Notes to Consolidated Financial Statements

SOFTBANK INVESTMENT CORPORATION and Consolidated Subsidiaries
Six-Month Period Ended 31st March, 2003 and Year Ended 31st March, 2004

1. NATURE OF OPERATIONS AND BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

SOFTBANK INVESTMENT CORPORATION (the "Company") was incorporated in Tokyo, Japan in 1999 as a venture capital business principally for Internet-related companies, and has since expanded its line of business through mergers and acquisitions as well as expanding its asset management business to investments in certain non-Internet-related companies. The Company and its consolidated subsidiaries (together, "SBI") are engaged in the provision of a wide range of financial services and are primarily active in their three core businesses of asset management, brokerage and investment banking and financial services.

SBI's asset management business is principally carried out by the Company and involves the management of venture capital investment funds, leveraged buy-out funds, corporate restructuring funds and biotech funds. SBI is one of the largest managers of venture capital funds in Japan in terms of net assets under management.

SBI's brokerage and investment banking businesses are principally carried out by the Company's subsidiaries, E*TRADE SECURITIES CO., LTD. ("ETS"), one of the largest online securities companies in Japan by number of accounts, deposits in customer accounts and daily average revenue from trades, WORLD NICHIEI FRONTIER Securities Co., Ltd. ("WNF") and Fides Securities Corporation. Brokerage and investment banking businesses involve the provision of brokerage services as well as investment banking services such as underwriting, securitisations, corporate finance advisory services and private equity advisory services.

SBI's financial services business is principally executed by the Company's subsidiaries, Finance All Corporation ("FAC"), GOODLOAN Co., Ltd. ("GOODLOAN") and WEB-Lease Co., Ltd. ("WEB-Lease"). Financial services include the provisions of low-interest home loans, lease arrangements specialised in Internet-related area and the marketplace where customers can compare financial products.

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Certain disclosures contained herein are not required as part of the basic financial statements in Japan but are presented herein as additional information. In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2003 financial statements to conform to the classifications used in 2004.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥105.63 to $1, the approximate rate of exchange at 31st March, 2004. Such translation should not be construed as representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Effective 31st March, 2003, the Company changed its fiscal year end from 30th September to 31st March. Accordingly, fiscal 2003 included only six months of operations whereas fiscal 2004 consisted of twelve months.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as at 31st March, 2004 include the accounts of the Company and its 22 significant (18 in 2003) subsidiaries. Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which SBI has the ability to exercise significant influence are accounted for by the equity method.

Investments in 1 (2 in 2003) affiliated company are accounted for by the equity method. Investments in the remaining 7 (4 in 2003) unconsolidated subsidiaries and 1 (nil in 2003) affiliated company are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not have been material.

Goodwill, representing the excess of the Company's investments in subsidiaries over the fair value of the net assets of the acquired subsidiaries at the date of acquisition, is being amortised by the straight-line method over the estimated useful life of goodwill, while goodwill is amortised over 20 years when the useful life of goodwill is not reasonably estimable. Negative goodwill, representing the excess of the fair value of the net assets of the acquired subsidiaries at the date of acquisition over the Company's investments in subsidiaries, is also being amortised by the straight-line method over the estimated useful life of negative goodwill, while negative goodwill is amortised over 20 years if the useful life of negative goodwill is not reasonably estimable. Immaterial goodwill or negative goodwill is charged to income when incurred.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealised profit included in assets resulting from transactions within SBI is eliminated.

Investments in nil (2 in 2003) company and nil (1 in 2003) corporate type investment trust with more than 50 percent ownership and 7 (9 in 2003) companies and 1 (nil in 2003) corporate type investment trust with 20 to 50 percent ownership are included in operational investment securities as the investments in these companies were made as part of the Company's operating activities.

Operational investments in funds on the consolidated balance sheet are accounted for by the same way as the equity method based on SBI's percentage share in the contributed capital as these funds are investment partnerships. However, SBI consolidates the revenue and expenses of these funds in the consolidated statement of operations.

Revenue and expenses stated on the profit and loss statement of the funds are recorded in SBI's consolidated statement of operations based on SBI's percentage share in each partnership's contributed capital.

Non-operational investments in funds included in other assets on the consolidated balance sheet are accounted for by the same way as the equity method based on SBI's percentage share in the contributed capital as these funds are investment partnerships.

In order to streamline and enhance operations, SBI Real Estate Co., Ltd. ("SBI-RE") merged with E-Real Estate Co., Ltd. ("E-RE"), one of the Company's investees, on 1st October, 2002. SBI-RE was a surviving company. Under the terms of the agreement, SBI-RE issued 4,661 shares of its common stock at an exchange ratio of 0.59 share for each outstanding share of E-RE's common stock. Due to this stock issuance, SBI-RE's common stock and capital surplus were increased by ¥100 million and ¥104 million, respectively. In addition, SBI-RE took over all of the assets, liabilities, rights and obligations held by E-RE on 1st October, 2002.

In October 2002, the Company purchased 100 percent of the shares of Y.K. Tigergate South ("TGS") for the aggregate amount of ¥9 million with net cash received of ¥6 million. TGS is engaged in a real estate business. TGS became a consolidated subsidiary of the Company from December 2002. However, in terms of importance for SBI's consolidated financial statements, TGS was excluded from the scope of consolidation from fiscal 2004.

In February 2003, for the purpose of penetrating the collateralised debt obligations fund business, the Company purchased from SOFTBANK FINANCE CORPORATION (the "Parent") 83.3 percent of the shares of Arsnova Capital Research, Inc. ("ACR") for the aggregate amount of ¥151 million with net cash received of ¥12 million. The main business of ACR is to originate and manage alternative investment products. ACR has become a consolidated subsidiary of the Company from February 2003.

In February 2003, all the shares of SBI REIT Asset Management Co., Ltd. ("SBI-REIT") held by the Company were sold to a third party. The Company received cash of ¥47 million and recognised a gain of ¥36 million in the six-month period ended 31st March, 2003 in connection with this sale.

Since the importance of SB Incubation Co., Ltd. ("SB Incubation") for SBI's consolidated financial statements became more significant, SB Incubation has become a consolidated subsidiary of the Company from fiscal 2003.

On 2nd June, 2003, E*TRADE Japan K.K. ("ETJ") was merged into the Company which was the surviving company. Due to this merger, the Company issued 419,095 shares of its common stock to ETJ's shareholders listed in shareholder list as at 1st June, 2003 at an exchange ratio of 0.63 share for each outstanding share of ETJ's common stock. As a result, ETS, SOFTBANK FRONTIER SECURITIES CO., LTD. ("SFS"), e-Commodity Co., Ltd. and SF REALTY CO., LTD. ("SF REALTY"), all of which were the subsidiaries of ETJ, have become the Company's consolidated subsidiaries from June 2003.

The Company acquired total of 16,714,000 shares of common stock of WORLD NICHIEI Securities Co., Ltd. ("WNS") from NOMURA LAND AND BUILDINGS CO., LTD. ("NLB") and Nomura Research Institute, Ltd. ("NRL") on 15th October, 2003 and purchased 27,000,000 shares of common stock newly issued by WNS for an additional investment amount of ¥4,050 million ($38,341 thousand) (¥150 ($1.42) per share) on 30th October, 2003. As a result, equity of WNS held by the Company as at 30th October, 2003 was 56.6 percent, and WNS became a consolidated subsidiary of the Company from October 2003.

Upon approval of shareholders of both WNS and SFS at their respective extraordinary shareholders meeting held on 19th December, 2003, WNS merged with SFS on 2nd February, 2004. Due to this merger, WNS issued new shares of its common stock to SFS's shareholders at an exchange ratio of 550 shares for each outstanding share of SFS's common stock. As a result, WNS became the surviving company and changed the company's name to WNF. As at 31st March, 2004, equity of WNF held by the Company was 54.1 percent.

The Company acquired 20,000 shares of common stock of Nissho Iwai Securities Corporation (currently, known as Fides Securities Corporation) from Nissho Iwai Corporation in the aggregate amount of ¥1,187 million ($11,237 thousand) on 25th December, 2003. As a result, Nissho Iwai Securities Corporation became a wholly owned subsidiary of the Company from December 2003.

The Company acquired 63,684 shares of common stock of FAC from the Parent in the aggregate amount of approximately ¥7,228 million ($68,427 thousand) (¥113,497 ($1,074.48) per share) on 29th January, 2004 and purchased 22,000 shares of common stock newly issued by FAC for an additional investment amount of approximately ¥2,497 million ($23,638 thousand) (¥113,497 ($1,074.48) per share) on 16th February, 2004. As a result, equity of FAC held by the Company as at 16th February, 2004 was 44.9 percent, and FAC and its consolidated subsidiaries (GOODLOAN, WEB-Lease, Finance All Service Corporation, HomeLoan Consulting Co., Ltd., TechTank Corporation and VeriTrans, Inc.) became a consolidated subsidiary of the Company from February 2004.

