



Annual Report 2005

Corporate History

1999

- March SOFTBANK CORP.'s Administrative Division spun off as an independent company, SOFTBANK FINANCE CORPORATION, as part of business reorganization accompanying the conversion of SOFTBANK into a pure holding company; SOFTBANK FINANCE CORPORATION becomes a operating holding company for overseeing financial-related business activities
- July SOFTBANK INVESTMENT CORPORATION (SBI) established to undertake venture capital and incubation business

2000

- June Morningstar Japan K.K. listed on NASDAQ Japan (currently Hercules market of the Osaka Securities Exchange)
- September E*TRADE Japan K.K. listed on NASDAQ Japan (currently Hercules market of the Osaka Securities Exchange)
- December SOFTBANK INVESTMENT CORPORATION listed on NASDAQ Japan (currently Hercules market of the Osaka Securities Exchange)

2001

- August SOFTBANK FRONTIER Securities Co., Ltd. (SBI Securities Co., Ltd. after merger with WORLD NICHIEI Securities Co., Ltd.) listed on NASDAQ Japan (currently Hercules market of the Osaka Securities Exchange)

2002

- February SOFTBANK INVESTMENT CORPORATION listed on First Section of Tokyo Stock Exchange
- November SOFTBANK INVESTMENT CORPORATION listed on First Section of Osaka Securities Exchange

2003

- June SOFTBANK INVESTMENT CORPORATION merged with E*TRADE Japan K.K. and converted into a subsidiary as E*TRADE SECURITIES Co., Ltd.; reorganization of business accelerates thereafter, with SOFTBANK INVESTMENT CORPORATION positioned as the core company
- September Listed FINANCE ALL CORPORATION on the Hercules market of the Osaka Securities Exchange
- October Acquired WORLD NICHIEI Securities Co., Ltd. (currently SBI Securities Co., Ltd.) and converted this company into a subsidiary

2004

- October Listed VeriTrans Inc. (currently SBI VeriTrans Co., Ltd.), a subsidiary of FINANCE ALL CORPORATION, on the Hercules market of the Osaka Securities Exchange
- November Listed subsidiary E*TRADE SECURITIES Co., Ltd. on JASDAQ

2005

- March Percentage of equity share held by SOFTBANK CORP. decreases due to a capital increase through a public offering; changed from a consolidated subsidiary to an equity-method affiliate
- July Changed name to SBI Holdings, Inc.
Transferred venture fund management business to SOFTBANK INVESTMENT CORPORATION (formerly SBI VENTURES K.K.) and moved to a holding company structure

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Forward-Looking Statements

Statements contained in this report regarding the plans, projections and strategies of SBI Holdings, Inc. and its subsidiaries and affiliates that are not historical fact constitute forward-looking statements about future financial results. As such, they are based on data obtainable at the time of announcement in compliance with SBI Holdings' management policies and certain premises that are deemed reasonable by SBI Holdings. Hence, actual results may differ, in some cases significantly, from these forward-looking statements contained herein due to changes in various factors, including—but not limited to—economic conditions in principal markets, service demand trends and currency exchange rate fluctuations.

The New SBI Group

In July 2005, SOFTBANK INVESTMENT CORPORATION spun off its venture fund management business into a wholly owned subsidiary. At the same time, its corporate name was changed to SBI Holdings, Inc. along with the adoption of a holding company structure. SBI Holdings is committed to creating new businesses and offering more innovative services to meet the expectations of its customers and investors, while making its utmost efforts to maximize corporate value, which is the aggregate of customer value, shareholder value and human resources value.



SBI Group's Management Philosophy

Sound Ethical Values

Financial Innovator

New Industry Creator

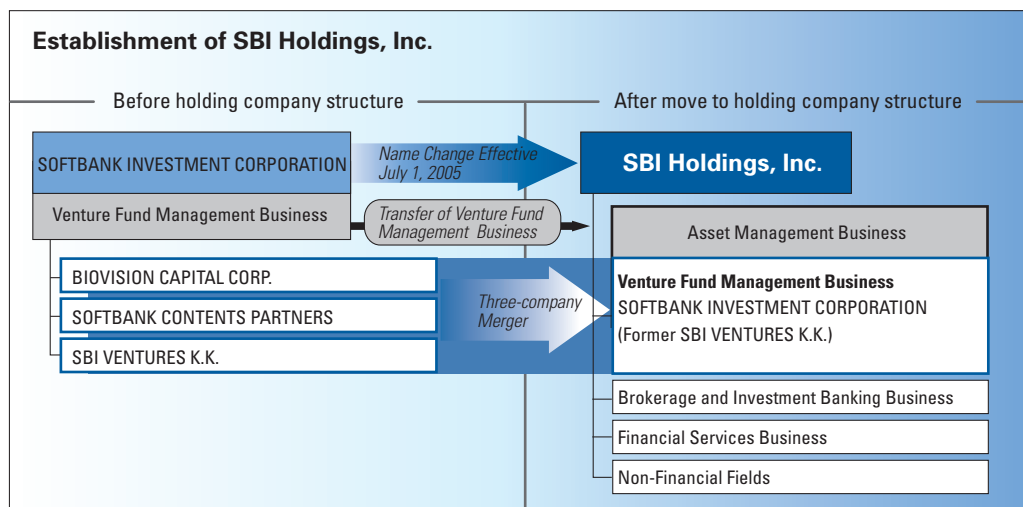
Self-Evolution

Social Responsibility

Aiming for a Dramatic Expansion in Corporate Value

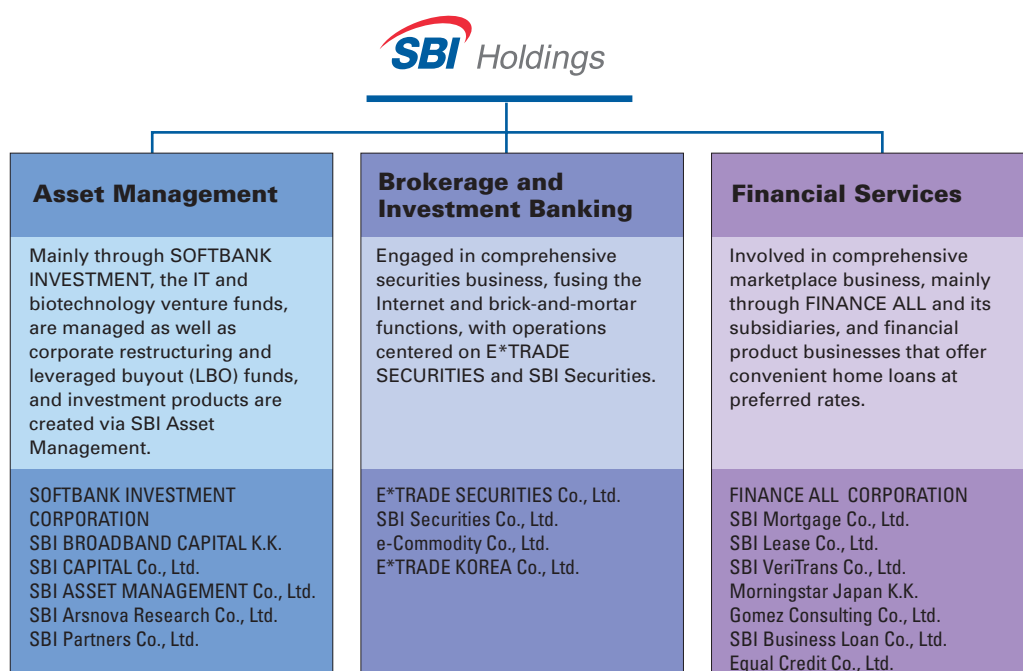
On July 1, 2005, SOFTBANK INVESTMENT CORPORATION spun off and transferred its venture fund management business to SBI VENTURES K.K., a wholly owned subsidiary, concurrently changing its corporate name to SBI Holdings, Inc. and transitioning to a holding company structure.

