non-controlling interests in consolidated investment funds		1,755	**8,244**
Cash dividends paid		(4,322)	**(9,684)**
Cash dividends paid to non-controlling interests		(453)	**(381)**
Distributions to non-controlling interests in consolidated investment funds		(5,043)	**(8,827)**
Purchase of treasury stock		(34)	**(15,030)**
Proceeds from sale of interests in subsidiaries to non-controlling interests		114	**47**
Payments for purchase of interests in subsidiaries from non-controlling interests		(1,321)	**(4,486)**
Others		(1,608)	**322**
Net cash used in financing activities		(15,524)	**(76,230)**
Net increase (decrease) in cash and cash equivalents		584	**(32,573)**
Cash and cash equivalents at the beginning of the year		276,221	**290,826**
Effect of changes in exchange rate on cash and cash equivalents		14,021	**(10,203)**
Cash and cash equivalents at the end of the year		290,826	**248,050**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting Entity

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

The consolidated financial statements were approved and authorized for issue by the Company's Representative Director, President and CEO, Yoshitaka Kitao and Director, Managing Executive Officer and CFO, Shumpei Morita on June 27, 2016.

2. Basis of Preparation

(1) Compliance with IFRS

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

(2) Basis of measurement

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

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

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

(3) Reporting currency

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

(4) Use of estimates and judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the current period and future periods.

(a) Measurement of financial instruments

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

(b) Deferred tax assets

Temporary differences which arise from differences between the carrying amount of an asset or liability in the statement of financial position and its tax base and tax loss carryforwards are recorded as deferred tax assets up to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and tax loss carryforwards can be utilized, using the tax rates that are expected to apply to the period when they are realized.

(c) Evaluation of goodwill

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

(d) Impairment on financial assets at amortized cost

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

(e) Liability adequacy test for insurance contracts

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

(5) Application of new and revised IFRSs

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

(6) Early adoption of IFRSs

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

3. Significant Accounting Policies

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

(1) Basis of consolidation

(a) Subsidiaries

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

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

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

(b) Associates and joint ventures

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

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

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

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

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

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

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

(c) Business combination

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

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

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

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

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

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

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

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

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

(e) Loss of control

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

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

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

(2) Foreign currency

(a) Foreign currency translation

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

(b) Foreign operations

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

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

(3) Financial instruments

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

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

(a) Initial recognition and measurement

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

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

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss. Equity instruments held for purposes other than trading are designated as financial assets at FVTOCI.

(b) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Group currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(c) Non-derivative financial assets

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

Financial assets measured at amortized cost

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

Financial assets at FVTPL

Financial assets, other than those subsequently measured at amortized cost, are subsequently measured at fair value, and all changes in fair value are recognized in profit or loss.

Financial assets at FVTOCI

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

(d) Cash and cash equivalents

Cash and cash equivalents are cash and highly liquid financial assets that are readily convertible to known amounts of cash with original maturities of three months or less.

(e) Non-derivative financial liabilities

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

(f) Trading assets and liabilities

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

- Financial assets acquired for the purpose of sale or repurchase mostly in the short term
- At initial recognition, the financial assets are managed together by the Group as part of a certain financial instrument portfolio, from which an actual short term gain has been realized.
- Derivative (either not classified as hedging instruments or proved to be not effective as hedging instruments)

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

(g) Derecognition

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

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

(h) Fair value measurement

The Group measures the fair value of a financial asset or liability using a quoted market price from an active market, if available.

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

(i) Impairment of financial assets measured at amortized cost

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

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

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

Interest on the impaired asset is recognized as the adjustments to discounts realized through the passage of time. When the amount of impairment decreases and the decrease can be related objectively to an event occurring after the impairment, reversal of previously recognized impairment loss is recognized in profit or loss.

(j) Derivatives

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

Derivatives to which hedge accounting is applied

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

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

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

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

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

Derivatives to which hedge accounting is not applied

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

(k) Capital stock

Common stock

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

Treasury stock

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

(4) Lease as lessee

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

(5) Property and equipment

(a) Initial recognition and measurement

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

(b) Depreciation

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

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

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

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

(6) Intangible assets

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

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

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

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

(b) Research and development

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

(c) Other intangible assets (separately acquired)

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

(d) Amortization

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

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

• Software	5 years
• Customer Relationship	5-16 years

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

(7) Investment properties

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

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

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

- Buildings 8-50 years

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

(8) Impairment of non-financial assets

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

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

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

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

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

(9) Accounting for insurance contracts

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

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

(10) Employee benefits

(a) Defined contribution plans

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

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

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

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

(11) Provisions

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

(12) Revenue recognition

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

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

Changes in the fair value of financial assets at FVTOCI are presented in other comprehensive income. When such financial assets are derecognized (sold) or the decline in fair value of such financial assets is other than temporary when compared with the initial cost, the cumulative gains or losses previously recognized in other comprehensive income are directly transferred to retained earnings.

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

(b) Net trading income

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

(c) Commission income

Commission income arises from transactions in which the Group is involved as an agent instead of a principal who gains the main part of the profit from the transaction. Revenue from commission income is recognized by reference to the stage of completion of the transaction at the end of the reporting period if the result of the transaction can be reliably estimated.

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

- The Group neither retains ownership of the goods nor assumes any responsibility for after service.
- Though the Group ultimately collect consideration from customers, all the credit risk is assumed by the supplier of the goods.

(d) Sale of goods

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

(13) Income tax expense

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

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

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

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

(14) Earnings per share

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

(15) Segment reporting

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

(16) Non-current assets held for sale

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

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

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

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

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

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

4. Business Combination

For the year ended March 31, 2015

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

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

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

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

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

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

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

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

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

For the year ended March 31, 2016

Consideration transferred for business combinations amounted to ¥4,594 million, which were settled in cash. Fair value of acquired assets and liabilities and non-controlling interests were ¥4,315 million, ¥2,260 million and ¥87 million, respectively.

5. Segment Information

The Group engages in a wide range of business activities, primarily online financial service businesses and investment activities in Japan and overseas. Based on the similarities or economic characteristics of business or nature of services, "Financial Services Business", "Asset Management Business", and "Biotechnology-related Business", which is positioned as the strongest growth area in the Group, are determined as reportable segments.

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

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

"Financial Services Business"

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

"Asset Management Business"

The Asset Management Business primarily consists of fund management and investment in Internet technology, biotechnology, environmental energy and finance-related venture companies in Japan and overseas, investment in overseas financial institutions by forming partnerships with prominent local institutions, and asset management services business which provides financial products information. The Group includes venture companies acquired in the Asset Management Business in the Group's consolidation; thus, the businesses operated by the venture companies are included in this segment.

"Biotechnology-related Business"

The Biotechnology-related Business represents development and distribution of pharmaceutical products, health foods, and cosmetics with 5-aminolevulinic acid (ALA), a kind of amino acid which exists in vivo, and research and development of antibody drugs and nucleic acid medicine in the field of cancer and immunology.