For the year ended 31st March, 2004, the Company sold all the shares of SOFTBANK CHINA VENTURE INVESTMENTS LIMITED, SOFTBANK INVESTMENT (INTERNATIONAL) HOLDINGS LIMITED, SOFTBANK INVESTMENT (INTERNATIONAL) COMPANY LIMITED, SOFTBANK CHINA VENTURE INVESTMENTS NO. 6 LIMITED and SF REALTY to third parties including an operational investee. The Company received cash of ¥1,319 million ($12,487 thousand) and recognised a gain of ¥249 million ($2,346 thousand) in fiscal 2004 in connection with these sales.

In February and March 2004, SBI KOREA FINANCIAL CO., LTD. ("SBI-KF") and SBI-RE were merged into SBI KOREA HOLDING CO., LTD. ("SBI-KH") and the Company, respectively. Each of SBI-KF, SBI-RE and SBI-KH was a wholly owned subsidiary of the Company.

b. Cash Equivalents—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, separate deposits, call deposits, money management funds and midterm government bond funds, all of which mature or become due within three months of the date of acquisition.

c. Valuation of Securities—Securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealised gains and losses are included in earnings and (2) available-for-sale securities, which are not classified as trading securities, are reported at fair value, with unrealised gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. The cost of securities sold is determined based on the moving-average cost method.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average cost method. For other than temporary declines in fair value, non-marketable available-for-sale securities are reduced to net realisable value by a charge to income.

In accordance with the Commodities Exchange Law, securities in custody for commodity futures related businesses are reported at a price determined by commodity exchange. Determined prices of principal securities are as follows:

Interest-bearing government bonds:	85 percent of face value
Corporate bonds listed:	65 percent of face value
Equity securities listed on the first section market:	70 percent of fair value
Warehouse certificate:	70 percent of fair value

d. Valuation Allowance for Operational Investment Securities—Valuation allowance for operational investment securities is provided at an estimated amount of possible investment losses for operational investment securities based on the financial condition of investees.

e. Investments in Funds—Investments in funds consist primarily of SBI's contributed capital in investment partnerships.

In accordance with accounting standards for consolidated financial statements, the amounts on the balance sheets and the profit and loss statements of dormant partnerships which are managed by the Company's consolidated subsidiaries are not consolidated into SBI's consolidated financial statements since the dormant partnerships' assets, liabilities, revenue and expenses are not attributable to partnership managers.

For the six-month period ended 31st March, 2003, Softbank Ventures, Inc. Silent Partnership, a dormant partnership managed by Softbank Ventures, Inc., matured and was redeemed.

f. Real Estate Inventory—Real estate inventory is stated at cost, by the specific identification method.

g. Allowance for Doubtful Accounts—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on SBI's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

h. Property and Equipment—Property and equipment are stated at cost less accumulated depreciation. Depreciation of property and equipment of the Company and its consolidated domestic subsidiaries is computed by using the declining-balance method over the estimated useful lives of assets, while the straight-line method is applied to buildings acquired after 1st April, 1998 and the property and equipment of consolidated foreign subsidiaries. The range of useful lives is principally from 8 to 50 years for buildings and leasehold improvements and from 3 to 20 years for furniture and equipment. With respect to leased property and equipment, depreciation is provided on the straight-line method over lease periods.

i. Lease Accounting—All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalised, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalised" information is disclosed in the notes to the lessee's financial statements.

Leased assets are stated at cost less accumulated depreciation. Depreciation is computed by using the straight-line method over the lease term with salvage value of the estimated disposal prices of leased assets at the expiration of the lease term.

j. Software—Computer software used for internal purposes is recorded at cost, less accumulated amortisation. Amortisation is computed by using the straight-line method over 5 years, the estimated useful life of the software.

k. Other Assets—Stock issuance costs and bond issuance costs are principally amortised by the straight-line method over 3 years in conformity with Japanese Commercial Code (the "Code"), while certain consolidated subsidiaries charge stock issuance costs and bond issuance costs to income as incurred, which is also in conformity with the Code. Intangible assets are amortised by using straight-line method.

l. Employees' Retirement Benefits—The Company and certain consolidated subsidiaries have a contributory funded defined benefit pension plan and a defined contribution pension plan. In addition, the Company's certain consolidated subsidiaries have contributory or non-contributory funded defined benefit pension plans. The liability for employees' retirement benefits is accounted for based on projected benefit obligations and plan assets at the balance sheet date.

m. Retirement Allowances for Directors—Retirement allowances for directors of the Company and certain consolidated subsidiaries are recorded to state the liability at the amount that would be required if all directors retired at each balance sheet date.

n. Revenue Recognition

Revenue from operational investment securities—Revenue from operational investment securities consists of proceeds from the sales of operational investment securities and securities held by funds and interest and dividend income from these securities. Interest and dividend income are recognised on an accrual basis.

Cost of operational investment securities—Cost of operational investment securities consists of the cost of operational investment securities and securities held by funds sold, a write-down of operational investment securities and securities held by funds, and fees related to securities transactions. A write-down of operational investment securities and securities held by funds is recognised at the balance sheet date for quoted and unquoted securities if impairment of value has occurred and been deemed other than temporary, which is then reduced to net realisable value by a charge to income. Fees related to securities transactions are recorded when incurred.

Fees from funds—Fees from funds consist of establishment fees for fund organisation, management fees and success fees from funds under management. Establishment fees for fund organisation are recognised when a fund organised by SBI is established and funded by investors. Management fees are recognised over the periods of fund management agreements primarily based on the net asset value of the funds under management. Success fees are computed based upon a formula which takes into account realised gains and losses on and write-downs of the investments under management in funds measured at the end of each accounting period, as well as certain other expenses.

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

Revenue from commodity futures transactions—Revenue from commodity futures transactions is recognised when an assignor settles a transaction by reselling, repurchasing or delivering.

Other cost of revenue—Other cost of revenue includes payroll and administrative costs related to fund management and consulting services, and financing costs, which are based on interest expenses attributed to carrying the average balance of operational investment securities and investments in funds.

o. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statement of operations. The asset and liability approach is used to recognise deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

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

p. Accounting for Consumption Tax—The consumption tax imposed on revenue from customers for SBI's services is withheld by SBI at the time of receipt and paid to the national government subsequently. The consumption tax withheld upon recognition of revenue and the consumption tax paid by SBI on the purchase of products, merchandise and services from vendors, are not included in the related accounts in the accompanying consolidated statements of operations. The consumption tax paid is generally offset against the balance of consumption tax withheld, and net overpayment is included in current assets or net over withholding is included in current liabilities. Consumption tax that does not qualify for deduction is included in selling, general and administrative expenses.

q. Foreign Currency Transactions—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognised in the consolidated statement of operations to the extent that they are not hedged by forward exchange contracts.

r. Foreign Currency Financial Statements—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as at the balance sheet date except for shareholders' equity, which is translated at the historical rate. Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

s. Derivatives and Hedging Activities—SBI primarily uses foreign currency forward contracts as a means of hedging exposure to foreign currency risk. SBI also enters into derivatives such as stock-index futures, commodity futures and bond futures.

Derivatives are classified and accounted for as follows: (a) all derivatives are recognised as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognised in the statement of operations and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward contracts are utilised to hedge foreign currency exposures in SBI's operating activities. Receivables, payables and investment securities denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

t. Appropriation of Retained Earnings—Appropriations of retained earnings are reflected in the accompanying consolidated statements of shareholders' equity for the following year upon shareholders' approval.

u. Per Share Information—Basic net income per share is computed by dividing net income available to common shareholders, by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

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

Cash dividends per share presented in the accompanying consolidated statements of operations are dividends applicable to the respective years including dividends to be paid after the end of the year, which is not retroactively adjusted for stock splits.

v. New Accounting Pronouncements—In August 2002, the Business Accounting Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the Accounting Standards Board of Japan ("ASB") issued ASB Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements are effective for fiscal years beginning on or after 1st April, 2005 with early adoption permitted for fiscal years ending on or after 31st March, 2004.

The new accounting standard requires an entity to review its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognised if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The Company is currently in the process of assessing the effect of adoption of these pronouncements.