Following this reorganization, SBI Holdings will function as a holding company and will formulate overall strategies for the companies under its umbrella in accordance with its management philosophy, as well as work toward the building of a business portfolio that maximizes various synergies. Concomitantly, we aim to establish a structure as a strong comprehensive financial group that can anticipate trends toward conglomeration in finance. Utilizing the know-how and management resources cultivated in our financial businesses, we are setting our sights on those business domains closely aligned with finance along with non-financial fields related to businesses of group companies, as we aim for a dramatic expansion in corporate value and growth.



Three Core Businesses

The SBI Group is a comprehensive financial group centered on three core businesses.



1. Maximize corporate value through synergies between customer value, which is the basis of our company, and shareholder and human resources value.

The SBI Group believes "corporate value" to be an aggregate of "customer value," "shareholder value," and "human resources value." Customer value is the value a company provides to customers. This refers to cash flow from customers received as payment for the intrinsic value of products and services offered by a company. Shareholder value is the aggregate of market capitalization and liabilities, as well as the net present value of lump-sum forecast future free cash flows. Human resources value refers to management and employee value. People are the wellspring of creativity and the most crucial determinant of a company's distinctive characteristics, which serve as a source of its competitive strengths.

2. Increase the aggregate market capitalization of listed group companies from the current ¥1.0 trillion to ¥3.0 trillion in three years and ¥5.0 trillion in five years.

As our main strategy for attaining these targets, we will aim for an increase in market capitalization by emphasizing further autonomous growth of each listed group company, listing currently unlisted group companies and focusing on M&A, joint ventures and strategic alliances.

3. Become not just a "strong company," but a "strong and respected company."

The SBI Group aims not just to contribute to society through the products and services offered in our main businesses. Instead, we will strive to be a "strong and respected company" and increase our corporate value over the long term by proactively fulfilling our broader corporate social responsibilities including, practicing ethical behavior, cultivating our human resources, directly contributing to local communities and taking better account of our environmental practices.

Strengthening the SBI Group Brand

Establishing a Unified Brand

Along with the adoption a holding company structure, we renewed our corporate logo with the establishment of "SBI" as the SBI Group's unified brand. By making "SBI" a part of each group company's corporate name, we are able to create a clear identity for the SBI Group while fostering a greater sense of solidarity and togetherness by sharing the same brand value.





Adhering to our “Customer First” principle, the SBI Group is working in unison to promote an expansion of business as a comprehensive financial group.

Yoshitaka Kitao
Representative Director & CEO

Question

What was the aim of your transition to a holding company structure?

We adopted a holding company structure primarily for three purposes. First, this move was in line with our determination to build a solid structure as a comprehensive financial group that is at the forefront of the trend toward integration within the financial industry. Our transition to a holding company structure system is also consistent with the thinking of Japan’s financial authorities, which are promoting a conglomeration of financial institutions that transcends previous boundaries within the financial industry, and we intend to remain a step ahead of this trend.

Second, we plan to build a business portfolio that allows us to exhaustively pursue synergies. The newly established holding company will formulate the business

strategies and management philosophies for the SBI Group, as well as ensure that these permeate throughout the entire group, which will allow us to create a corporate group capable of achieving dramatic growth. Moreover, we plan to strategically add to and reshuffle our business portfolio as part of efforts to enhance the efficiency of our businesses.

Third, our move to a holding company structure was aimed at building an organizational structure that enables us to “leverage core financial know-how to move beyond the financial field.” We are no longer under the scope of consolidation of SOFTBANK CORP. and various restrictions within our business domains have been eliminated, firmly positioning us to accelerate our smooth entry into non-financial fields.

Question

SBI Holdings is no longer under the scope of consolidation of SOFTBANK CORP. and restrictions on your financial strategies have been eliminated. What effect will this have on your operations?

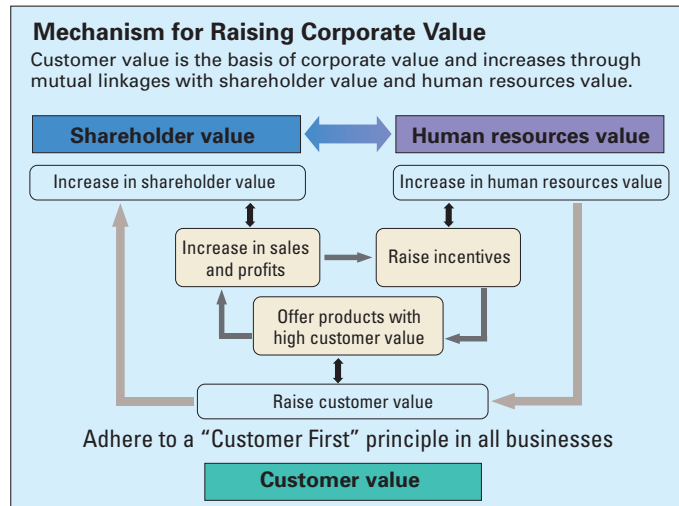
In March 2005, we increased our capital through a public offering. Along with this capital increase, the percentage of SOFTBANK CORP.’s equity interest declined, and our status thus changed from being a consolidated subsidiary to an equity-method affiliate. As a result, we have established a structure for having our creditworthiness evaluated independently from SOFTBANK CORP., and this has already yielded several positive benefits. For instance, in June 2005, SBI Holdings received a BBB rating on our corporate bonds from Japan Credit Research (JCR) while E*TRADE SECURITIES Co., Ltd. was rated BBB+, a higher rating than that for SOFTBANK CORP. On July 25, 2005, SBI Holdings completed a shelf registration for the

issuance of ¥60.0 billion in corporate bonds and is now able to implement financial strategies offering greater flexibility. This has also had a positive impact in terms of bank credit, since our creditworthiness is no longer evaluated based on a total credit line for the SOFTBANK Group, but rather as an independent group of companies under the SBI Holdings umbrella. In June 2005, we were able to procure ¥35.0 billion from banks as capital to be invested as a portion of an investment unit for an IT Fund. Together with ¥15.5 billion of our own funds, we were thus able to secure ¥50.5 billion for the IT Fund’s 500 investment units.