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

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

The following represents segment information of the Group:

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

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

For the year ended March 31, 2015

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

For the year ended March 31, 2016

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

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

Non-current assets

	As at March 31, 2015	As at March 31, 2016
	Millions of Yen	Millions of Yen
Japan	67,790	68,791
Korea	146,637	124,421
Others	14,451	19,047
Consolidated total	228,878	212,259

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

Revenue from external customers

	For the year ended March 31, 2015	For the year ended March 31, 2016
	Millions of Yen	Millions of Yen
Japan	200,541	215,709
Overseas	46,882	46,035
Consolidated total	247,423	261,744

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

6. Fair Value of Financial Instruments

(1) Fair value measurement

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

Cash and cash equivalents, Other financial assets, Trade and other accounts payable, and Other financial liabilities

The fair values are determined at the carrying values as they approximate the carrying values due to their short maturities.

Trade and other accounts receivable

The fair values are determined based on the future cash inflows discounted at interest rates derived from appropriate indices such as government bond risk free rates considering credit risk.

Assets and liabilities related to securities business

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

Operational investment securities and other investment securities

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

Bonds and loans payable

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

Customer deposits for banking business

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

(2) Classification and fair value of financial instruments

Classification and fair value of financial assets were as follows:

As at March 31, 2015

	Carrying Amount				
	Financial assets at FVTPL	Financial assets 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
Trade and other accounts receivable	—	—	342,459	342,459	349,800
Assets related to securities business	7,579	—	2,121,181	2,128,760	2,128,760
Operational investment securities	114,946	—	—	114,946	114,946
Other investment securities	131,878	1,539	59,647	193,064	192,653
Total	254,403	1,539	2,523,287	2,779,229	2,786,159

As at March 31, 2016

	Carrying Amount				
	Financial assets at FVTPL	Financial assets 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
Trade and other accounts receivable	—	—	369,006	369,006	373,990
Assets related to securities business	11,948	—	1,896,727	1,908,675	1,908,675
Operational investment securities	118,886	—	—	118,886	118,886
Other investment securities	109,109	1,158	63,640	173,907	175,997
Total	239,943	1,158	2,329,373	2,570,474	2,577,548

Classification and fair value of financial liabilities were as follows:

As at March 31, 2015

	Carrying Amount			
	Financial liabilities 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	—	374,771	374,771	375,888
Trade and other accounts payable	1,987	53,018	55,005	55,005
Liabilities related to securities business	2,551	1,957,842	1,960,393	1,960,393
Customer deposits for banking business	—	361,102	361,102	363,496
Total	4,538	2,746,733	2,751,271	2,754,782

As at March 31, 2016

	Carrying Amount			
	Financial liabilities 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	—	324,585	324,585	325,804
Trade and other accounts payable	1,987	36,772	38,759	38,878
Liabilities related to securities business	2,092	1,758,251	1,760,343	1,760,343
Customer deposits for banking business	—	386,027	386,027	386,132
Total	4,079	2,505,635	2,509,714	2,511,157

(3) Financial instruments categorized by fair value hierarchy

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

The fair value hierarchy is defined as follows:

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

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

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

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

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

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

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

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

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

(4) Financial instruments categorized as Level 3

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

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

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

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

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

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

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

For the year ended March 31, 2015

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

For the year ended March 31, 2016

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

Notes:

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

7. Offsetting Financial Assets and Financial Liabilities

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

As at March 31, 2015

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)	1,261,893	(564,472)	697,421	(576,957)	(120,464)	—
Assets related to securities business (Receivables related to securities transactions)	127,762	(36,018)	91,744	(30,794)	—	60,950
Assets related to securities business (Financial assets related to foreign exchange transactions)	3,573	—	3,573	(482)	(3,091)	—

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)	1,550,362	(564,472)	985,890	(752,466)	—	233,424
Liabilities related to securities business (Payables related to securities transactions)	281,292	(36,018)	245,274	(30,794)	—	214,480
Liabilities related to securities business (Financial liabilities related to foreign exchange transactions)	27,471	—	27,471	(3,573)	—	23,898

As at March 31, 2016

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: Financial instruments	Related amounts not set off in the consolidated statement of financial position: Cash collateral received	Net amount
	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)	1,089,319	(441,248)	648,071	(541,464)	(106,607)	—
Assets related to securities business (Receivables related to securities transactions)	259,111	(192,308)	66,803	(19,177)	—	47,626
Assets related to securities business (Financial assets related to foreign exchange transactions)	10,037	—	10,037	(354)	(7,979)	1,704

Financial liabilities

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

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

8. Financial Risk Management

(1) Risk management policy over capital management and financing

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

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

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

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

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

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

SBI Savings Bank whose headquarter is in the Republic of Korea is obligated to maintain certain level of capital adequacy ratio in conformity with the Main Shareholder eligibility standard or standard of KIPCO Asset Management Company KSC (KAMCO) or other standards. If the capital adequacy ratio falls below certain level, Korean Financial Supervisory Service may give warning or order business suspension.

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

The Group conducts trading of derivative instruments including foreign currency forward contracts, interest rate swaps and index futures. The Group enters into foreign currency forward contracts and interest rate swap transactions primarily to hedge foreign exchange risk and to manage its interest rate exposures on borrowings, respectively. The Group does not hold or issue these instruments for speculative purposes. Index futures are entered into for the purpose of day trading with a cap placed on their trading volume. Index futures were mainly daily trading under a limited trading scale.

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

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

- Credit risk
- Market risk
- Liquidity risk

(2) Risks arising from financial instruments

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

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

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

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

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

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

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

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

(3) Risk management system over financial instruments

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

(4) Credit risk management

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

Credit risk management policies of the Group are as follows:

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

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

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

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

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

The maximum exposure to credit risk for financial assets excluding the evaluation value of collateral is the carrying amount of financial assets after impairment loss presented in the consolidated statement of financial position. The maximum exposure to credit risk for loan commitment, which the Group grants, is as described in Note 34 "Contractual Liabilities".

The Group evaluates recoverability of operating receivables and other receivables by considering the credit condition of customers and recognizes impairment losses. The Group is not exposed to excessively concentrated credit risk from a specific customer.

Impairment losses and analysis of the age regarding "trade and other accounts receivable" presented in the consolidated statement of financial position are as follows:

There are no financial assets that are past due related to the securities business.

Impairment losses regarding trade and other accounts receivable as at March 31, 2015 and 2016 were as follows:

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

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

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

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

(5) Market risk management

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

Market risk management policies of the Group are as follows:

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

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

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

① Stock Market Risk

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

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

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

② Foreign Exchange Risk

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

As at March 31, 2015

	USD	HKD	Others
	Millions of Yen	Millions of Yen	Millions of Yen
Monetary financial instruments dominated in foreign currency			
Assets	38,519	7,471	11,151
Liabilities	29,496	7,260	8,960

As at March 31, 2016

	USD	HKD	Others
	Millions of Yen	Millions of Yen	Millions of Yen
Monetary financial instruments dominated in foreign currency			
Assets	37,192	5,810	22,334
Liabilities	31,475	5,603	13,271

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

③ Interest Rate Risk

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

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

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

(6) Liquidity risk management

Liquidity risk is defined as the Group's exposure to the below situations:

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

The Group manages its liquidity risk through the following policies.