3. SEGREGATED ASSETS

At 31st March, 2003 and 2004, assets required to be segregated in certain financial institutions according to the Commodities Exchange Law were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2003	**2004**	**2004**
Cash		**¥23**	**$217**

At 31st March, 2003 and 2004, assets which belonged to assignors of customers' deposits as collateral for commodity futures and were segregated in conformity with the Commodities Exchange Law were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2003	**2004**	**2004**
Cash		**¥53**	**$498**

4. OPERATIONAL INVESTMENT SECURITIES AND INVESTMENT SECURITIES

Operational investment securities and investment securities at 31st March, 2003 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2003	**2004**	**2004**
Current:			
Marketable equity securities	¥ 2,410	**¥ 1,887**	**$ 17,863**
Non-marketable equity securities	8,013	**3,247**	**30,740**
Total	¥10,423	**¥ 5,134**	**$ 48,603**
Non-current:			
Marketable equity securities		**¥14,290**	**$135,286**
Non-marketable equity securities		**1,281**	**12,129**
Government bonds		**100**	**947**
Corporate bonds	¥ 254	**1,091**	**10,322**
Trust fund investments	73	**92**	**869**
Total	¥ 327	**¥16,854**	**$159,553**

The carrying amounts and aggregate fair value of operational investment securities and investment securities at 31st March, 2003 and 2004 were as follows:

	Millions of Yen			
	Cost	Unrealised Gains	Unrealised Losses	Fair Value
31st March, 2003				
Securities classified as available-for-sale:				
Equity securities	¥ 2,437		¥ 27	¥ 2,410
Trust funds investments	110		37	73
31st March, 2004				
Securities classified as available-for-sale:				
Equity securities	**¥11,721**	**¥4,568**	**¥112**	**¥16,177**
Government bonds	**100**			**100**
Corporate bonds	**1,105**		**14**	**1,091**
Trust funds investments	**100**		**8**	**92**

	Thousands of U.S. Dollars			
	Cost	Unrealised Gains	Unrealised Losses	Fair Value
31st March, 2004				
Securities classified as available-for-sale:				
Equity securities	**$110,962**	**$43,251**	**$1,064**	**$153,149**
Government bonds	**947**			**947**
Corporate bonds	**10,463**		**141**	**10,322**
Trust funds investments	**947**		**78**	**869**

Available-for-sale securities whose fair value is not readily determinable as at 31st March, 2003 and 2004 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2003	**2004**	**2004**
Available-for-sale:			
Equity securities	¥8,013	**¥4,528**	**$42,869**
Debt securities and other	254		
Total	¥8,267	**¥4,528**	**$42,869**

Proceeds from sales of available-for-sale securities for the six-month period ended 31st March, 2003 and the year ended 31st March, 2004 were ¥3,505 million and ¥9,951 million ($94,203 thousand), respectively. Gross realised gains and losses on these sales, computed on the moving average cost basis, were ¥305 million and nil, respectively, for the six-month period ended 31st March, 2003 and ¥2,777 million ($26,290 thousand) and ¥656 million ($6,214 thousand), respectively, for the year ended 31st March, 2004.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at 31st March, 2004 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due after one year through five years	¥1,300	$12,307

Due to the change in the purpose of holding securities, available-for-sale equity securities in the aggregate amount of ¥45 million and ¥118 million ($1,121 thousand) were reclassified from operational investment securities into investments in subsidiaries and affiliated companies for the six-month period ended 31st March, 2003 and the year ended 31st March, 2004, respectively.

Securities whose fair value declines below 50 percent of the acquisition cost are deemed to be other than temporary declines and are reduced to net realisable value by a charge to income. In the case where the fair value of securities declines by 30 to 50 percent, impairment losses will be recognised, if necessary, considering the materiality of the amounts, possibility of market value recovery or other factors. For the six-month period ended 31st March, 2003 and the year ended 31st March, 2004, write-downs of operational investment securities in the aggregate amount of ¥3,519 million and ¥2,187 million ($20,702 thousand), of which the amount of available-for-sale equity securities with fair value was ¥2,843 million and ¥281 million ($2,660 thousand), respectively, were recognised, including reclassification from valuation allowance for operational investment securities.

5. OPERATIONAL INVESTMENTS IN FUNDS

At 31st March, 2003 and 2004, operational investments in funds consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		**31st March,**
	2003	**2004**	**2004**
SOFTBANK INTERNET TECHNOLOGY FUND No. 2	¥1,251	**¥ 1,267**	**$ 11,997**
SOFTBANK INTERNET TECHNOLOGY FUND No. 3	4,590	**3,487**	**33,008**
SOFTBANK INTERNET FUND	592	**530**	**5,019**
SBI·LBO·FUND No. 1	1,421	**1,392**	**13,175**
RESTRUCTURING Fund No. 1	446	**3,932**	**37,220**
Other funds	639	**1,934**	**18,314**
Total	¥8,939	**¥12,542**	**$118,733**

6. REAL ESTATE INVENTORY

At 31st March, 2003 and 2004, real estate inventory consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		**31st March,**
	2003	**2004**	**2004**
Real estate for sale	¥ 325		
Real estate under construction	1,280	**¥787**	**$7,456**
Real estate for developing	682		
Total	¥2,287	**¥787**	**$7,456**

7. TRADING ASSETS AND LIABILITIES

At 31st March, 2003 and 2004, trading assets and liabilities consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		**31st March,**
	2003	**2004**	**2004**
Trading assets:			
Equity securities		**¥ 22**	**$ 206**
Debt securities		**1,285**	**12,169**
Derivatives		**3**	**27**
Total		**¥1,310**	**$12,402**
Trading liabilities—Equity securities		**¥ 5**	**$ 46**

8. SECURITIES DEPOSITED AND RECEIVED

Fair value of the securities deposited by SBI in securities-related businesses at 31st March, 2003 and 2004 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2003	**2004**	**2004**
Securities loaned on margin transactions		**¥ 37,660**	**$ 356,528**
Securities pledged for loans payable for margin transactions		**130,509**	**1,235,531**
Securities sold in resell agreement transactions		**4,427**	**41,911**
Substitute securities for guarantee money paid		**48,869**	**462,644**

Fair value of the securities received by SBI in securities-related businesses at 31st March, 2003 and 2004 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2003	**2004**	**2004**
Securities pledged for loans receivable for margin transactions		**¥178,131**	**$1,686,366**
Securities borrowed on margin transactions		**12,516**	**118,490**
Securities purchased on repurchase agreement transactions		**13,424**	**127,089**
Substitute securities for guarantee money received, which were agreed on using as collateral for other transactions		**91,676**	**867,894**
Substitute securities for guarantee money received on futures		**117**	**1,108**

9. DEPOSITARY ASSETS

In substitution for transactional margin deposits and fiduciary obligation deposits required to be set aside in accordance with the Commodities Exchange Law, relevant acts, the article of commodity exchange and others, SBI sets aside to fiduciary agents securities in custody in the aggregate amount of ¥866 million ($8,194 thousand) as at 31st March, 2004, which was recorded as security in custody included in other current assets or as customers' deposits as collateral for commodity futures on the consolidated balance sheet.

10. PROPERTY AND EQUIPMENT

Property and equipment at 31st March, 2003 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2003	**2004**	**2004**
Land		**¥ 1,728**	**$ 16,360**
Buildings and leasehold improvements	¥ 88	**3,887**	**36,791**
Furniture and equipment	226	**1,934**	**18,311**
Total	314	**7,549**	**71,462**
Less accumulated depreciation	(147)	**(4,156)**	**(39,342)**
Property and equipment—net	¥ 167	**¥ 3,393**	**$ 32,120**

11. LEASED ASSETS

Leased assets at 31st March, 2003 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2003	**2004**	**2004**
Furniture and equipment		**¥15,183**	**$143,733**
Software		**773**	**7,318**
Total		**15,956**	**151,051**
Less accumulated depreciation		**(6,992)**	**(66,190)**
Leased assets—net		**¥ 8,964**	**$ 84,861**

Rental income and depreciation expense were nil and nil, respectively, for the six-month period ended 31st March, 2003 and ¥634 million ($6,001 thousand) and ¥552 million ($5,230 thousand), respectively, for the year ended 31st March, 2004.