Question

Will you please explain SBI Holdings’ vision of “Maximize corporate value through synergies between customer value—the basis of our company—and shareholder and human resources value”?

I consider “corporate value” to be an aggregate of “customer value,” “shareholder value” and “human resources value.” Customer value is the basis of corporate value and increases through mutual linkages and synergies with shareholder value and human resources value. Customer value is the cornerstone and foremost element of corporate value, and is created by providing customers with useful products and services. We believe that increasing customer value is contingent on continually raising customer satisfaction by enhancing the quality of and lowering the prices for our products and services. In this regard, ensuring that the entire SBI Group strictly adheres to the “Customer First” principle is of utmost importance for assuring the group’s ongoing prosperity. This thinking is the foundation of the vision for the new SBI Group.



Question

One of your goals is to increase the aggregate market capitalization of listed group companies to ¥3.0 trillion in three years and ¥5.0 trillion in five years. What measures are you taking to achieve this objective?

With the goal of forming an Internet-based financial group, the SBI Group initiated operations in April 1999 by establishing SOFTBANK FINANCE CORPORATION with 55 employees from SOFTBANK’s former administration division, which was under my authority. The SBI Group currently includes seven listed companies with a total market capitalization of approximately ¥1.0 trillion (monthly average for March 2005). Reaching the current levels of market capitalization has taken six years and the arduous efforts made over this period defy description. Considering the tremendous efforts required to get these businesses on track, I am confident that we can achieve our goals of raising aggregate market capitalization of listed group companies to ¥3.0 trillion in three years and ¥5.0 trillion in five years. In working toward this objective, we will implement the following three measures.

First, each listed company will strive for further growth and development.

Second, we will list currently unlisted group companies. In addition to the SBI Group’s numerous existing unlisted companies with great potential, we plan to establish and cultivate additional companies to enable their public listings. For companies that list and become

independent, we must of course make special efforts to ensure each company retains its sense of solidarity as an SBI Group member and that the SBI Group’s unifying force remains intact.

Third, we will increase shareholder value through M&A, joint ventures and strategic alliances. I should point out, however, that we will exercise sufficient restraint in M&A. Although completing actual M&A deals is relatively simple, my own experiences have demonstrated that it is extremely difficult to raise shareholder value over the medium and long term by relying on M&A to yield synergies whereby the whole is greater than the sum of the parts, for example, one plus one equals three. Instead of M&A, I believe that establishing joint ventures and forming strategic alliances are highly effective strategies for raising shareholder value of companies similar to SBI Holdings’ subsidiaries that are involved in Internet-related businesses. SBI Group joint ventures such as E*TRADE Japan K.K., Morningstar Japan K.K., and SBI VeriTrans Co., Ltd. represent our starting point in executing this strategy. Although we invested only small amounts of capital for their establishment, these joint ventures all made public listings within three to five years.

Question

You aim to become not just a “strong company,” but a “strong and respected company.” Could you explain this and the measures you are taking to attain this objective?

Until now, the SBI Group’s management focused on maintaining high earnings power and growth capabilities with an emphasis on corporate efficiency. However, we now believe that we must incorporate a broader view of and build even better relationships with our stakeholders. To transition from a “strong company” to a “strong and respected company,” it is imperative to alter the very basis of conceptual frameworks that fundamentally govern the views and thinking of management and employees. Because this represents a paradigm shift, I believe that undergoing the following process is essential.

First of all, companies must recognize that they have a social nature. Companies are integral members of society for this reason and owe their very existence to society. With this in mind, it is imperative that companies contribute to the continuance and advancement of society.

Next, based on this awareness, companies must work

to earn the trust of society. Clearly prescribing such conceptual frameworks as our own values, management philosophies and corporate visions is absolutely crucial. Within such frameworks, it is then necessary to decide the specific fields where we will undertake our business and determine our business portfolio, customer segments, and competitive strategies to ensure that we prevail in our chosen business fields. All of these matters must be clearly expressed inside and outside the SBI Group and then put into practice.

Finally, we will focus on raising our so-called “company virtues.” I believe that companies also have virtues in the same way people have “human virtues.” In concrete terms, obtaining “company virtues” requires raising the moral character of management and employees, possessing proper ethics and establishing and maintaining a strong corporate brand.

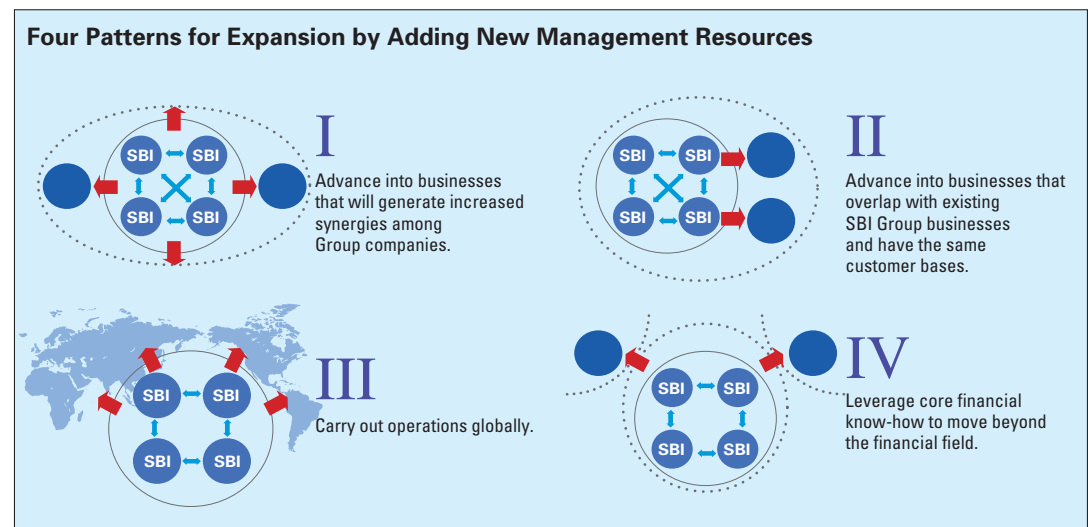
Question

Could you describe how are you going to drive the future direction of the corporate ecosystem formed by the SBI Group for the purpose of increasing the market capitalization of the SBI Group?

To ensure our current corporate ecosystem achieves efficient and significant growth, we will implement two primary measures. Specifically, we will foster the self-advancement and self-growth of the SBI Group ecosystem by exhaustively pursuing synergies among the companies that comprise the ecosystem. At the same time, we will introduce new management resources from outside the group to achieve a rapid expansion of the existing ecosystem while pursuing synergies among existing management resources to realize growth. These two measures will be implemented in unison, with the aforementioned external management resources concentrating on the following four resource categories.