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

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

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

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

As at March 31, 2015

	Carrying amount	Contractual cash flow	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	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	374,771	381,549	265,333	52,765	61,218	227	783	1,223
Trade and other accounts payable	55,005	55,088	53,706	515	361	285	179	42
Liabilities related to securities business	1,960,393	1,960,393	1,960,393	—	—	—	—	—
Customer deposits for banking business	361,102	367,129	337,262	25,670	4,162	35	—	—

As at March 31, 2016

	Carrying amount	Contractual cash flow	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	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	324,585	329,535	195,078	87,627	46,596	119	101	14
Trade and other accounts payable	38,759	38,915	36,709	751	662	549	244	—
Liabilities related to securities business	1,760,343	1,760,343	1,760,343	—	—	—	—	—
Customer deposits for banking business	386,027	391,323	356,047	32,623	2,634	10	1	8

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

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

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

9. Trade and Other Accounts Receivable

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

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

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

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

10. Other Assets Related to Securities Business

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

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

11. Operational Investment Securities and Other Investment Securities

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

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

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

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

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

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

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

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

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

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

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

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

12. Investments Accounted For Using the Equity Method

(1) Investments in associates

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

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

	As at March 31, 2015	As at March 31, 2016
	Millions of Yen	Millions of Yen
Book value	17,756	12,938

(2) Investments in joint ventures

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

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

	As at March 31, 2015	As at March 31, 2016
	Millions of Yen	Millions of Yen
Book value	27,699	30,915

13. Structured Entities

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

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

(1) Consolidated structured entities

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

(2) Unconsolidated structured entities

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

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

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

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

14. Investment Property

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

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

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

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

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

Carrying amount and fair value

As at March 31, 2015		As at March 31, 2016	
Carrying amount	Fair value	Carrying amount	Fair value
Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
18,478	22,327	12,027	11,953

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

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

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

15. Property and Equipment

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

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

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

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

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

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

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

16. Intangible Assets

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

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

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

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

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, 2015	162,328	14,806	21,608	1,068	199,810
Balance as at March 31, 2016	153,023	15,448	18,688	1,295	188,454

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

(2) Impairment losses for each business segment

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

(3) Carrying amount of goodwill

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

Significant goodwill arising from business combinations were ¥116,277 million and ¥105,204 million as at March 31, 2015 and 2016, respectively, related to SBI Savings Bank in the Asset Management Business and ¥24,910 million as at March 31, 2015 and 2016, related to SBI SECURITIES Co., Ltd. in the Financial Services Business.

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

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

17. Deferred Taxation

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

For the year ended March 31, 2015

	As at April 1, 2013	Recognized through profit or loss	Recognized through other comprehensive income	Change in scope of consolidation	Recognized directly in equity	As at March 31, 2015
	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	1,585	(269)	—	(348)	—	968
Fixed assets (Note)	586	605	—	(7)	—	1,184
Tax loss carryforwards	4,190	(2,193)	—	(278)	—	1,719
Other	1,810	(967)	—	(312)	411	942
Total	8,171	(2,824)	—	(945)	411	4,813
Deferred Tax Liabilities						
Financial Assets at FVTPL	2,015	2,085	—	959	—	5,059
Financial Assets at FVTOCI	425	—	44	(343)	—	126
Financial Assets measured at amortized cost	—	(150)	—	1,868	—	1,718
Intangible assets	5,370	(2,057)	761	—	—	4,074
Other	816	(222)	—	—	—	594
Total	8,626	(344)	805	2,484	—	11,571

For the year ended March 31, 2016

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

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

In assessing the recoverability of the deferred tax assets, the Group considers the future taxable temporary differences, projected future taxable income, and tax planning strategies. The tax losses for which deferred tax assets were not recognized as at March 31, 2015 and 2016, were ¥255,133 million (including ¥223,886 million with the carryforward period over 5 years), and ¥276,663 million (including ¥238,036 million with the carryforward period over 5 years), respectively.

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

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

18. Bonds and Borrowings

(1) Details of bonds and borrowings

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

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

Notes:

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

Details of the bonds were as follows:

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

Notes:

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

(2) Assets pledged as security

Assets pledged for liabilities and contingent liabilities were as follows:

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

The corresponding liabilities were as follows:

	As at March 31, 2015	As at March 31, 2016
	Millions of Yen	Millions of Yen
Bonds and borrowings	5,892	5,126

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

19. Trade and Other Payables

The components of trade and other payables were as follows:

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

20. Other Liabilities Related to Securities Business

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

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

21. Insurance Contract Liabilities

(1) Risk management system over insurance contracts

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

(a) Market risk management

Interest rate risk management

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

Price fluctuation risk management

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

(b) Conducting of stress testing

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

(c) Insurance underwriting risk

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

(2) Insurance contract liabilities

(a) Details and movements of insurance contract liabilities

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

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

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

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

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

	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	154,133	46,331	32,318	14,216	61,268

(b) Sensitivity to insurance risk

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

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

(3) Concentration of insurance risk

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

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

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

22. Leases as Lessee

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

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

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

23. Capital Stock and Other Equity Items

(1) Capital stock and treasury stock

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

The Company's issued shares were as follows:

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

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

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

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

(2) Reserves

a. Capital surplus

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

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

b. Retained earnings

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

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

(3) Other component of equity

The movements of other component of equity were as follows:

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

24. Dividends

Dividends paid were as follows:

Year ended March 31, 2015

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

Year ended March 31, 2016

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

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

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

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

25. Share-based Payment

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

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

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

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

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

① The Company

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

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

Notes:

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

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

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

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

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

② Subsidiaries

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

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

a-1 SBI Biotech Co., Ltd.

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

Notes:

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

a-2 SBI Japannext Co., Ltd.

	For the year ended March 31, 2015		For the year ended March 31, 2016	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	Shares	Yen	Shares	Yen
Beginning balance	10,460	77,854	12,251	81,092
Granted	1,791	100,000	—	—
Unvested balance	12,251	81,092	12,251	81,092

Notes:

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

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

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

a-3 Autoc one K.K.

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

a-4 NARUMIYA INTERNATIONAL CO., LTD.

	For the year ended March 31, 2015		For the year ended March 31, 2016	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	Shares	Yen	Shares	Yen
Beginning balance	3,650	78,557	3,650	78,557
Movement	—	—	—	—
Unvested balance	3,650	78,557	3,650	78,557

Notes:

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

a-5 SBI AXES Co., Ltd.

	For the year ended March 31, 2015	
	Number of shares	Weighted average exercise price
	Shares	Yen
Beginning balance	165,100	424
Forfeited	(165,100)	424
Unvested balance	—	—

a-6 Morningstar Japan K.K.

	For the year ended March 31, 2015		For the year ended March 31, 2016	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	Shares	Yen	Shares	Yen
Beginning balance	—	—	1,676,700	267
Granted	1,676,700	267	—	—
Exercised	—	—	(177,000)	267
Unexercised balance	1,676,700	267	1,499,700	267

Notes:

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

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

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

a-7 SBI MONEYPLAZA Co., Ltd.