The minimum future rentals on noncancelable operating lease contracts at 31st March, 2003 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2003	**2004**	**2004**
Due within one year		**¥248**	**$2,346**
Due after one year		**72**	**684**
Total		**¥320**	**$3,030**

Pro forma information of leased assets such as future minimum lease payments to be received and interest income under finance leases that do not transfer ownership of the leased assets to the lessee on an "as if capitalised" basis for the six-month period ended 31st March, 2003 and the year ended 31st March, 2004 was as follows:

Future minimum lease payments to be received under finance leases, including those of subleases:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2003	**2004**	**2004**
Due within one year		**¥ 4,320**	**$ 40,901**
Due after one year		**7,363**	**69,704**
Total		**¥11,683**	**$110,605**

Interest income under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2003	**2004**	**2004**
Interest income		**¥95**	**$902**

Interest income, which was not reflected in the accompanying consolidated statements of operations, was computed by the interest method.

12. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATED COMPANIES

Investments in unconsolidated subsidiaries and affiliated companies of ¥124 million and ¥112 million ($1,056 thousand) at 31st March, 2003 and 2004, respectively, consisted of common stock of unconsolidated subsidiaries of ¥13 million and ¥19 million ($175 thousand), and common stock of affiliated companies of ¥111 million and ¥93 million ($881 thousand), respectively.

13. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at 31st March, 2003 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2003	**2004**	**2004**
Short-term borrowings:			
From banks, 1.375 to 2.430 percent		**¥8,600**	**$81,416**
From other, 0.225 to 2.125 percent		**1,030**	**9,751**
Total		**¥9,630**	**$91,167**

Weighted average interest rates of loans payable for margin transactions and loans payable for repurchase agreement transactions for the year ended 31st March, 2004 were 0.6000 percent and 0.5731 percent, respectively.

Long-term debt at 31st March, 2003 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2003	**2004**	**2004**
Unsecured 1.00 percent bonds due February 2004	¥1,100		
Unsecured 1.20 percent bonds due February 2005	100		
Unsecured 3.55 percent bonds due October 2005	22		
Unsecured 3.60 percent bonds due April 2006	207		
Unsecured 3.70 percent bonds due April 2007	176		
Unsecured 3.80 percent bonds due April 2008	184		
Unsecured 3.85 percent bonds due October 2008	31		
Zero coupon unsecured Japanese yen convertible bonds with warrants due November 2008		**¥13,000**	**$123,071**
Loans from financial institutions, due serially through March 2006 with a weighted average floating interest rate of nil in 2003 and 1.240 percent in 2004 and a weighted average fixed interest rate of 2.022 percent in 2003 and 1.875 percent in 2004:			
Collateralised	1,350		
Unsecured	4,211	**13,025**	**123,308**
Total	7,381	**26,025**	**246,379**
Less current portion	(3,100)	**(2,625)**	**(24,851)**
Long-term debt, less current portion	¥4,281	**¥23,400**	**$221,528**

Annual maturities of long-term debt as at 31st March, 2004 for the next five years were as follows:

Year Ending 31st March	Millions of Yen	Thousands of U.S. Dollars
2005	¥ 2,625	$ 24,851
2006	10,400	98,457
2009	13,000	123,071
Total	¥26,025	$246,379

On 25th November, 2003, the Company issued ¥13,000 million ($123,071 thousand) of zero coupon unsecured Japanese yen convertible bonds with warrants mainly in the Euro market. The bonds are due 25th November, 2008, and the warrants are exercisable from 26th November, 2003 through 17th November, 2008. Upon exercise of the warrants, the bonds are convertible into the Company's common stock. The issue price of the bonds was 100 percent of the face value of the bonds, and the issue price and the issued number of the warrants were nil and 1,300 warrants, respectively.

The Company repurchased all of the warrants attached to bonds previously issued and already redeemed and distributed these repurchased warrants to officers and employees of the Company as a means of stock-based incentive compensation. At 31st March, 2004, these warrants were included in other current liabilities.

Exercise prices and exercise periods of warrants outstanding at 31st March, 2004 were as follows:

Exercise Period		Per Share Exercise Price		Number of Common Stock to Purchase
From	To	Yen	U.S. Dollars	
1st April, 2000	31st March, 2005	¥ 6,250.0	$ 59.17	144.00
1st April, 2001	31st March, 2006	6,250.0	59.17	216.00
1st April, 2002	31st March, 2007	6,250.0	59.17	864.00
1st April, 2003	31st March, 2008	6,250.0	59.17	6,408.00
1st October, 2000	30th September, 2005	76,394.6	723.23	96.86
1st April, 2001	31st March, 2006	76,394.6	723.23	1,646.61
1st April, 2002	31st March, 2007	76,394.6	723.23	1,588.51
1st April, 2003	31st March, 2008	76,394.6	723.23	1,646.62
1st October, 2003	30th September, 2008	76,394.6	723.23	232.44
27th February, 2002	18th February, 2005	63,592.5	602.03	1,256.00
				14,099.04

The Company took over the warrants issued by ETJ due to the merger on 2nd June, 2003. Exercise prices and exercise periods of these warrants outstanding at 31st March, 2004 were as follows:

Exercise Period		Per Share Exercise Price		Number of Common
From	To	Yen	U.S. Dollars	Stock to Purchase
1st April, 2000	28th March, 2005	¥5,732.0	$54.26	79.37
1st April, 2000	28th March, 2005	5,732.0	54.26	11.33
1st April, 2000	28th March, 2005	5,732.0	54.26	11.33
1st April, 2001	28th March, 2006	5,732.0	54.26	1,054.57
1st April, 2001	28th March, 2006	5,732.0	54.26	351.45
1st April, 2001	28th March, 2006	5,732.0	54.26	113.34
1st April, 2002	28th March, 2007	5,732.0	54.26	2,381.28
1st April, 2002	28th March, 2007	5,732.0	54.26	430.78
1st April, 2002	28th March, 2007	5,732.0	54.26	237.99
1st April, 2003	28th March, 2008	5,732.0	54.26	6,191.43
1st April, 2003	28th March, 2008	5,732.0	54.26	612.19
1st April, 2003	28th March, 2008	5,732.0	54.26	419.39
12th June, 2000	28th March, 2005	6,349.2	60.11	11.34
12th June, 2001	28th March, 2006	6,349.2	60.11	79.38
12th June, 2002	28th March, 2007	6,349.2	60.11	532.98
12th June, 2003	28th March, 2008	6,349.2	60.11	1,009.26
				13,527.41

The exercise prices of the warrants are subject to adjustments to reflect stock splits and certain other events.

SBI has bank lines of credit of ¥36,610 million ($346,587 thousand) available for working capital use, ¥30,060 million ($284,578 thousand) of which was unused at 31st March, 2004.

14. PLEDGED ASSETS

The carrying amounts of assets pledged as collateral for short-term borrowings of ¥1,940 million ($18,366 thousand) at 31st March, 2004 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	31st March, 2004	
Cash and cash equivalents	**¥ 110**	**$ 1,041**
Trading assets	**545**	**5,159**
Buildings and leasehold improvements	**405**	**3,836**
Land	**1,102**	**10,434**
Investment securities	**1,940**	**18,362**
Total	**¥4,102**	**$38,832**

Investment securities of ¥100 million ($947 thousand) were pledged as deposits as security for dealing.

Securities received as collateral for financing from broker’s own capital of ¥2,640 million ($24,992 thousand) and ¥274 million ($2,593 thousand) were pledged as collateral for short-term bank loans and loans payable for margin transactions, respectively. Substitute securities for guarantee money received of ¥12,948 million ($122,577 thousand) were also pledged as collateral for loans payable for margin transactions.

Substitute securities for guarantee money received of ¥117 million ($1,108 thousand) and securities received as collateral for financing from broker’s own capital of ¥51 million ($484 thousand) were pledged as collateral for substitute securities for trade margin on futures. In addition, securities received as collateral for financing from broker’s own capital of ¥73 million ($692 thousand) were pledged as collateral for substitute securities for guarantee money for the securities exchange.

15. UNEARNED INCOME

Unearned income at 31st March, 2003 and 2004 consisted of prepaid fees received from the following funds:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2003	**2004**	**2004**
SOFTBANK INTERNET TECHNOLOGY FUND No. 1	¥ 97	**¥ 71**	**$ 670**
SOFTBANK INTERNET TECHNOLOGY FUND No. 2	683	**522**	**4,938**
SOFTBANK INTERNET TECHNOLOGY FUND No. 3	121	**70**	**663**
SOFTBANK INTERNET FUND	291	**290**	**2,751**
SOFTBANK ASIA NET-TRANS FUND	55		
SBI·LBO·FUND No. 1	49	**49**	**463**
RESTRUCTURING Fund No. 1	90	**91**	**859**
Others	1	**214**	**2,026**
Total	¥1,387	**¥1,307**	**$12,370**

16. LIABILITY FOR EMPLOYEES' RETIREMENT BENEFITS

SBI has a contributory funded defined benefit pension plan, and the Company's certain domestic subsidiaries also have a qualified non-contributory defined benefit pension plan. Under these pension plans, employees terminating their employment are, in most circumstances, entitled to pension payments based on their average pay during their employment, length of service and certain other factors.