The first resource category is financial industry businesses that can generate synergies with the majority of current SBI Group companies. Such businesses include banking, a field in which I am considering a full-fledged entry. Let me point out, however, that small and medium-sized banks are unattractive in terms of earnings power. This is because if these banks only increase their accounts,

they merely incur enormous systems costs that make profits elusive. Accordingly, any thoughts of entering the banking field should be abandoned unless we can find synergies with the companies in our ecosystem. Fortunately, the SBI Group is solidly positioned to realize such synergies with the banking business. For example, SOFTBANK INVESTMENT CORPORATION funds contain numerous investee companies with growth potential that would also make promising borrowers. Additionally, I am certain we can uncover synergies between a bank and companies inside and outside the SBI Group, such as SBI Mortgage Co., Ltd., which has a housing loan balance that reached ¥100.0 billion in August 2005; Equal Credit Co., Ltd. and SBI Business Loan Co., Ltd., which are involved in consumer and small- and medium-sized business finance; and SBI Partners Co., Ltd., which is involved in real estate-related business. From the perspective of the entire group, I expect that our entry into the banking business would generate positive effects.





Utilizing substantial synergies with our Internet securities business, Internet banking could generate synergies with numerous members of our corporate ecosystem, enabling actual Internet banking to operate in the black for the first time ever and to make a positive contribution to the group as a whole.

The second category is non-financial fields, where several SBI Group companies have customer bases that overlap with customer segments of Group companies in financial fields. A good example is the real estate business. The customer bases of SBI Partners, which is involved in real estate-related businesses, overlaps with E*TRADE SECURITIES' customer segment of highly affluent individuals. Therefore, there is an excellent possibility that E*TRADE SECURITIES and SBI Securities Co., Ltd. could solicit capital for real estate funds and Real Estate Investment Trusts (REITs) formed by SBI Partners.

The third category is the development of existing finance businesses globally. In this area we are promoting alliances encompassing capital tie-ups that include the conversion of E*TRADE KOREA Co., Ltd. into a subsidiary of E*TRADE SECURITIES; a business tie-up with U.S.-based E*TRADE FINANCIAL Corp.; and tie-ups between SBI Holdings and Hong Kong-based SW Kingsway Capital

Holdings Limited. Through these global tie-ups, E*TRADE SECURITIES enables customers to trade in U.S., Hong Kong, Chinese (H shares) and Korean shares using their own PCs in Japan.

The fourth category is expansion into non-related fields using our core capabilities in finance. We are focusing on two types of cases: non-related businesses that enable significant synergies with existing SBI Group companies and non-related fields where the SBI Group could apply its current business models. Examples of the first case are Nexyz. TRADE Inc., a securities brokerage jointly established by Nexyz. Corporation and E*TRADE SECURITIES, and CANOW Co., Ltd., an Internet advertising agency with strengths in finance established as a joint venture by SEPTENI Co., Ltd. and FINANCE ALL CORPORATION. The second case includes FINANCE ALL's move into operating comprehensive comparison websites. FINANCE ALL is applying its know-how and business model, which it cultivated in marketplace businesses and is based on insurance and loan product comparison sites, in other non-financial businesses. In relation, FINANCE ALL's current efforts entail entry into such marketplace businesses as sites for providing lump-sum moving estimates and sites for comparing renovation costs.

Question

Could you describe some of the SBI Group's direct social contribution activities?

One of the SBI Group's management principles is to be a socially responsible company. As part of our indirect contributions to society through our main business activities, we strive to serve as a "financial innovator" to offer financial services that provide benefits for customers, as well as a "new industry creator" that carries out activities for cultivating new core industries for the 21st century.

The SBI Group also carries out activities that directly contribute to society. Our basic policy is to contribute a

reasonable level of our profits to children's welfare organizations. Our plan calls for SBI Group companies that record ¥300 million or more in net income to contribute around 1% of this amount. (This is premised on institutionalized decisions to be made by each group company).

Also, we plan to establish a new foundation, tentatively named SBI Children's Aspiration Foundation, which will provide continuous support for children who are victims of child abuse.

Direct Social Contribution Activities of SBI Group

Outline of Planned Foundation

Name (tentative)	The SBI Children's Hope Foundation
Endowment	¥500 million
Main activities	<ol style="list-style-type: none"> Donate to child welfare facilities to help improve their environment. Donate to businesses, foundations, and NPOs that work to improve child welfare. Help children become independent adults through school admission and securing employment. Support other activities related to improving child welfare.

Donation Estimate for Current Fiscal Year

	(Unit: Millions of yen)		
	Sales	Profit after tax	Estimated donation
SBI Holdings	17,532	6,297	63
E*TRADE SECURITIES	27,174	6,061	61
SBI Securities	10,671	3,777	38
Yoshitaka Kitao			38
Total			200

Favorable results in fund management

Softven #2 Investment Partnership closed with IRR of 20.4%.

Key Companies

SOFTBANK INVESTMENT CORPORATION	Core company in venture fund management
SBI CAPITAL Co., Ltd.	LBO fund management
SBI Asset Management Co., Ltd.	Investment trust management
SBI Arsnova Research Co., Ltd.	Develops and manages alternative financial products
SBI Partners Co., Ltd.	JASDAQ (Code: 9653): Real estate-related business

Transition to a Holding Company Structure and Reorganization of Asset Management Business

On July 1, 2005, the SBI Group transitioned to a holding company structure with the aim of strengthening and upgrading the Group's governance functions. Along with this move, the venture fund management business carried out by SBI Holdings' forerunner, SOFTBANK INVESTMENT CORPORATION, was transferred to a previously spun off subsidiary SBI VENTURES K.K., which changed its name to SOFTBANK INVESTMENT CORPORATION on July 1. To consolidate the SBI Group's venture fund management business into the operations of SOFTBANK INVESTMENT CORPORATION, the operations of SOFTBANK CONTENTS PARTNERS CORPORATION which managed contents funds, and BIOVISION CAPITAL CORP., which managed biotechnology funds, were merged into the new SOFTBANK INVESTMENT CORPORATION.

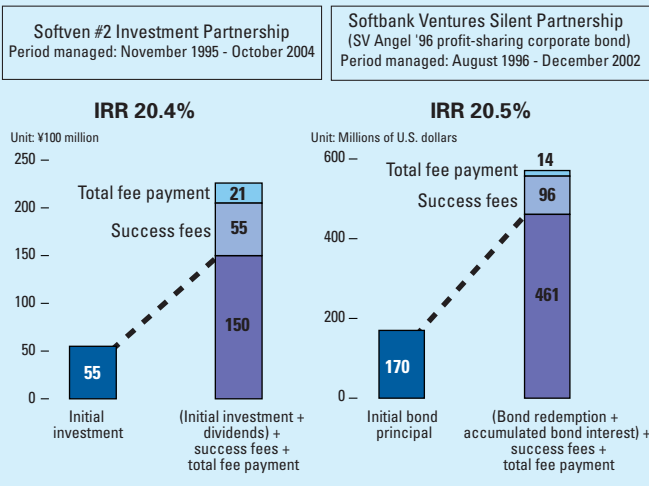
Steadily Compiling a Solid Track Record

In October 2004, we made an early redemption of Softven #2 Investment Partnership, established in November 1995, securing an IRR of 20.4%. In addition to such other accomplishments as an IRR of 20.5% of SOFTBANK VENTURES SILENT PARTNERSHIP, the management of which concluded in December 2002, we are steadily recording new achievements in our fund management business.