	For the year ended March 31, 2016	
	Number of shares	Weighted average exercise price
	Shares	Yen
Beginning balance	—	—
Granted	885,200	971
Unvested balance	885,200	971

Notes:

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

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

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

a-8 BroadBand Security, Inc.

	For the year ended March 31, 2016	
	Number of shares	Weighted average exercise price
	Shares	Yen
Beginning balance	—	—
Change in scope of consolidation	21,740,000	4
Unvested balance	21,740,000	4

Notes:

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

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

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

b-1 SBI Life Living Co., Ltd.

	For the year ended March 31, 2015	
	Number of shares	Weighted average exercise price
	Shares	Yen
Beginning balance	374,540	533
Change in scope of consolidation	(374,540)	533
Unexercised balance	—	—

b-2 Morningstar Japan K.K.

	For the year ended March 31, 2015		For the year ended March 31, 2016	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	Shares	Yen	Shares	Yen
Beginning balance	75,000	445	75,000	445
Forfeited	—	—	(75,000)	445
Unexercised balance	75,000	445	—	—

(2) Cash-settled share-based compensation plan

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

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

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

SBI AXES Co., Ltd.

	For the year ended March 31, 2015		For the year ended March 31, 2016	
	Number of rights	Weighted average exercise price	Number of rights	Weighted average exercise price
	Shares	Yen	Shares	Yen
Beginning balance	—	—	153,113	259
Granted	154,440	259	—	—
Forfeited	(1,327)	259	(20,074)	259
Unexercised balance	153,113	259	133,039	259

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

26. Revenue

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

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

Notes:

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

27. Expense

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

(1) Financial cost associated with financial income

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

(2) Operating cost

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

(3) Selling, general and administrative expenses

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

(4) Other financial cost

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

(5) Other expenses

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

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

28. Income Tax Expense

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

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

The Company and its domestic subsidiaries are subject to mainly a national corporate tax, an inhabitants tax, and an enterprise tax, which, in aggregate, resulted in a normal effective statutory tax rate of 33.1%. Foreign subsidiaries are subject to the income taxes of the countries in which they operate.

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

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

29. Other Comprehensive Income

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

For the year ended March 31, 2015

	Amount recorded during the year	Reclassification adjustment	Amount before income tax	Income tax effect	Amount after income tax
	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					
FVTOCI financial assets	96	—	96	(44)	52
Items that may be reclassified subsequently to profit or loss					
Currency translation differences	22,783	(591)	22,192	(761)	21,431
Total	22,879	(591)	22,288	(805)	21,483

For the year ended March 31, 2016

	Amount recorded during the year	Reclassification adjustment	Amount before income tax	Income tax effect	Amount after income tax
	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					
FVTOCI financial assets	179	—	179	122	301
Items that may be reclassified subsequently to profit or loss					
Currency translation differences	(19,958)	54	(19,904)	—	(19,904)
Total	(19,779)	54	(19,725)	122	(19,603)

30. Earnings per Share

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

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

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

31. Cash Flow Information

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

(1) Expenditures on acquisition of subsidiaries

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

(2) Proceeds from sales of subsidiaries

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

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

32. Subsidiaries

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

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

Notes:

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

33. Related Party Transactions

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

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

34. Contract Liabilities

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

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

35. Events after the Reporting Period

There were no significant events after the reporting period.

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying interim condensed consolidated financial statements of SBI Holdings, Inc. (the "Company") and its subsidiaries which comprise the interim condensed consolidated statement of financial position as at June 30, 2017, and the interim condensed consolidated statements of income, comprehensive income, changes in equity, and cash flows for the three months then ended, and the related notes.

Management's Responsibility for the Interim Condensed Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"), and for such internal control as management determines is necessary to enable the preparation of interim condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. We conducted our review in accordance with quarterly review standards generally accepted in Japan.

A review consists principally of making inquiries, primarily of management and persons responsible for financial and accounting matters, and applying analytical procedures and other quarterly review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Japan and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We believe that we have obtained the evidence to provide a basis for our conclusion.

Accountant's Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements referred to above do not present fairly, in all material respects, the consolidated financial position of SBI Holdings, Inc. and its subsidiaries as at June 30, 2017, and the consolidated results of their operations and their cash flows for the three months then ended in accordance with IAS 34.

/s/ Deloitte Touche Tohmatsu LLC
Tokyo, Japan
August 8, 2017

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Interim Condensed Consolidated Statement of Financial Position (Unaudited)

	Notes	As at March 31, 2017	**As at June 30, 2017**
		Millions of Yen	Millions of Yen
Assets			
Cash and cash equivalents		391,572	**293,592**
Trade and other accounts receivable	5	472,128	**478,747**
Assets related to securities business			
Cash segregated as deposits		1,399,851	**1,509,525**
Margin transaction assets		617,550	**560,228**
Other assets related to securities business		315,640	**474,956**
Total assets related to securities business	5	2,333,041	**2,544,709**
Other financial assets		30,050	**30,729**
Operational investment securities	5	111,067	**118,531**
Other investment securities	5	186,512	**182,949**
Investments accounted for using the equity method		90,394	**91,240**
Investment properties		7,105	**6,890**
Property and equipment		10,498	**10,506**
Intangible assets		185,493	**182,350**
Other assets		28,392	**26,631**
Deferred tax assets		3,749	**907**
Total assets		3,850,001	**3,967,781**
Liabilities			
Bonds and loans payable	5	518,977	**432,000**
Trade and other accounts payable	5	52,887	**82,534**
Liabilities related to securities business			
Margin transaction liabilities		135,698	**150,726**
Loans payable secured by securities		399,673	**364,229**
Deposits from customers		738,144	**809,349**
Guarantee deposits received		600,621	**679,316**
Other liabilities related to securities business		304,476	**368,333**
Total liabilities related to securities business	5	2,178,612	**2,371,953**
Customer deposits for banking business	5	485,827	**476,895**
Insurance contract liabilities		147,573	**146,593**
Income tax payable		10,040	**2,218**
Other financial liabilities		14,663	**16,658**
Other liabilities		11,946	**12,640**
Deferred tax liabilities		13,952	**13,657**
Total liabilities		3,434,477	**3,555,148**
Equity			
Capital stock	9	81,681	**81,681**
Capital surplus		128,004	**128,349**
Treasury stock	9	(23,801)	**(23,729)**
Other components of equity		22,720	**19,122**
Retained earnings		169,388	**173,250**
Equity attributable to owners of the Company		377,992	**378,673**
Non-controlling interests		37,532	**33,960**
Total equity		415,524	**412,633**
Total liabilities and equity		3,850,001	**3,967,781**

(2) Interim Condensed Consolidated Statements of Income and Comprehensive Income
Interim Condensed Consolidated Statement of Income (Unaudited)