In addition, the Company and certain domestic subsidiaries have a defined contribution pension plan which provides benefits to eligible employees. Under this plan, the Company and certain domestic consolidated subsidiaries contribute an amount equal to 3 percent of the employee's annual salary up to ¥216,000 per year.

As at 31st March, 2003 and 2004, fair value of plan assets under the contributory funded defined benefit pension plan managed by Tokyo Personal Computer Software Industry Health Insurance Society was ¥129 million and ¥159 million ($1,505 thousand), respectively, which was calculated based on ratio of the number of plan beneficiaries from the Company and its subsidiaries in the total number of plan beneficiaries.

As at 31st March, 2004, fair value of plan assets under the contributory funded defined benefit pension plan managed by Japanese Securities Dealers Employees Pension Fund was ¥6,406 million ($60,642 thousand), which was calculated based on ratio of the contribution amount made by the Company's subsidiaries in the total contribution amount.

As at 31st March, 2004, fair value of plan assets under the contributory funded defined benefit pension plan managed by Association of Welfare Pension Fund in the Commodity Futures Industry was ¥189 million ($1,793 thousand), which was calculated based on ratio of the contribution amount made by the Company's subsidiary in the total contribution amount.

The liability for employees' retirement benefits included in other long-term liabilities at 31st March, 2003 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2003	**2004**	**2004**
Projected benefit obligation		**¥ 2,069**	**$ 19,585**
Fair value of plan assets		**(1,880)**	**(17,803)**
Unrecognised actuarial loss		**(195)**	**(1,842)**
Prepaid pension costs		**22**	**212**
Net liability		**¥ 16**	**$ 152**

The components of net periodic benefit costs are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Six-Month Period Ended 31st March, 2003	**Year Ended 31st March, 2004**	**Year Ended 31st March, 2004**
Service cost	¥12	**¥131**	**$1,243**
Interest cost		**21**	**194**
Expected return on plan assets		**(17)**	**(162)**
Recognised actuarial loss		**50**	**472**
Net periodic benefit costs	12	**185**	**1,747**
Contributions to the defined contribution pension plan	13	**40**	**378**
Total	¥25	**¥225**	**$2,125**

The service cost mentioned above included contributions to the contributory funded defined benefit pension plan managed by Tokyo Personal Computer Software Industry Health Insurance Society in the aggregate amounts of ¥12 million for the six-month period ended 31st March, 2003 and ¥24 million ($231 thousand) for the year ended 31st March, 2004, to the contributory funded defined benefit pension plan managed by Japanese Securities Dealers Employees Pension Fund in the aggregate amount of ¥41 million ($391 thousand) for the year ended 31st March, 2004, and to the contributory funded defined benefit pension plan managed by Association of Welfare Pension Fund in the Commodity Futures Industry in the aggregate amount of ¥7 million ($65 thousand) for the year ended 31st March, 2004.

Assumptions used for the year ended 31st March, 2004 were set forth as follows:

Discount rate	Principally 2.00 percent
Expected rate of return on plan assets	Principally 2.00 percent
Recognition period of actuarial gain/loss	Principally amortised in the following fiscal year
Amortisation period of transitional obligation	Principally 5 years

17. RETIREMENT ALLOWANCES FOR DIRECTORS

Retirement allowances for directors are paid subject to approval of the shareholders in accordance with the Code.

The Company and its subsidiary recorded liabilities of ¥68 million and ¥101 million ($955 thousand) for its unfunded retirement allowance plan covering all of their directors at 31st March, 2003 and 2004, respectively, which was included in other long-term liabilities. The net annual (reversal of) provision for retirement allowances for directors for the six-month period ended 31st March, 2003 and the year ended 31st March, 2004 was ¥(21) million and ¥19 million ($182 thousand), respectively.

18. STATUTORY RESERVES

According to the Securities and Exchange Law and the Commodities Exchange Law of Japan, a securities company and a commodities company are required to set aside reserves in proportion to its securities or commodities transactions and other related trading to cover possible customer losses incurred by default of the securities company on securities transactions or the commodities company on commodities transactions.

19. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Code to which various amendments have become effective since 1st October, 2001.

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50 percent of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The revised Code also provides that an amount at least equal to 10 percent of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25 percent of the balance of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25 percent of the common stock balance may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders meeting and dispose of such treasury stock by resolution of the Board of Directors. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

The amount of retained earnings available for dividends under the Code was ¥35,618 million ($337,198 thousand) as at 31st March, 2004, based on the amount recorded in the Company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semi-annual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

During the six-month period ended 31st March, 2003, the Company issued new shares pursuant to the exercise of warrants attached to 3.6 percent and 3.8 percent unsecured corporate bonds already redeemed, under the following conditions:

(1) Exercise price:	¥18,750.1
(2) Number of new shares issued computed by using exercise price:	624 shares of common stock
(3) Total issue price:	¥12 million
(4) Total stated capital:	¥6 million

On 2nd June, 2003, due to the merger with ETJ, the Company issued 419,095 shares of its common stock to ETJ's shareholders listed in shareholder list as at 1st June, 2003 at an exchange ratio of 0.63 share for each outstanding share of ETJ's common stock. Dividends for newly issued shares in relation to this merger were computed from 1st April, 2003. As a result, the Company's capital surplus increased by ¥16,844 million.

On 20th January, 2004, the Company made a stock split by way of a free share distribution at the ratio of 3 shares for each outstanding share, and 1,532,022 shares of the Company's common stock were issued to shareholders of record on 30th November, 2003 and 2,247 shares of treasury stock increased. Dividends for newly issued shares in relation to this stock split were computed from 1st October, 2003. In addition, on 20th January, 2004, the Company increased the number of authorised shares by 6,042,657 shares to 9,064,000 shares through amendment of articles of incorporation.

During the year ended 31st March, 2004, the Company issued 33,637 shares of its common stock pursuant to the exercise of warrants attached to various unsecured corporate bonds already redeemed. As a result, common stock and capital surplus increased by ¥567 million ($5,363 thousand) and ¥612 million ($5,797 thousand), respectively.

20. STOCK OPTION PLAN

The stock option plan, which was approved by shareholders of the Company at the general shareholders meeting held on 19th December, 2001, provides for granting options to 118 key employees of the Company to purchase the Company's common stock at an exercise price of ¥63,667 per share during the period from 20th December, 2003 to 19th December, 2011. The maximum number of shares to be issued upon exercise of the option was 8,040 shares. In the case where the Company makes stock split or stock consolidation subsequent to the date of option grant, the number of shares to be issued will be adjusted based upon a certain formula, as defined.

At the Board of Directors meeting on 19th December, 2002, details of the stock option plan which had been approved by the Company's shareholders at the general shareholders meeting on the same date were determined. According to the resolution, this stock option plan provides for issuing options to 9 directors and 109 key employees of the Company to purchase the Company's common stock at an exercise price of ¥18,313 per share during the period from 20th December, 2004 to 19th December, 2012. The maximum number of shares to be issued upon exercise of the option was 66,675 shares.

At the Board of Directors meeting on 17th September, 2003, details of the stock option plan which had been approved by the Company's shareholders at the general shareholders meeting on 19th December, 2002 were determined. According to the resolution, this stock option plan provides for issuing options to 2 directors and 4 key employees of the Company and 3 directors of consolidated subsidiaries to purchase the Company's common stock at an exercise price of ¥54,738 ($518) per share during the period from 20th December, 2004 to 19th December, 2012. The maximum number of shares to be issued upon exercise of the option was 23,325 shares.

At the Board of Directors meeting on 17th September, 2003, details of the stock option plan which had been approved by the Company's shareholders at the general shareholders meeting on 23rd June, 2003 were determined. According to the resolution, this stock option plan provides for issuing options to 2 directors and 110 key employees of the Company and 6 directors and 86 key employees of consolidated subsidiaries to purchase the Company's common stock at an exercise price of ¥54,738 ($518) per share during the period from 24th June, 2005 to 23rd June, 2013. The maximum number of shares to be issued upon exercise of the option was 104,250 shares.

The stock option plan, which was approved by shareholders of ETJ at the general shareholders meeting held on 20th June, 2002 and taken over by the Company due to the merger on 2nd June, 2003, provides for issuing options to purchase the Company's common stock at an exercise price of ¥36,980 ($350) per share during the period from 21st June, 2004 to 20th June, 2012. The maximum number of shares to be issued upon exercise of the option was 56,359.8 shares.