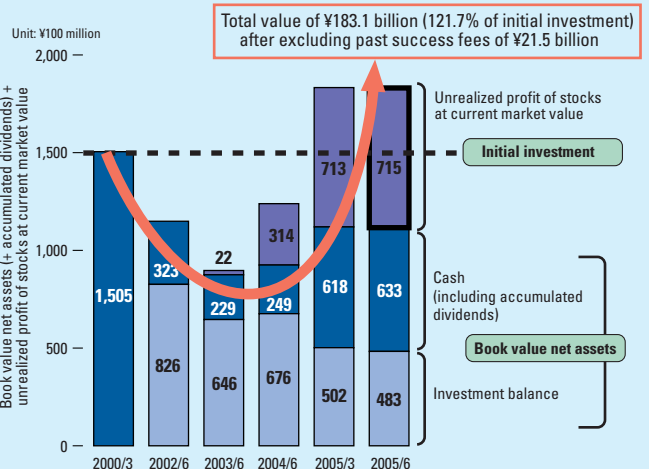
Status of Our Flagship "IT Fund"

Our flagship SOFTBANK INTERNET TECHNOLOGY FUND (hereafter "IT Fund"), which was established between March and July 2000 with an investment of ¥150.5 billion, has entered into a period of profit reaping, and consequently the operation of this fund was extended by two years as the fund managers strive for higher returns. At the end of June 2005, the unrealized capital gain for the IT Fund totaled ¥71.5 billion in market value, and the total of investment balance, remaining cash equivalents and unrealized capital gain—excluding past accumulated management fees of ¥21.6 billion—totaled ¥183.1 billion. In June 2005, SBI Holdings acquired an additional 505 shares of the IT Fund, resulting in a total 41.1% share in the fund.

Performance Record of Redeemed Funds



IT Fund Management and Success Fee Structure



Success fee calculation table

Success fee as a proportion of capital gains* exceeding initial investment

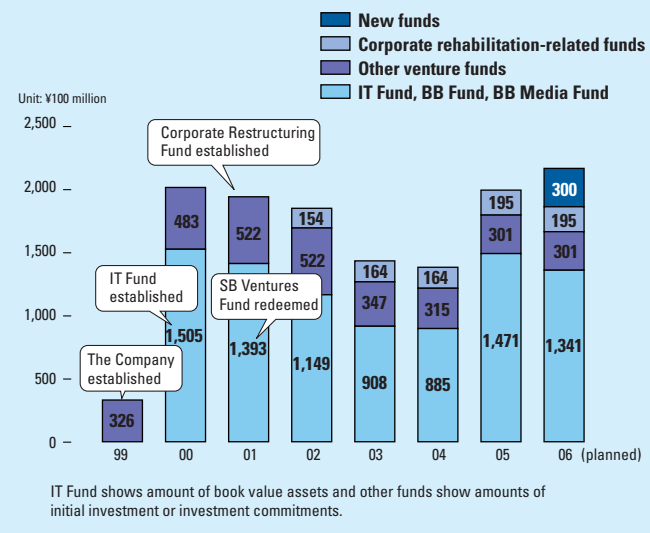
- Portion corresponding to 50% or below: **20%**
- Portion corresponding to more than 50% and 200% or below: **35%**
- Portion corresponding to more than 200%: **50%**

*Capital gains: Book value net assets - initial investment

Continued Favorable Results in Exits through IPOs and M&A of Investee Companies

We achieved our exit target of 20 companies via IPOs and M&A during the period from January to December 2004. For 2005, we are maintaining the same target of around 20 companies and as of August 2005 we had made exits through M&A and IPOs at 10 companies.

Trends in Total Value of Funds Managed by the SBI Group



We have established a successor flagship fund and will take a proactive approach to making investments in the future as well.

Solicitation of capital for the IT Fund's successor flagship fund, SBI Broadband Fund (general name for SBI Broadband Capital Anonymous Investment Partnership and SBI Broadband Fund No. 1 Limited Partnership), proceeded smoothly and finished with ¥53.5 billion in investment capital. Also targeting individual investors, we sold small-lot investment units of ¥1 million for this fund. The selling of investment units in small lots for this venture fund represented an epoch-making trial, with three SBI Group securities companies selling ¥20.8 billion in shares as the fund's investment capital.

On March 24, 2005, SBI Holdings, together with Fuji Television Network Inc. and Nippon Broadcasting System, Inc., established SBI BB Media Fund Limited Partnership with initial investment capital of ¥20.0 billion. We are managing this fund as one of our Satellite Funds within the successor flagship fund SBI Broadband Fund. SBI BB Media Fund proactively invests in broadband, content and media-related businesses.

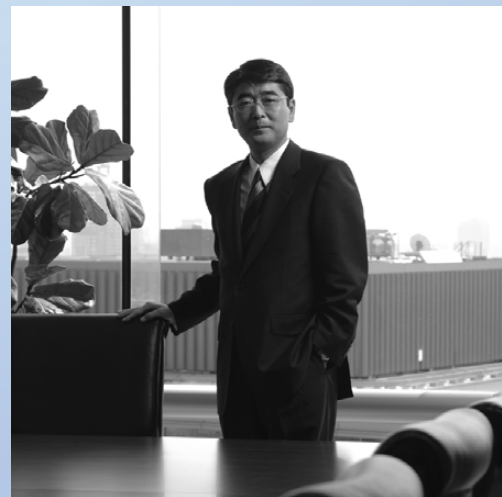
In corporate restructuring business, our SBI-LBO-FUND No. 1 posted favorable results. At the end of March 2005, the current mark-to-market NAV of this fund, including accumulated dividends and management fees paid, reached ¥10.8 billion, up 198.9% from the initial investment of ¥5.0 billion. From its establishment on August 23, 2004 to the end of May 2005, our SBI Mezzanine Fund No. 1, a ¥3.1 billion pilot fund that specializes in mezzanine investments and DIP (Debtor-in-possession) financing, has closed deals on 25 companies, with an average profit margin of 13.2%. With additional outside investors, we began operation of SBI Mezzanine Fund No. 2 on June 1, 2005 with capital of ¥7.0 billion. Moreover, we closed four new deals valued at approximately ¥1.0 billion. Looking ahead, we plan to solicit numerous investors with the aim of increasing assets under management to ¥10.0 billion.

Since its establishment on December 24, 2003, the BIOVISION Life Science Fund I has invested a total of ¥2.5 billion in 11 pharmaceutical-related bio-ventures. Among these, we invested in such promising investee companies as MedicNova Inc., which listed on the Hercules market of the Osaka Securities Exchange, and using this track record as a

base closed solicitation of managed assets in bio-related companies at ¥10.3 billion.

In May 2005, together with MacRitchie Investments Pte Ltd., a wholly owned subsidiary of TEMASEK Holdings (Private) Limited, SBI Holdings jointly established the New Horizon Fund with initial investment capital of US\$100 million. This fund will invest in promising companies in China that have world-class management teams. The Chinese economy is expected to record high growth in the future and we aim to utilize this economic growth capability to fuel investment profits.