	Notes	Three months ended June 30, 2016	**Three months ended June 30, 2017**
		Millions of Yen	Millions of Yen
Revenue	6,7	63,966	**68,917**
Expense			
Financial cost associated with financial income	8	(3,147)	**(4,058)**
Operating cost		(22,553)	**(25,927)**
Selling, general and administrative expenses		(24,607)	**(23,247)**
Other financial cost	8	(969)	**(852)**
Other expenses		(3,599)	**(685)**
Total expense		(54,875)	**(54,769)**
Share of the profit of associates and joint ventures accounted for using the equity method		1,043	**602**
Profit before income tax expense	6	10,134	**14,750**
Income tax expense		(4,999)	**(4,438)**
Profit for the period		5,135	**10,312**
Profit for the period attributable to			
Owners of the Company		7,722	**12,006**
Non-controlling interests		(2,587)	**(1,694)**
Profit for the period		5,135	**10,312**
Earnings per share attributable to owners of the Company			
Basic (Yen)	11	37.24	**58.96**
Diluted (Yen)	11	34.29	**53.78**

Interim Condensed Consolidated Statement of Comprehensive Income (Unaudited)

	Three months ended June 30, 2016	**Three months ended June 30, 2017**
	Millions of Yen	Millions of Yen
Profit for the period	5,135	**10,312**
Items that will not be reclassified subsequently to profit or loss		
Fair value through other comprehensive income ("FVTOCI") financial assets	13	**(2)**
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	(16,788)	**(3,518)**
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(1,081)	**(94)**
Other comprehensive income, net of tax	(17,856)	**(3,614)**
Total comprehensive income	(12,721)	**6,698**
Total comprehensive income attributable to		
Owners of the Company	(10,031)	**8,408**
Non-controlling interests	(2,690)	**(1,710)**
Total comprehensive income	(12,721)	**6,698**

(3) Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)

Three months ended June 30, 2016

		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, 2016		81,681	145,735	(19,132)	17,107	146,199	371,590	47,473	419,063
Profit for the period		—	—	—	—	7,722	7,722	(2,587)	5,135
Other comprehensive income		—	—	—	(17,753)	—	(17,753)	(103)	(17,856)
Total comprehensive income		—	—	—	(17,753)	7,722	(10,031)	(2,690)	(12,721)
Change in scope of consolidation		—	—	—	—	—	—	1,898	1,898
Dividends paid	10	—	—	—	—	(7,271)	(7,271)	(3,877)	(11,148)
Treasury shares purchased	9	—	—	(2)	—	—	(2)	—	(2)
Treasury shares sold	9	—	(0)	15	—	—	15	—	15
Changes of interests in subsidiaries without losing control		—	(83)	—	—	—	(83)	1,771	1,688
Transfer to retained earnings		—	—	—	(1)	1	—	—	—
As at June 30, 2016		81,681	145,652	(19,119)	(647)	146,651	354,218	44,575	398,793

Three months ended June 30, 2017

		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, 2017		**81,681**	**128,004**	**(23,801)**	**22,720**	**169,388**	**377,992**	**37,532**	**415,524**
Profit for the period		**—**	**—**	**—**	**—**	**12,006**	**12,006**	**(1,694)**	**10,312**
Other comprehensive income		**—**	**—**	**—**	**(3,598)**	**—**	**(3,598)**	**(16)**	**(3,614)**
Total comprehensive income		**—**	**—**	**—**	**(3,598)**	**12,006**	**8,408**	**(1,710)**	**6,698**
Dividends paid	**10**	**—**	**—**	**—**	**—**	**(8,144)**	**(8,144)**	**(1,635)**	**(9,779)**
Treasury shares purchased	**9**	**—**	**—**	**(4)**	**—**	**—**	**(4)**	**—**	**(4)**
Treasury shares sold	**9**	**—**	**7**	**76**	**—**	**—**	**83**	**—**	**83**
Changes of interests in subsidiaries without losing control		**—**	**338**	**—**	**—**	**—**	**338**	**(227)**	**111**
As at June 30, 2017		**81,681**	**128,349**	**(23,729)**	**19,122**	**173,250**	**378,673**	**33,960**	**412,633**

(4) Interim Condensed Consolidated Statement of Cash flows (Unaudited)

	Three months ended June 30, 2016	**Three months ended June 30, 2017**
	Millions of Yen	Millions of Yen
Net cash used in operating activities		
Profit before income tax expense	10,134	**14,750**
Depreciation and amortization	2,611	**2,720**
Share of profits of associates and joint ventures accounted for using the equity method	(1,043)	**(602)**
Interest and dividend income	(18,743)	**(24,483)**
Interest expense	4,115	**4,911**
Increase in operational investment securities	(5,544)	**(7,192)**
Increase in trade and other accounts receivable	(26,367)	**(16,251)**
Increase in trade and other accounts payable	13,417	**27,671**
Increase in assets/liabilities related to securities business	(35,159)	**(18,315)**
Increase in customer deposits for banking business	22,449	**3,190**
Others	1,473	**(2,099)**
Subtotal	(32,657)	**(15,700)**
Interest and dividend income received	18,606	**24,253**
Interest expense paid	(3,430)	**(4,377)**
Income taxes paid	(6,180)	**(9,719)**
Net cash used in operating activities	(23,661)	**(5,543)**
Net cash (used in) generated from investing activities		
Purchases of intangible assets	(1,382)	**(1,664)**
Purchases of investment securities	(32,878)	**(14,468)**
Proceeds from sales or redemption of investment securities	29,351	**18,611**
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(69)	**(82)**
Proceeds from sales of subsidiaries, net of cash and cash equivalents disposed of	(2,137)	**(54)**
Payments of loans receivable	(1,599)	**(990)**
Collection of loans receivable	254	**980**
Net increase in payables under securities lending transactions	—	**3,798**
Others	66	**(533)**
Net cash (used in) generated from investing activities	(8,394)	**5,598**

(4) Interim Condensed Consolidated Statement of Cash flows (Unaudited) — (Continued)

	Three months ended June 30, 2016	**Three months ended June 30, 2017**
	Millions of Yen	Millions of Yen
Net cash generated from (used in) financing activities		
Increase (decrease) in short term loans payable	23,319	**(120,829)**
Proceeds from long-term loans payable	2,467	**3,163**
Repayment of long-term loans payable	(526)	**(509)**
Proceeds from bond issuance	42,171	**31,405**
Redemption of bonds payable	(20,075)	**(450)**
Proceeds from stock issuance to non-controlling interests	200	**—**
Contributions from non-controlling interests in consolidated investment funds	3,631	**122**
Cash dividend paid	(7,053)	**(7,941)**
Cash dividend paid to non-controlling interests	(375)	**(406)**
Distributions to non-controlling interests in consolidated investment funds	(3,531)	**(1,225)**
Purchase of treasury stock	(2)	**(4)**
Proceeds from sale of interests in subsidiaries to non-controlling interests	30	**155**
Payments for purchase of interests in subsidiaries from non-controlling interests	(242)	**(150)**
Others	(284)	**(487)**
Net cash generated from (used in) financing activities	39,730	**(97,156)**
Net increase (decrease) in cash and cash equivalents	7,675	**(97,101)**
Cash and cash equivalents at the beginning of the period	248,050	**391,572**
Effect of changes in exchange rate on cash and cash equivalents	(9,421)	**(879)**
Cash and cash equivalents at the end of the period	246,304	**293,592**

Notes to Interim Condensed Consolidated Financial Statements (Unaudited)

1. Reporting Entity

SBI Holdings, Inc. (the "Company") was incorporated in Japan. The interim condensed consolidated financial statements of the Company consist of the Company, its subsidiaries (hereinafter referred to as the "Group") and interests in the Group's associates and joint ventures. The Group is engaged in various businesses, which primarily consist of three key businesses: "Financial Services Business", "Asset Management Business" and "Biotechnology-related Business". See Note 6 "Segment Information" for detailed information on each business.