At the Board of Directors meeting on 23rd October, 2003, details of the stock option plan which had been approved by the Company's shareholders at the general shareholders meeting on 23rd June, 2003 were determined. According to the resolution, this stock option plan provides for issuing options to 17 directors of consolidated subsidiaries to purchase the Company's common stock at an exercise price of ¥84,667 ($802) per share during the period from 24th June, 2005 to 23rd June, 2013. The maximum number of shares to be issued upon exercise of the option was 20,550 shares.

The exercise prices of the above options will be adjusted for subsequent transactions such as stock split, stock consolidation, or stock issuance or disposal of treasury stock with a lower price than market value, based upon certain formulas, as defined. There are also certain restrictions in exercising the stock option rights.

21. OPERATING REVENUES

Operating revenues for the six-month period ended 31st March, 2003 and the year ended 31st March, 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	Six-Month Period Ended 31st March, 2003	**Year Ended 31st March, 2004**	**Year Ended 31st March, 2004**
Asset management business:			
Revenue from operational investment securities	¥1,045	**¥ 6,458**	**$ 61,140**
Fees from funds	2,244	**3,737**	**35,382**
Investment advisory service fees and others	244	**2,400**	**22,721**
Total	3,533	**12,595**	**119,243**
Brokerage and investment banking businesses:			
Revenue from securities transactions		**20,060**	**189,908**
Revenue from commodity futures transactions		**1,076**	**10,184**
Total		**21,136**	**200,092**
Financial services business		**1,633**	**15,461**
Total operating revenues	¥3,533	**¥35,364**	**$334,796**

Gain (loss) on trading included in operating revenues for the year ended 31st March, 2004 consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars		
	Realised Gain	Unrealised Gain	Total	Realised Gain	Unrealised Gain (Loss)	Total
Equity securities	**¥508**		**¥508**	**$4,808**	**$ (3)**	**$4,805**
Debt securities	**145**	**¥ 3**	**148**	**1,367**	**33**	**1,400**
Others	**63**	**7**	**70**	**598**	**69**	**667**
Total	**¥716**	**¥10**	**¥726**	**$6,773**	**$99**	**$6,872**

Gain on certain businesses other than securities-related businesses of ¥1 million ($12 thousand) was included in the gain (loss) on trading above.

22. OPERATING COSTS

Operating costs for the six-month period ended 31st March, 2003 and the year ended 31st March, 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	Six-Month Period Ended 31st March, 2003	**Year Ended 31st March, 2004**	**Year Ended 31st March, 2004**
Cost of operational investment securities	¥3,828	**¥ 5,674**	**$ 53,715**
Provision for valuation allowance for operational investment securities	3,293	**574**	**5,437**
Financial costs		**963**	**9,118**
Others, including administrative expenses	954	**4,807**	**45,510**
Total	¥8,075	**¥12,018**	**$113,780**

The above cost of operational investment securities for the six-month period ended 31st March, 2003 and the year ended 31st March, 2004 included a write-down of operational investment securities and securities held by funds of ¥3,065 million and ¥565 million ($5,352 thousand), respectively.

23. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the six-month period ended 31st March, 2003 and the year ended 31st March, 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	Six-Month Period Ended 31st March, 2003	**Year Ended 31st March, 2004**	**Year Ended 31st March, 2004**
Compensation for directors	¥187	**¥ 510**	**$ 4,832**
Provision for allowance for doubtful accounts	31	**143**	**1,352**
Payroll and bonuses	220	**2,638**	**24,971**
Provision for retirement allowances for directors	15	**37**	**349**
Provision for accrued bonus		**481**	**4,549**
Subcontracting fees	3	**2,610**	**24,714**
Others	356	**8,840**	**83,691**
Total	¥812	**¥15,259**	**$144,458**

24. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of 42.05 percent for the six-month period ended 31st March, 2003 and the year ended 31st March, 2004.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at 31st March, 2003 and 2004 were as follows:

	Millions of Yen 31st March		Thousands of U.S. Dollars
	2003	**2004**	**31st March, 2004**
Deferred tax assets:			
Current:			
Write-down of operational investment securities and securities held by funds	¥ 788	**¥ 460**	**$ 4,351**
Valuation allowance for operational investment securities	2,973	**1,199**	**11,347**
Fee from funds		**183**	**1,736**
Tax loss carryforwards		**189**	**1,793**
Accrued enterprise taxes	54	**537**	**5,085**
Other	225	**514**	**4,868**
Less valuation allowance	(1,488)	**(840)**	**(7,955)**
Total	2,552	**2,242**	**21,225**
Non-current:			
Tax loss carryforwards	2,221	**3,326**	**31,490**
Allowance for doubtful accounts		**1,178**	**11,151**
Write-down of investment securities	13	**722**	**6,834**
Reserve for liability for securities transactions		**556**	**5,267**
Other	56	**540**	**5,114**
Less valuation allowance	(2,238)	**(5,629)**	**(53,292)**
Total	52	**693**	**6,564**
Total	¥2,604	**¥2,935**	**$27,789**
Deferred tax liabilities:			
Current:			
Unrealised gain on available-for-sale securities		**¥ 231**	**$ 2,190**
Other		**2**	**19**
Total		**233**	**2,209**
Non-current:			
Unrealised gain on available-for-sale securities		**3,308**	**31,314**
Other		**183**	**1,738**
Total		**3,491**	**33,052**
Total		**¥3,724**	**$35,261**

Current deferred tax liabilities as at 31st March, 2004 were included in other current liabilities on the consolidated balance sheets.

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of operations for the six-month period ended 31st March, 2003 and the year ended 31st March, 2004 was as follows:

	Six-Month Period Ended 31st March, 2003	**Year Ended 31st March, 2004**
Normal effective tax rate	(42.05)%	**42.05%**
Permanent differences	(0.13)	**0.21**
Valuation allowance	21.36	
Reconciliation of timing difference taken over by merger		**(9.23)**
Loss on transfer of stock within the group		**24.60**
Effect of tax rate reduction	1.54	
Other—net	0.31	**(6.44)**
Actual effective tax rate	(18.97)%	**51.19%**

On 31st March, 2003, a tax reform law was enacted in Japan which changed the normal effective statutory tax rate from 42.05 percent to 40.69 percent, effective for years beginning on or after 1st April, 2004. The effect of this change on income taxes deferred in the consolidated statement of operations for the six-month period ended 31st March, 2003 was to decrease by ¥85 million.

25. LEASES

SBI leases certain office equipment, computer equipment, office space and other assets.

Total rental expenses for the six-month period ended 31st March, 2003 and the year ended 31st March, 2004 were ¥153 million and ¥1,767 million ($16,728 thousand), respectively, including ¥1 million and ¥423 million ($4,008 thousand) of lease payments under finance leases.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, depreciation expense and interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalised" basis for the six-month period ended 31st March, 2003 and the year ended 31st March, 2004 was as follows:

	Millions of Yen				Thousands of U.S. Dollars		
	Six-Month Period Ended 31st March, 2003	**Year Ended 31st March, 2004**			**Year Ended 31st March, 2004**		
	Furniture and Equipment	Furniture and Equipment	Software	Total	Furniture and Equipment	Software	Total
Acquisition cost	¥4	**¥2,619**	**¥652**	**¥3,271**	**$24,795**	**$6,170**	**$30,965**
Accumulated depreciation	3	**546**	**96**	**642**	**5,165**	**909**	**6,074**
Net leased property	¥1	**¥2,073**	**¥556**	**¥2,629**	**$19,630**	**$5,261**	**$24,891**

Obligations under finance leases, including those of subleases:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		**31st March,**
	2003	**2004**	**2004**
Due within one year	¥1	**¥1,530**	**$14,487**
Due after one year		**3,383**	**32,025**
Total	¥1	**¥4,913**	**$46,512**

Depreciation expense and interest expense under finance leases for the six-month period ended 31st March, 2003 and the year ended 31st March, 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Six-Month Period Ended 31st March, 2003	**Year Ended 31st March, 2004**	**Year Ended 31st March, 2004**
Depreciation expense	¥1	**¥390**	**$3,686**
Interest expense		**52**	**495**
Total	¥1	**¥442**	**$4,181**

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of operations, were computed by the straight-line method and the interest method, respectively. Due to increase in the number of leased property through merger of ETJ, SBI applied for the interest method from the year ended 31st March, 2004.