In summary, each of our funds is achieving steady growth and we intend to maintain the total value of our capital under management at around ¥200.0 billion as we proceed with our asset management business.



Yasutaro Sawada
 Director and COO
 SOFTBANK INVESTMENT CORPORATION

An overwhelmingly dominant position in online securities

E*TRADE SECURITIES Co., Ltd. has surpassed the 700,000 level in customer securities accounts.

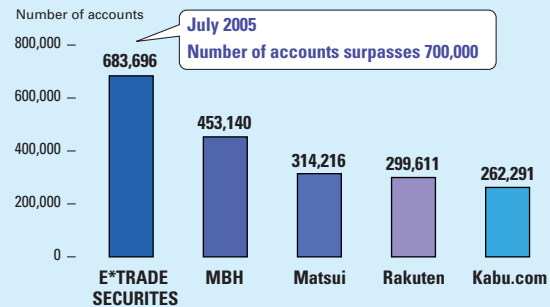
Key Companies

E*TRADE SECURITIES Co., Ltd.	_____ JASDAQ (Code: 8701): Comprehensive online securities business
SBI Securities Co., Ltd.	_____ Hercules market of the Osaka Securities Exchange (Code: 8696): Securities business
e-Commodity Co., Ltd.	_____ Online commodity futures brokerage
E*TRADE KOREA Co., Ltd.	_____ Online securities business in Korea

Our Positioning in the Securities Industry

In July 2005, E*TRADE SECURITIES Co., Ltd. earned the distinction of becoming the first online securities company to surpass the 700,000 level in customer securities accounts, while its total deposits in customer accounts at the end of August 2005 amounted to ¥2,739.5 billion. Both of these figures are by far the highest figures among all online securities companies in Japan. When including figures for SBI Securities Co., Ltd., the SBI Group's securities business had a total of 878,505 securities accounts and ¥3,320.7 billion in total deposits in customer accounts at the end of June 2005. Comparing these figures with those of other Japanese securities companies, SBI Holdings is fifth in terms of comprehensive securities accounts, ranking behind Nomura Securities, the Daiwa Securities Group, the Nikko Securities Group and Shinko Securities. SBI Holdings ranks 11th in terms of total deposits in customer accounts.

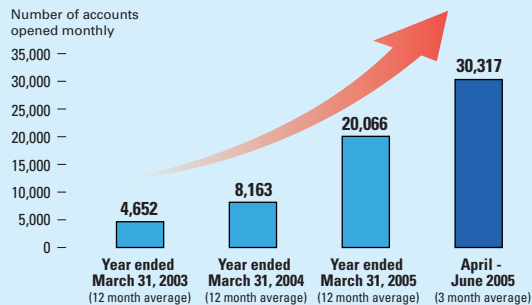
Comparison of Securities Accounts at Major Online Securities Companies (end of June 2005)



Monthly Growth in New Accounts Accelerates

E*TRADE SECURITIES has been achieving steady monthly increases in the number of new customer accounts. In the fiscal year ended March 31, 2003, E*TRADE SECURITIES recorded an average monthly increase of 4,652 customer accounts. This figure surged to a monthly average of 8,163 accounts in fiscal 2004 and 20,066 accounts in fiscal 2005. In March 2005, E*TRADE SECURITIES recorded an all-time monthly high of 33,968 new accounts. The number of new accounts has remained at a high level since April 2005, with the increase accelerating to a monthly average of 30,317 accounts from April to June 2005, as we further increase our overwhelming advantage over competing online securities firms.

Trends in the Number of Accounts Opened Monthly of E*TRADE SECURITIES

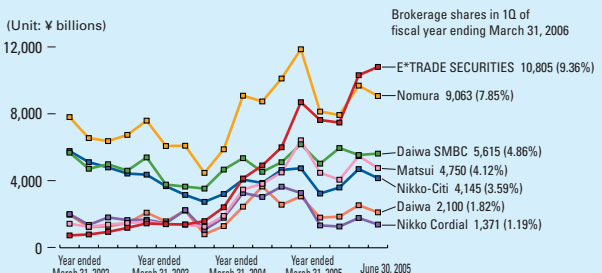


Comparisons of Values of Stock Brokerage Trading

From January to March 2005, E*TRADE SECURITIES surpassed Nomura Securities to become the number-one securities company in value of brokerage trading (figures include brokerage transactions with institutional and foreign investors). Moreover, in April to June 2005, even though trading volumes of other securities companies declined, E*TRADE SECURITIES continued to increase its trading volume, extending its lead over the second-ranked company. E*TRADE SECURITIES is particularly popular among individual investors, as evidenced by its 24.8% share of the individual investor segment during the period from April to June 2005.

The monthly value of trading of Japanese stocks by E*TRADE SECURITIES in August 2005 surpassed ¥5,000.0 billion, with the daily average value of trading reaching an all-time high of ¥240.0 billion.

Comparison of Stock Brokerage Volumes



Sources: Compiled by SBI Holdings based on publicly announced figures by respective securities companies and the Tokyo Stock Exchange. (Unit: Billions of yen; figures in parentheses indicate each brokerage turnover share as a percentage of turnover in three markets.)

Handling of Overseas Stocks

Following the commencement of trading of U.S. stocks in June 2003, E*TRADE SECURITIES began handling Hong Kong and Chinese stocks in March 2005 and Korean stocks in May 2005. To engage in real-time trading utilizing the various characteristics of the Internet, E*TRADE SECURITIES has formed a tie-up with E*TRADE FINANCIAL Corp. of the United States as an intermediary for trading U.S. stocks, and a similar tie-up with Hong-Kong-based SW Kingsway Capital Holdings Limited for Hong Kong and Chinese stocks. Further, for Korean stocks, we converted E*TRADE KOREA Co., Ltd. into a subsidiary in March 2005 to carry out cross-border trading between Japan and Korea.

E*TRADE SECURITIES Track Record in IPO Underwriting

In fiscal 2005, E*TRADE SECURITIES participated as underwriters in 87 IPOs, raising its cumulative total to 236 companies (served as underwriting manager for 29 companies). From April to June 2005, E*TRADE SECURITIES underwrote IPOs for 26 of the 40 companies making IPOs, giving it a participation rate of 65% and ranking E*TRADE SECURITIES as the top company among all securities companies. We have also inaugurated our lead manager operations, beginning with the IPO for ArkCore Inc., which was listed on the Centrex section of the Nagoya Stock Exchange on September 15, 2005.



By offering attractive products and services, we are encouraging to expand investor base.

As a noteworthy milestone, E*TRADE SECURITIES became the first online securities company to reach the 700,000 level in customer accounts. Moreover, E*TRADE SECURITIES has secured over 70,000 margin accounts, as it expands its shares for these and comprehensive securities accounts.