2. Basis of Preparation

Since the Company meets the criteria of a "Specified Company under Designated International Financial Reporting Standards" as defined in Article 1-2 of the Rules Governing Term, Form and Preparation of Quarterly Consolidated Financial Statements, the interim condensed consolidated financial statements of the Group were prepared in accordance with International Financial Reporting Standards ("IFRSs") pursuant to Article 93 of the Rules Governing Term, Form and Preparation of Quarterly Consolidated Financial Statements.

Since the interim condensed consolidated financial statements do not include all the information required for consolidated financial statements since they were prepared in accordance with International Accounting Standard (IAS) 34, they should be read in conjunction with the annual consolidated financial statements for the year ended March 31, 2017.

The interim condensed consolidated financial statements were approved and authorized for issue by the Company's Representative Director, President and CEO, Yoshitaka Kitao and Director, Senior Managing Executive Officer and CFO, Shumpei Morita on August 8, 2017.

3. Significant Accounting Policies

Except for the following standards that have been newly applied, the accounting policies adopted in the consolidated financial statements for the year ended March 31, 2017, are applied consistently in the preparation of these interim condensed consolidated financial statements.

The Group adopted the following new and revised standards and interpretations beginning with the preparation of the interim condensed consolidated financial statements for the three months ended June 30, 2017. There is no significant impact on these interim condensed consolidated financial statements through adoption.

Statement of standards		Summary of new standards and amendments
IAS 7	Statement of Cash Flows	Additional disclosures about changes in liabilities arising from financing activities

4. Use of estimates and judgments

In the preparation of the Group's interim condensed consolidated financial statements, management of the Company is required to make estimates, judgments and assumptions about the reporting amounts of assets, liabilities, revenue 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 recognized in the period in which the estimate is revised and future periods.

The estimates and underlying assumptions which have significant impact on these interim condensed consolidated financial statements are the same as those of the consolidated financial statements for the year ended 31 March 2017.

5. Fair Value of Financial Instruments

(1) Fair value measurement

The methods of measuring the fair values of financial assets and financial liabilities in the consolidated financial statements for the year ended 31 March 2017 are applied consistently in the preparation of these interim condensed consolidated financial statements.

(2) Classification and fair value of financial instruments

Classification and fair value of financial assets were as follows:

As at March 31, 2017

	Carrying Amount				
	Financial assets at FVTPL	Financial assets 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
Trade and other accounts receivable	—	—	472,128	472,128	477,051
Assets related to securities business	22,816	—	2,310,225	2,333,041	2,333,041
Operational investment securities	111,067	—	—	111,067	111,067
Other investment securities	107,853	1,243	77,416	186,512	187,680
Total	241,736	1,243	2,859,769	3,102,748	3,108,839

As at June 30, 2017

	Carrying Amount				
	Financial assets at FVTPL	Financial assets 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
Trade and other accounts receivable	—	—	478,747	478,747	482,629
Assets related to securities business	50,434	—	2,494,275	2,544,709	2,544,709
Operational investment securities	118,531	—	—	118,531	118,531
Other investment securities	106,743	1,232	74,974	182,949	184,223
Total	275,708	1,232	3,047,996	3,324,936	3,330,092

Classification and fair value of financial liabilities were as follows:

As at March 31, 2017

	Carrying Amount			
	Financial liabilities 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	—	518,977	518,977	518,887
Trade and other accounts payable	2,118	50,769	52,887	53,013
Liabilities related to securities business	51,854	2,126,758	2,178,612	2,178,612
Customer deposits for banking business	—	485,827	485,827	485,997
Total	53,972	3,182,331	3,236,303	3,236,509

As at June 30, 2017

	Carrying Amount			
	Financial liabilities 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	—	432,000	432,000	431,898
Trade and other accounts payable	2,039	80,495	82,534	82,656
Liabilities related to securities business	114,608	2,257,345	2,371,953	2,371,953
Customer deposits for banking business	—	476,895	476,895	477,059
Total	116,647	3,246,735	3,363,382	3,363,566

(3) Financial instruments categorized by fair value hierarchy

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

The fair value hierarchy is defined as follows:

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

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

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

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

	As at March 31, 2017			
	Level 1	Level 2	Level 3	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Financial assets				
Assets related to securities business	22,816	—	—	22,816
Operational investment securities and other investment securities				
Financial assets at FVTPL	96,206	614	122,100	218,920
Financial assets at FVTOCI	20	—	1,223	1,243
Total financial assets	119,042	614	123,323	242,979
Financial liabilities				
Trade and other accounts payable	—	—	2,118	2,118
Liabilities related to securities business	51,854	—	—	51,854
Total financial liabilities	51,854	—	2,118	53,972

	As at June 30, 2017			
	Level 1	Level 2	Level 3	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Financial assets				
Assets related to securities business	50,434	—	—	50,434
Operational investment securities and other investment securities				
Financial assets at FVTPL	94,414	609	130,251	225,274
Financial assets at FVTOCI	20	—	1,212	1,232
Total financial assets	144,868	609	131,463	276,940
Financial liabilities				
Trade and other accounts payable	—	—	2,039	2,039
Liabilities related to securities business	114,608	—	—	114,608
Total financial liabilities	114,608	—	2,039	116,647

(4) Financial instruments categorized as Level 3

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

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

	As at March 31, 2017			
	Fair Value	Valuation Technique	Unobservable Input	Range
	Millions of Yen			
Operational investment securities and other investment securities	123,323	Income approach and market approach	Discount rate	5% – 10%
			P/E ratio	9.8 – 30.4
			EBITDA ratio	7.9 – 24.8
			Illiquidity discount	10% – 30%

	As at June 30, 2017			
	Fair Value	Valuation Technique	Unobservable Input	Range
	Millions of Yen			
Operational investment securities and other investment securities	131,463	Income approach and market approach	Discount rate	5% – 10%
			P/E ratio	10.9 – 28.8
			EBITDA ratio	8.5 – 24.8
			Illiquidity discount	5% – 30%

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

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

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

For the three months ended June 30, 2016

	Financial assets			Financial liabilities
	Operational investment securities and other investment securities			
	Financial assets at FVTPL	Financial assets at FVTOCI	Total	Trade and other accounts payable
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at April 1, 2016	109,708	1,122	110,830	1,987
Acquisitions through business combinations	—	—	—	200
Purchase	5,764	—	5,764	—
Comprehensive income				
Net profit (Note 1)	(7,317)	—	(7,317)	—
Other comprehensive income (Note 2)	—	14	14	—
Dividends	(536)	—	(536)	—
Sale or redemption	(2,039)	(11)	(2,050)	—
Settlements	—	—	—	(69)
Currency translation differences	(4,296)	(33)	(4,329)	—
Others	7	—	7	—
Balance as at June 30, 2016	101,291	1,092	102,383	2,118