The future minimum lease payments under noncancellable operating leases at 31st March, 2003 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		**31st March,**
	2003	**2004**	**2004**
Due within one year	¥1	**¥292**	**$2,765**
Due after one year	2	**123**	**1,166**
Total	¥3	**¥415**	**$3,931**

26. RELATED PARTY TRANSACTIONS

Transactions of SBI with related parties for the six-month period ended 31st March, 2003 and the year ended 31st March, 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Six-Month Period Ended 31st March, 2003	**Year Ended 31st March, 2004**	**Year Ended 31st March, 2004**
Securities' repurchase agreement transactions	¥18,060		
Collection of loans receivable	800		
Purchase of common stock	335	**¥7,228**	**$68,427**
Interest income	9		

At 31st March, 2003 and 2004, the following balances with related parties were outstanding:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		**31st March,**
	2003	**2004**	**2004**
Investments in subsidiaries and affiliated companies		**¥7,228**	**$68,427**

27. DERIVATIVES

SBI enters into foreign currency forward contracts primarily to hedge foreign exchange risk associated with receivables, payables and securities denominated in foreign currencies and does not hold or issue them for speculative purpose. Stock-index futures, commodity futures and a portion of foreign currency forward contracts and commodity futures are used for increasing underlying assets and supplementing revenue, respectively. SBI enters into stock-index futures and commodity futures for the purpose of short-term transaction such as day trading and puts a cap on size of their transactions. In addition, SBI uses bond futures and a portion of foreign currency forward contracts for trading purpose. In the trading operation, these derivatives are used for response to clients' needs and facilitation of trading in the normal course of business.

Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations in market conditions, including interest or foreign exchange rates, stock price, foreign commodity markets for products, economic trends or weather conditions. Credit risk is the possibility that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract. Because the counterparties to foreign currency forward contracts are limited to major domestic financial institutions, and stock-index futures, commodity futures and bonds futures are traded in the public market, SBI does not anticipate any losses arising from credit risk. Potential risks inherent in the trading operation are also market risk and credit risk.

Derivatives used for the hedging purpose are planned and executed by the administrative headquarters department upon approval of a director in-charge. Each derivative transaction is periodically reported to the management, where evaluation and analysis of derivatives are made. Derivatives used for trading purpose have been made in accordance with internal policies which regulate nature of derivatives, credit limit amount and administrative structure, which is monitored by the administrative headquarters department on a daily basis.

Fair Value of Derivatives

The fair value of SBI's derivatives at 31st March, 2004 was as follows:

	Millions of Yen				Thousands of U.S. Dollars			
	Assets		Liabilities		Assets		Liabilities	
	Contract Amount	Fair Value	Contract Amount	Fair Value	Contract Amount	Fair Value	Contract Amount	Fair Value
Foreign currency forward contracts	**¥ 33**	**¥2**	**¥71**	**¥1**	**$ 312**	**$17**	**$675**	**$6**
Nikkei average future transactions	**23**				**222**			
Bond futures	**139**	**1**			**1,312**	**10**		
Total	**¥195**	**¥3**	**¥71**	**¥1**	**$1,846**	**$27**	**$675**	**$6**

There were no derivatives outstanding at 31st March, 2003.

Gains or losses on deemed settlement is recorded in the "Fair value" above. In addition, the fair value of foreign currency forward contracts, Nikkei average future transactions and bond futures were stated at the market values of forward exchange rates, Nikkei average future rates and bond future rates, respectively.

Derivative liabilities for trading purposes are included in other current liabilities.

28. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the year ended 31st March, 2004 was as follows:

	Millions of Yen	Shares	Yen	U.S. Dollars
Year Ended 31st March, 2004	Net Income	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	**¥4,033**	**2,066,779**	**¥1,951.46**	**$18.47**
Effect of dilutive securities—Warrants	**(58)**	**160,420**		
Diluted EPS—Net income for computation	**¥3,975**	**2,227,199**	**¥1,784.68**	**$16.90**

29. SEGMENT INFORMATION

SBI operates in the following business segments:

"Asset Management Business" primarily consists of investments in technology companies, particularly in Internet technology area.

"Brokerage and Investment Banking Businesses" primarily consists of the provision of a wide range of high value-added financial services, such as access to financial assets including equity securities, debt securities, foreign exchanges, insurances or commodity futures, financing from the capital market, securitisations, mergers and acquisitions and structured financing.

"Financial Services Business" primarily consists of the provision of information regarding financial products, leasing business and mortgage loan business.

Change of Business Segments:

SBI formerly segmented its businesses into "Industry Incubation Business," "Real Estate Business" and "Other." However, due to the merger with ETJ and the acquisitions of WNF and FAC, SBI's businesses have been more diversified. Therefore, SBI has re-segmented its businesses into "Asset Management Business" including the previous business segments used by SBI, "Brokerage and Investment Banking Businesses" taken over from ETJ and WNF and "Financial Services Business" taken over from FAC.

Information about business segments, geographical segments and revenue from foreign customers of SBI for the six-month period ended 31st March, 2003 and the year ended 31st March, 2004 was as follows:

(1) Business Segments

	Millions of Yen				
	Six-Month Period Ended 31st March, 2003				
	Industry Incubation Business	Real Estate Business	Other	Eliminations/ Corporate	Consolidated
a. Revenue and Operating Loss					
Revenue from customers	¥ 3,385	¥ 6	¥142		¥ 3,533
Intersegment revenue					
Total revenue	3,385	6	142		3,533
Operating expenses	7,922	90	197	¥ 678	8,887
Operating loss	¥ (4,537)	¥ (84)	¥ (55)	¥(678)	¥ (5,354)
b. Total Assets, Depreciation and Capital Expenditures					
Total assets	¥26,232	¥3,290	¥678	¥(926)	¥29,274
Depreciation	16	1	7	21	45
Capital expenditures	55	2	4		61

	Millions of Yen					
	Year Ended 31st March, 2004					
	Asset Management Business	Brokerage and Investment Banking Businesses	Financial Services Business	Total	Eliminations/ Corporate	Consolidated
a. Revenue and Operating Income						
Revenue from customers	**¥12,596**	**¥ 21,135**	**¥ 1,633**	**¥ 35,364**		**¥ 35,364**
Intersegment revenue	**4,349**	**222**	**151**	**4,722**	**¥(4,722)**	
Total revenue	**16,945**	**21,357**	**1,784**	**40,086**	**(4,722)**	**35,364**
Operating expenses	**11,538**	**14,051**	**1,566**	**27,155**	**122**	**27,277**
Operating income	**¥ 5,407**	**¥ 7,306**	**¥ 218**	**¥ 12,931**	**¥(4,844)**	**¥ 8,087**
b. Total Assets, Depreciation and Capital Expenditures						
Total assets	**¥35,140**	**¥347,093**	**¥15,042**	**¥397,275**	**¥ (630)**	**¥396,645**
Depreciation	**35**	**638**	**604**	**1,277**	**41**	**1,318**
Capital expenditures	**19**	**945**	**647**	**1,611**	**(127)**	**1,484**

	Thousands of U.S. Dollars					
	Year Ended 31st March, 2004					
	Asset Management Business	Brokerage and Investment Banking Businesses	Financial Services Business	Total	Eliminations/ Corporate	Consolidated
a. Revenue and Operating Income						
Revenue from customers	**$119,243**	**$ 200,092**	**$ 15,461**	**$ 334,796**		**$ 334,796**
Intersegment revenue	**41,176**	**2,097**	**1,432**	**44,705**	**$(44,705)**	
Total revenue	**160,419**	**202,189**	**16,893**	**379,501**	**(44,705)**	**334,796**
Operating expenses	**109,227**	**133,021**	**14,833**	**257,081**	**1,157**	**258,238**
Operating income	**$ 51,192**	**$ 69,168**	**$ 2,060**	**$ 122,420**	**$(45,862)**	**$ 76,558**
b. Total Assets, Depreciation and Capital Expenditures						
Total assets	**$332,672**	**$3,285,931**	**$142,403**	**$3,761,006**	**$ (5,967)**	**$3,755,039**
Depreciation	**327**	**6,041**	**5,723**	**12,091**	**388**	**12,479**
Capital expenditures	**180**	**8,946**	**6,127**	**15,253**	**(1,209)**	**14,044**

Notes: 1. Operating expenses mainly incurred in the Company’s administrative headquarters could not be allocated based upon the business segments above and, therefore, were included in “Eliminations/corporate” of operating expenses with the aggregate amount of ¥678 million and ¥ 1,479 million ($14,002 thousand) for the six-month period ended 31st March, 2003 and for the year ended 31st March, 2004, respectively.
2. None of corporate assets was included in “Eliminations/corporate” of total assets as at 31st March, 2003 and 2004.