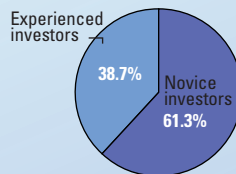
Adhering to its "Customer First" principle since commencing online trading business in 1999, E*TRADE SECURITIES has achieved steady growth through its winning combination of offering the industry's highest level of services and the industry's lowest commission fees. This approach has won E*TRADE SECURITIES the support of numerous individual investors, a primary factor enabling this company to secure 700,000 customer accounts. In addition to increases in customer accounts, E*TRADE SECURITIES has maintained its position as the top online securities company in terms of deposits in customer accounts and the value of trading.

In the first quarter of fiscal 2005 (April-June), a monthly average of approximately 30,000 customers opened new accounts with E*TRADE SECURITIES. After reaching a cumulative 600,000 accounts in April 2005, E*TRADE SECURITIES secured an additional 100,000 new accounts over the next approximately 100 days, the shortest time ever for securing 100,000 accounts. This represents a 1.8 times increase over the same period in the previous year and more than 2.0 times the level recorded by industry competitors.

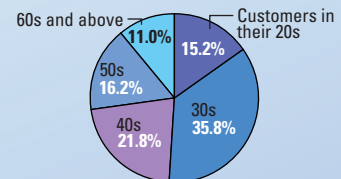
Until very recently, most accounts at E*TRADE SECURITIES were established mainly by customers in their 30s and 40s. From fiscal 2005, however, we have also secured an increase in the number of accounts opened by individuals in their 20s as well as customers in their 50s and 60s. As another recent noteworthy trend, investor base has been expanding as evidenced by an increase in the number of female customers opening new accounts as well as novice stock investors, with the latter accounts for over 60% of new accounts. While continuing to respond to a wide range customer needs, we will offer an attractive commission structure, products and services,

E*TRADE SECURITIES Securing New Customer Segments

Accounts opened by experienced and novice stock investors in 1Q fiscal 2005



Composition of customer account holders by age bracket (end of June 2005)



expand our investment content for novice investors and upgrade the functions of our website as we work to build an investment environment that allows an even larger number of investors to participate in securities markets.



Taro Izuchi
President
E*TRADE SECURITIES Co., Ltd.

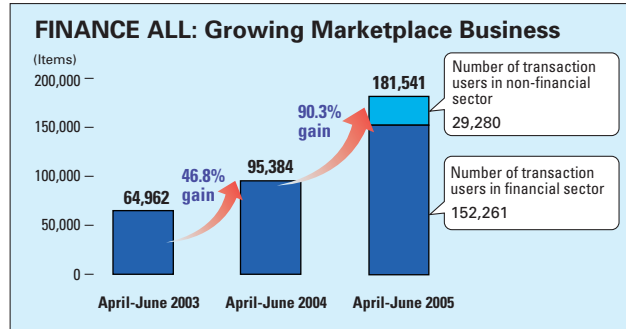
All businesses achieving steady growth

FINANCE ALL CORPORATION is establishing a position among the “winners” in comparison websites.

Key Companies	
FINANCE ALL CORPORATION	Hercules market of the Osaka Securities Exchange (Code: 8437): Comprehensive comparison website
SBI Mortgage Co., Ltd.	Housing loans
Equal Credit Co., Ltd.	Consumer loans
SBI Business Loan Co., Ltd.	Loan services for business owners
SBI Lease Co., Ltd.	Comprehensive lease services
SBI VeriTrans Co., Ltd.	Hercules market of the Osaka Securities Exchange (Code: 3749): Provision of electronic settlement services
Morningstar Japan K.K.	Hercules market of the Osaka Securities Exchange (Code: 4765): Rating information on financial services
SBI Benefit Systems Co., Ltd.	Management of defined-contribution pensions
SBI Accounting Co., Ltd.	Back office support and consulting services
SBI artfolio corporation	Artwork brokerage and sales

Growing Marketplace Businesses—Transitioning to a Comprehensive Comparison Website Business

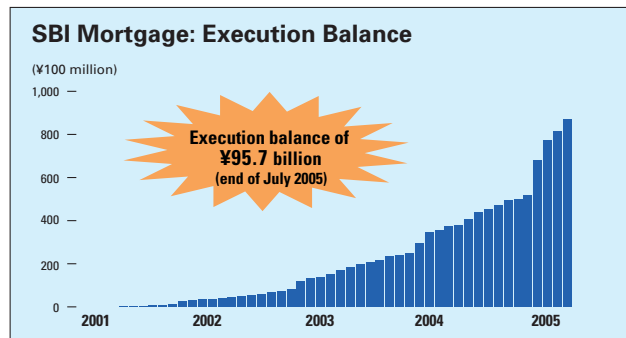
The number of users utilizing FINANCE ALL’s marketplace services has been steadily expanding. In addition to business in financial fields, FINANCE ALL has drawn on its know-how in finance to commence new marketplace businesses in non-financial fields, where it has been steadily securing increases in new users, which have reached a total of approximately 600,000 users annually. Through Hikaku ALL, a comparison and lump-sum quotation portal site that integrates the marketplace businesses’ comparison sites, we provide a service for one-stop comparisons and lump-sum quotations for various lifestyle and business situations and aim to increase the number of users, leading to an increase in customer royalties.



*The count for “transaction users” indicates the number of unique users for lump-sum estimates, document requests and provisional applications via our websites.

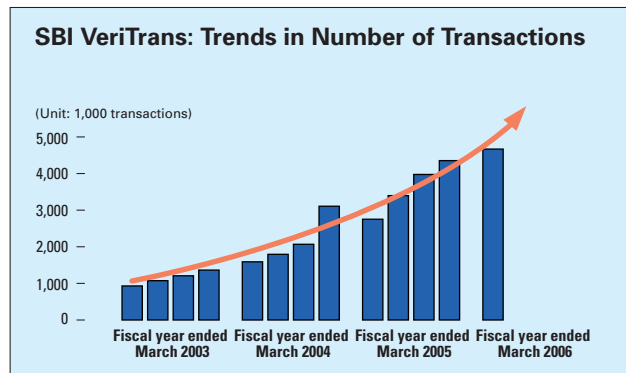
SBI Mortgage Co., Ltd.’s “Home Loans” Recording Remarkable Growth

SBI Mortgage Co., Ltd., a subsidiary of FINANCE ALL, has been achieving favorable results for “Flat 35,” a long-term, fixed-interest securitized housing loan being promoted in cooperation with the Government Housing Loan Corporation (GHLC), which we began offering in December 2004. At the end of July 2005, the outstanding balance of SBI Mortgage’s financing stood at ¥95.7 billion and exceeded ¥100.0 billion during August.



SBI VeriTrans Co., Ltd. Gets on Growth Track

SBI VeriTrans Co., Ltd., which engages in the provision of online settlement solutions, listed on the Hercules market of the Osaka Securities Exchange on October 5, 2004. This company has been steadily expanding the scope of its transactions and during fiscal 2005 recorded a sharp 180.5% increase in the number of transactions in its settlement platform business compared with the previous fiscal year, to 14.47 million transactions.