For the three months ended June 30, 2017

	Financial assets			Financial liabilities
	Operational investment securities and other investment securities			
	Financial assets at FVTPL	Financial assets at FVTOCI	Total	Trade and other accounts payable
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Balance as at April 1, 2017	122,100	1,223	123,323	2,118
Acquisitions through business combinations	—	—	—	—
Purchase	8,900	—	8,900	—
Comprehensive income				
Net profit (Note 1)	949	—	949	—
Other comprehensive income (Note 2)	—	(2)	(2)	—
Dividends	(637)	—	(637)	—
Sale or redemption	(550)	—	(550)	—
Settlements	—	—	—	(79)
Currency translation differences	(511)	(9)	(520)	—
Others	—	—	—	—
Balance as at June 30, 2017	130,251	1,212	131,463	2,039

Notes:

1. Gains and losses recognized as profit or loss for the period in relation to financial instruments are included in "Revenue" in the interim condensed consolidated statement of income. Gains and losses recognized arising from financial assets at FVTPL held as at June 30, 2016 and 2017 were ¥6,781 million of losses and ¥932 million of gains, respectively.
2. Gains and losses recognized as other comprehensive income (loss) in relation to financial instruments are included in "FVTOCI financial assets" in the interim condensed consolidated statement of comprehensive income.

(5) Investment portfolio

Operational investment securities and other investment securities as at March 31 and June 30, 2017, respectively, consisted of the following:

	As at March 31, 2017	As at June 30, 2017
	Millions of Yen	Millions of Yen
Operational investment securities		
Listed equity securities	17,212	17,673
Unlisted equity securities	66,749	73,728
Bonds	4,602	4,054
Investments in funds	22,504	23,076
Total	111,067	118,531
Other investment securities		
Listed equity securities	133	479
Unlisted equity securities	5,020	3,176
Bonds	94,717	91,554
Investments in funds	86,642	87,740
Total	186,512	182,949

6. Segment Information

The Group engages in a wide range of business activities, primarily online financial services businesses and investment activities in Japan and overseas. Based on the similarities or economic characteristics of business or nature of services, “Financial Services Business”, “Asset Management Business”, and “Biotechnology-related Business”, which is anticipated to be a growth industry in the 21st century, are determined as reportable segments.

The reportable segments of the Group represent business activities for which separate financial information of the Group’s components is available and reviewed regularly by the board of directors, the chief operating decision maker, 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 businesses, including securities brokerage business, banking services business, and life, property and casualty insurance business.

“Asset Management Business”

The Asset Management Business primarily consists of fund management and investment in Internet technology, biotechnology and finance-related venture companies in Japan and overseas, financial services business overseas, and asset management services business which provides financial products information.

“Biotechnology-related Business”

The Biotechnology-related Business represents development and distribution of pharmaceutical products, health foods, and cosmetics with 5-aminolevulinic acid (ALA), a kind of amino acid which exists in vivo, and research and development of antibody drugs and nucleic acid medicine in the field of cancer and immunology.

“Others” includes the real estate business and other businesses, but they did not meet the quantitative criteria to be defined as reportable segments for the period ended June 30, 2017.

“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:

Certain subsidiaries, including BroadBand Security, Inc., which were included in the Asset Management Business until the previous reporting period, are now included in the Financial Services Business beginning with the period ended June 30, 2017. Consequently, segment information for the three months ended June 30, 2016, is restated in accordance with the new basis of segmentation.

For the three months ended June 30, 2016

	Financial Services Business	Asset Management Business	Biotechnology-related 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 ..	42,027	22,026	308	64,361	87	(482)	63,966
Profit before income tax expense ..	13,249	3,152	(3,530)	12,871	(390)	(2,347)	10,134

For the three months ended June 30, 2017

	Financial Services Business	Asset Management Business	Biotechnology-related 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 ..	50,423	18,406	652	69,481	120	(684)	68,917
Profit before income tax expense ..	14,238	5,520	(2,841)	16,917	(200)	(1,967)	14,750

7. Revenue

Revenue for the three months ended June 30, 2016 and 2017 consisted of the following:

	For the three months ended June 30, 2016	**For the three months ended June 30, 2017**
	Millions of yen	Millions of yen
Revenue		
Financial income		
Interest income (Note)	18,243	**23,311**
Dividends received	420	**1,089**
Income arising from financial assets at FVTPL	(2,922)	**3,662**
Gain from trading	4,795	**3,962**
Others	—	**4**
Total financial income	20,536	**32,028**
Revenue arising on insurance contracts	14,733	**16,277**
Revenue from rendering of services	17,445	**19,064**
Others	11,252	**1,548**
Total revenue	63,966	**68,917**

Note: Interest income in financial income arises from financial assets measured at amortized cost.

8. Financial cost

Financial cost for the three months ended June 30, 2016 and 2017 consisted of the following:

	For the three months ended June 30, 2016	For the three months ended June 30, 2017
	Millions of Yen	Millions of Yen
Financial cost associated with financial income		
Interest expense		
Financial liabilities measured at amortized cost	(3,147)	(4,058)
Total financial cost associated with financial income	(3,147)	(4,058)

	For the three months ended March 31, 2016	For the three months ended March 31, 2017
	Millions of Yen	Millions of Yen
Other financial cost		
Interest expense		
Financial liabilities measured at amortized cost	(969)	(852)
Total other financial cost	(969)	(852)

9. Capital stock and treasury stock

The Company's issued shares were as follows:

	For the three months ended June 30, 2016	For the three months ended June 30, 2017
	Shares	Shares
Number of issued shares (common shares with no par value)		
As at the beginning of the period	224,561,761	224,561,761
As at the end of the period	224,561,761	224,561,761

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

	For the three months ended June 30, 2016	For the three months ended June 30, 2017
	Shares	Shares
Number of treasury stock		
As at the beginning of the period	17,211,580	20,954,080
Increase during the period (Notes 1,2)	1,560	2,743
Decrease during the period (Notes 3,4)	(23,450)	(67,000)
As at the end of the period	17,189,690	20,889,823

Notes:
1. The increase related to 1,560 shares purchased from shareholders with less than one unit of shares.
2. The increase related to 2,743 shares purchased from shareholders with less than one unit of shares.
3. The decrease related to 550 shares sold to shareholders with less than one unit of shares and 22,900 shares sold to the Employee Stockholding Association.
4. The decrease related to the appropriation of 67,000 shares for the exercise of stock acquisition rights.

10. Dividends

During the three months ended June 30, 2016 and 2017, the Company paid dividends totaling ¥7,271 million (¥35 per share) and ¥8,144 million (¥40 per share), respectively.