(2) Geographical Segments

Operating revenue and identifiable assets of consolidated foreign subsidiaries are not significant, therefore, geographical segment information is not presented herein.

(3) Revenue from Foreign Customers

	Six-Month Period Ended 31st March, 2003		
	Millions of Yen		
	North America	Others	Total
Sales to foreign customers (A)	¥ 626	¥173	¥ 799
Consolidated sales (B)			3,533
(A)/(B)	17.7%	4.9%	22.6%

Note: North America and others primarily consisted of the United States of America and Europe, Hong Kong and Korea, respectively.

	Year Ended 31st March, 2004					
	Millions of Yen			Thousands of U.S. Dollars		
	North America	Others	Total	North America	Others	Total
Sales to foreign customers (A)	**¥3,874**	**¥1,327**	**¥ 5,201**	**$36,678**	**$12,562**	**$ 49,240**
Consolidated sales (B)			**35,364**			**334,796**
(A)/(B)	**11.0%**	**3.7%**	**14.7%**	**11.0%**	**3.7%**	**14.7%**

Note: North America and others primarily consisted of the United States of America and Europe and Hong Kong, respectively.

30. SUBSEQUENT EVENTS

(1) At the general shareholders meeting held on 23rd June, 2004, the Company's shareholders approved the following events:

a. Stock Option Plan

The plan provides for issuing options to SBI's directors and key employees to purchase up to 70,000 shares of the Company's common stock in the period from 24th June, 2006 to 23rd June, 2014. The options will be issued at an exercise price determined based upon an average closing market price for a month preceding the month of option issuance, multiplied by 1.03. If such the average market price is lower than the closing market price of the date of option issuance, then the exercise price is fixed at the closing market price of the date of option issuance. The exercise price will be adjusted for subsequent transactions such as stock split, stock consolidation, or stock issuance or disposal of treasury stock with a lower price than fair value, based upon certain formulas, as defined. There are certain restrictions in exercising the stock option.

b. Appropriations of Retained Earnings

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥770 ($7.29) per share	¥1,785	$16,895
Bonuses to directors	100	947

(2) Convertible Bonds with Warrants

Upon resolution and approval of the Board of Directors on 22nd March, 2004, the Company issued ¥20 billion of zero coupon unsecured convertible bonds with warrants mainly in the Euro market on 8th April, 2004. The bonds are due 8th April, 2009, and the warrants are exercisable from 22nd April, 2004 through 18th March, 2009. Upon exercise of the warrants, the bonds are convertible into the Company's common stock. The issue price of the bonds is 100 percent of the face value of the bonds, and the issue price and the number of the warrants issued are nil and 2,000 warrants, respectively. The initial conversion price of the warrants is ¥130,480 per share, which is subject to be adjusted for subsequent stock split, stock consolidation, or stock issuance or disposal of treasury stock with a lower price than market value, based upon certain formulas.

(3) ASCOT CO., LTD.

Upon resolution and approval of the Board of Directors on 19th April, 2004, the Company acquired total of 6,000 shares of common stock of ASCOT CO., LTD. ("ASCOT") from the Parent and ACOM CO., LTD. on 19th April, 2004. As a result, equity of ASCOT held by the Company as at 19th April, 2004 was 75.0 percent, and ASCOT became a consolidated subsidiary of the Company from April 2004.

(4) SWAN Credit Corporation

Upon resolution and approval of the Board of Directors on 19th April, 2004, the Company acquired total of 3,600 shares of common stock of Swan Credit Corporation ("Swan") from the Parent on 19th April, 2004. As a result, equity of Swan held by the Company as at 19th April, 2004 was 90.0 percent, and Swan became a consolidated subsidiary of the Company from April 2004.

(5) Exercise of Warrants

Due to the exercise of warrants previously granted (see Note 13), 3,319.70 shares of the Company's common stock were additionally issued in the period from 1st April to 31st May, 2004. The Company's common stock and capital surplus increased by ¥34 million ($326 thousand) and ¥36 million ($338 thousand), respectively.

(6) E*TRADE KOREA CO., LTD.

On 10th and 17th June, 2004, the Company acquired 2,820,000 shares and 2,400,000 shares of common stock of E*TRADE KOREA CO., LTD. ("ETK") from LG Investment & Securities Co., Ltd and SOFTBANK CORP., respectively, in the aggregate amount of ¥2,105 million ($19,925 thousand). As a result, equity of ETK held by the Company as at 17th June, 2004 was 87.0 percent, and ETK became a consolidated subsidiary of the Company from June 2004.

(7) E*TRADE SECURITIES CO., LTD.

On 25th June, 2004, the Company sold each of 6,000 shares, 5,300 shares and 1,300 shares of common stock of ETS to SOFTBANK INTERNET TECHNOLOGY FUND No. 3 and No. 4 and SOFTBANK INTERNET FUND, respectively, in the aggregate amount of ¥4,706 million ($44,553 thousand). As a result, equity of ETS held by the Company as at 29th June, 2004 decreased from 75.00 percent to 70.05 percent. The Company recognised a gain of ¥2,932 million ($27,760 thousand) on a consolidated basis through this transaction.

(8) Ace Securities Co., Ltd.

On 1st July, 2004, the Company agreed in principle with the Board of Directors of Ace Securities Co., Ltd. ("ACE"), NLB and NRI that the Company acquired common stock of ACE through Take Over Bid ("TOB"), and the TOB was officially approved by the Company's Board of Directors on 14th July, 2004. The TOB will be executed from 15th July, 2004 through 5th August, 2004. The number of shares acquired through TOB will be 25,000,000 shares, and the aggregate investment amount will be ¥5,375 million ($50,885 thousand). If the number of shares applied by shareholders is less than 13,990,700 shares, all the shares applied will not be acquired. If the number of shares applied is more than 25,000,000 shares, the Company will acquire only a portion of the excess shares, calculated on a pro-rata basis.

(9) Finance All Corporation

On 15th July, 2004, the Board of Directors of FAC resolved the following events:

a. Stock Issuance

FAC will issue 8,700 new shares of common stock through public offering in August 2004. The issue price will be determined based upon a certain formula as defined in the period from 2nd to 6th August, 2004. Dividends for newly issued shares will be computed from 1st April, 2004.

FAC will offer 1,300 shares of FAC's common stock for sale by over-allotment in August 2004. This offering will be conducted by Shinko Securities Co., Ltd. ("SSC"), considering the demand of shares upon the above-mentioned public offering. Therefore, the number of shares to be offered with respect to offering by over-allotment above indicates the ceiling, and the actual number may decrease due to the demand of shares, or even the offering by over-allotment may be cancelled. The shares of FAC's common stock to be offered through the offering by over-allotment are the shares borrowed by SSC from shareholders of FAC. The offering price and other offering conditions are determined by the chief executive officer of FAC.

In addition, FAC will offer 1,300 shares of FAC's common stock to SSC at the same issue price as that of the above-mentioned public offering. Dividends for shares to be offered for SSC will be computed from 1st April, 2004.

b. Stock Split

FAC will make a stock split by way of a free share distribution on 19th November, 2004 at the ratio of 4 shares for each outstanding share, and 3 additional shares of FAC's common stock per each outstanding share as at 30th September, 2004 will be issued to shareholders of record on 30th September, 2004. Dividends for newly issued shares in relation to this stock split will be computed from 1st October, 2004. Relating to this stock split, the Board of Directors resolved to increase the number of authorised shares from 569,536 shares to 2,278,144 shares through amendment of articles of incorporation.

(10) Stock Split
Upon resolution and approval of the Board of Directors on 23rd July, 2004, the Company will make a stock split by way of a free share distribution on 5th October, 2004 at the ratio of 3 shares for each outstanding share, and 2 additional shares of the Company's common stock per each outstanding share as at 11th August, 2004 will be issued to shareholders of record on 11th August, 2004. Dividends for newly issued shares in relation to this stock split will be computed from 1st October, 2004. In addition, on 5th October, 2004, the Company will increase the number of authorised shares from 9,064,000 shares to 27,190,000 shares through amendment of articles of incorporation.

(11) Morningstar Japan K.K.
Upon resolution and approval of the Board of Directors on 26th July, 2004, the Company will acquire 32,968 shares of common stock of Morningstar Japan K.K. ("MSJ") from the Parent in the aggregate amount of ¥7,085 million ($67,071 thousand) on 29th July, 2004. As a result, equity of MSJ held by the Company as at 29th July, 2004 will be 50.43 percent, and MSJ will become a consolidated subsidiary of the Company from July 2004.