11. 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 three months ended June 30, 2016	**For the three months ended June 30, 2017**
	Millions of Yen	Millions of Yen
Earnings		
Profit attributable to owners of the Company	7,722	**12,006**
Dilutive effect: Convertible bonds	97	**114**
Profit attributable to owners of the Company after dilutive effect	7,819	**12,120**
Shares		
Basic weighted average number of ordinary shares (shares)	207,354,741	**203,630,538**
Dilutive effect: Stock options (shares)	—	**612,751**
Dilutive effect: Convertible bonds (shares)	20,645,516	**21,128,248**
Weighted average number of ordinary shares after the dilutive effect (shares)	228,000,257	**225,371,537**
Earnings per share attributable to owners of the Company		
Basic (in Yen)	37.24	**58.96**
Diluted (in Yen)	34.29	**53.78**

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

12. Events after the Reporting Period

Issuance of Stock Acquisition Rights (Paid-In Capital Stock Options and Qualified Stock Options)

The Company resolved at the Board of Directors meeting on July 27, 2017 to issue the stock acquisition rights below to Directors and employees of the Company and its subsidiaries, in accordance with the provisions stipulated in Article 236, 238 and 240 of the Companies Act. The Company shall issue paid-in capital stock options (hereinafter, the "2017 First Stock Acquisition Rights") to Directors of the Company and its subsidiaries, and qualified stock options (hereinafter, the "2017 Second Stock Acquisition Rights") to employees of the Company and its subsidiaries free of charge. The 2017 First Stock Acquisition Rights shall be provided not as compensation to eligible individuals but as an option to be undertaken based on their respective investment decisions.

2017 First Stock Acquisition Rights

1. Conditions of Allotment

(1)	Number of stock acquisition rights	28,000 units (The number above is the number of stock acquisition rights planned for allotment. If the number of stock acquisition rights to be allotted decreases, including cases where an application for subscription is not made, the total number of stock acquisition rights to be allotted shall be the total number of stock acquisition rights to be issued.)
(2)	Payment of money in exchange for one stock acquisition right	JPY 3,179
(3)	Date of allotment of the stock acquisition rights	September 1, 2017

2. Summary of Stock Acquisition Rights

(1)	Type and number of shares granted through stock acquisition rights	2,800,000 shares of common stock of the Company (100 shares per right)

(2) Amount contributed through the exercise of stock acquisition rights	The asset value contributed through the exercise of stock acquisition rights shall be the amount calculated by multiplying the amount paid per share that is issuable through the exercise of stock acquisition rights (hereinafter, the "exercise price") and the number of shares granted together. The exercise price is JPY 1,563.
(3) Matters concerning the issuance price of the share and capital and capital reserve to be increased by exercising stock acquisition rights	(a) Matters concerning the issuance price of the share by exercising stock acquisition rights The issuance price per common share of the Company through the exercise of stock acquisition rights is obtained by dividing the total amount of the asset value contributed by the exercise of stock acquisition rights regarding the exercise request and the amount paid in exchange for stock acquisition rights regarding the exercise request by the number of shares to be granted. (b) Matters concerning capital and capital reserve to be increased by exercising stock acquisition rights (i) The amount of capital to be increased in the case of issuing shares by exercising stock acquisition rights shall be a half of the maximum amount of capital increase, etc. which is calculated in accordance with Article 17, Paragraph 1 of the Corporation Accounting Regulations. Any fraction less than one (1) yen resulting from the calculation shall be rounded up to the nearest whole yen. (ii) The amount of capital reserve to be increased in the case of issuing shares by exercising stock acquisition rights shall be the amount obtained by deducting the amount of capital to be increased set forth in (i) above from the maximum amount of capital increase, etc. set forth in (i) above.
(4) Exercise period of stock acquisition rights	From July 1, 2020 to September 30, 2021
(5) Conditions for exercising stock acquisition rights	(a) 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 ¥50 billion or more in its entire segment profits (profit before income tax expenses) in each fiscal year of the period from the fiscal year ending March 31, 2018 to the fiscal year ending March 31, 2020, and also marked ¥170 billion or more in its cumulative segment profits (profit before income tax expenses) for the above three fiscal periods. (b) A holder of stock acquisition rights shall not be required to be a Director, Statutory Auditor or employee of the Company or its affiliated companies at the time of the exercise of the stock acquisition rights. However, this shall not apply to cases where a holder of the stock acquisition rights is dismissed or terminated through disciplinary action during his or her term of office as Director, Statutory Auditor or employee. (c) Other terms shall be specified in the "Agreement of Allotment of the Stock Acquisition rights" to be entered into by the Company and the stock acquisition rights holders.

2017 Second Stock Acquisition Rights

1. Conditions of Allotment

(1)	Number of stock acquisition rights	33,000 units (The number above is the number of stock acquisition rights planned for allotment. If the number of stock acquisition rights to be allotted decreases, including cases where an application for subscription is not made, the total number of stock acquisition rights to be allotted shall be the total number of stock acquisition rights to be issued.)
(2)	Payment of money in exchange for one stock acquisition right	No payment of money shall be required in exchange for stock acquisition rights.
(3)	Date of allotment of stock acquisition rights	September 1, 2017

2. Summary of Stock Acquisition Rights

(1)	Type and number of shares granted through stock acquisition rights	3,300,000 shares of common stock of the Company (100 shares per right)
(2)	Amount contributed through the exercise of stock acquisition rights	The asset value contributed through the exercise of stock acquisition rights shall be the amount calculated by multiplying the amount paid per share that is issuable through the exercise of stock acquisition rights (hereinafter, the "exercise price") and the number of shares granted together. The exercise price is JPY 1,563. However, if the exercise price becomes lower than the closing price of the Company's common stock in regular transactions on the Tokyo Stock Exchange on the date of allotment, the exercise price shall be considered equal to the closing price on the date of allotment.
(3)	Matters concerning the issuance price of the share and capital and capital reserve to be increased by exercising stock acquisition rights	(a) Matters concerning the issuance price of the share by exercising stock acquisition rights The issuance price per common share of the Company through the exercise of stock acquisition rights is the same amount as the exercise price. (b) Matters concerning capital and capital reserve to be increased by exercising stock acquisition rights (i) The amount of capital to be increased in the case of issuing shares by exercising stock acquisition rights shall be a half of the maximum amount of capital increase, etc. which is calculated in accordance with Article 17, Paragraph 1 of the Corporation Accounting Regulations. Any fraction less than one (1) yen resulting from the calculation shall be rounded up to the nearest whole yen. (ii) The amount of capital reserve to be increased in the case of issuing shares by exercising stock acquisition rights shall be the amount obtained by deducting the amount of capital to be increased set forth in (i) above from the maximum amount of capital increase, etc. set forth in (i) above.
(4)	Exercise period of stock acquisition rights	From July 29, 2019 to September 30, 2024

(5) Conditions for exercising stock acquisition rights	(a) A holder of stock acquisition rights shall be required to be a Director, Statutory Auditor, or employee of the Company or its affiliates at the time of exercise of the stock acquisition rights. However, this shall not apply if the holder has retired due to the expiration of his or her term of office, reaching the mandatory retirement age, or other justifiable reasons approved by the Board of Directors. (b) Other terms shall be specified in the "Agreement of Allotment of the Stock Acquisition rights" to be entered into by the Company and the stock acquisition rights holders.

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