*Transactions: Total for four quarters

In other financial services businesses, Equal Credit Co., Ltd., which is engaged in consumer finance, commenced operations in November 2004. In just eight months, this company's outstanding loan balance has surpassed ¥4.1 billion. We also established SBI Servicer Co., Ltd. to collect specified money claims, and on June 27, 2005 the company received authorization to operate as a credit collection company under the Servicer Law (Special Measures Law Concerning Credit Management and Collection). Morningstar Japan K.K., which provides such financial information as ratings on investment trusts, formed business and capital alliances with The Kabushiki Shimbun Co., Ltd. on April 12, 2005 and with Searchina Co., Ltd. on April 19, 2005.

Utilizing our experience from financial businesses, we will engage in lifestyle and other non-financial businesses.

Since its establishment, FINANCE ALL has aimed to transcend conventional thinking in providing customers with highly convenient financial-related services. Striving to be a "financial innovator," FINANCE ALL has engaged in marketplace businesses that include Internet-based financial information search and comparison services sites such as insurance comparison and loan comparison websites.

FINANCE ALL currently serves as the core company in the financial services business of the SBI Group and, as a business holding company, has positioned SBI VeriTrans and SBI Mortgage under its umbrella. In accordance with the management philosophy "leverage core financial expertise to move beyond the financial field," we intend to apply our accumulated experience in the financial business and know-how from operating comparison sites to non-financial fields such as lifestyle information. By doing so, we aim to support "smart consumer behavior through the Internet by providing beneficial and revolutionary financial and non-financial information and services" that are centered on Hikaku ALL, a comprehensive quotation comparison site.

Masahito Ito
COO, FINANCE ALL CORPORATION

We are developing customer-focused products using the most advanced finance methods.

SBI Mortgage is Japan's first mortgage bank broker (a financial institution that specializes in using securitization to acquire funds to offer housing loans). SBI Mortgage created a long-term, fixed-interest rate housing loan product, which was believed to be impossible by a private enterprise, by employing a new concept of securitizing the loans and ensuring thoroughly low-cost operations. Since May 2001, SBI Mortgage has been offering "Good Home Loans," a housing loan with a fixed interest rate for the entire term of the loan.

From December 2004, SBI Mortgage began participating in efforts to promote housing loan securitization in cooperation with the Government Housing Loan Corporation

and began offering "Flat 35," a long-term, fixed-interest rate housing loan (maximum of 35 years). This loan has won wide acclaim and has the lowest interest rates among all products offered by the more than 200 financial institutions participating in this business.

As Japan's first mortgage broker, SBI Mortgage will continue focusing on developing products that match customer needs using the latest financing methods and the Internet. SBI Mortgage also strives to continually provide long-term loans with the lowest fixed-term interest rates in the housing industry while working to ensure that as many customers as possible can use this housing loan, which enables users to plan their future household finances secure in the knowledge that they face no risk due to fluctuation of interest rates.

Noriaki Maruyama
COO, SBI Mortgage Co., Ltd.



Noriaki Maruyama

Masahito Ito

Operating Revenues

1) Asset Management Business

Revenues in the Asset Management Business consist of fees from funds, revenue from operational investment securities, revenue from real estate transactions, investment advisory service fees and others.

Fees from funds

Fees from funds consist of fund establishment fees that are calculated by multiplying the amount of solicited funds at the time of fund establishment by a fixed percentage; fund management fees that are calculated by multiplying initial contributed capital or net asset value by a fixed percentage; and success fees, which are revenues received based on the performance of the management of the fund.

During the fiscal year under review, fees from funds increased 23.8% compared with the previous fiscal year to ¥4,625 million. These revenues were derived mainly from the SOFTBANK INTERNET TECHNOLOGY FUND (initial subscription: ¥150,500 million) established between March-July 2000, as well as from SBI BROADBAND CAPITAL K.K. that was newly established during the term, SBI Broadband Fund No. 1 (Limited Partnership) and SBI BB Media Fund (Limited Partnership).

Revenue from operational investment securities

When securities (operational investment securities) are sold with the aim of realizing capital gains, the amount sold is recorded as revenue from operational investment securities. When the Company or one of its consolidated subsidiaries invests in a fund managed by the Group, an amount corresponding to contributed capital as a proportion of revenues from the fund in accordance with the fund settlement is calculated as revenue from operational investment securities. During the fiscal year under review, revenue from operational investment securities increased 74.1% from the previous fiscal year to ¥11,242 million, chiefly due to the recording of contributed capital as a portion of revenues from the SOFTBANK INTERNET TECHNOLOGY FUND, which has begun producing revenues.

Revenue from real estate transactions, investment advisory service fees and others

During the fiscal year under review, revenue from real estate transactions, investment advisory service fees and others jumped 249.6% compared with the previous fiscal year to ¥8,391 million. This was largely attributable to the sale of interest in partnerships in the real estate business.

2) Brokerage and Investment Banking Business

Revenues in the Brokerage and Investment Banking Business consist mainly of revenue from securities transactions and revenue from commodity futures transactions.

Revenue from securities transactions

Revenues from securities transactions consist of brokerage fees derived from buying and selling of securities; underwriting and sales fees for IPOs; and fees for placement and sales of stock. During the fiscal year under review, revenue from securities transactions increased 119.8% from the previous fiscal year to ¥44,095 million. This revenue was derived mainly from E*TRADE SECURITIES, WORLD NICHIEI FRONTIER Securities Co., Ltd. (name changed to SBI Securities Co., Ltd.) and E*TRADE KOREA Co., Ltd.

Revenue from commodity futures transactions

Revenues from commodity futures transactions are fees received from commodity futures transactions calculated upon settlement at the time of resale, repurchase or transfer by the broker. During the fiscal year under review, revenue from commodity futures transactions increased 21.0% compared with the previous fiscal year to ¥1,302 million. This was derived from e-Commodity Co., Ltd.

3) Financial Services Business

Revenues in the Financial Services Business consist of revenues from the financial marketplace business, financial products business, financial solutions business and others. During the fiscal year under review, revenues in the Financial Services Business amounted to ¥11,857 million, representing a 626.1% increase versus the previous fiscal year. This was derived mainly from FINANCE ALL CORPORATION, WEB-Lease Co., Ltd. (changed to SBI Lease Co., Ltd.) and GOODLOAN Co., Ltd. (changed to SBI Mortgage Co., Ltd.).

Operating Costs

1) Asset Management Business

Cost of operational investment securities

When securities (operational investment securities) are sold with the aim of realizing capital gains, the cost of the securities sold is recorded as cost of operational investment securities (any write-down of these securities are also included in cost). When the Company or one of its consolidated subsidiaries invests in a fund managed by the group, an amount corresponding to the proportion of fund operating costs (any write-downs of securities also included) in accordance with the fund settlement will be calculated as the cost of operational investment securities. During the fiscal year under review, the cost of operational investment securities amounted to ¥10,240 million (included ¥616 million write-down of operational securities and securities held by funds).

Reversal of valuation allowance for operational investment securities

To prepare for any future losses on operational investment securities held by the Company and one of its consolidated subsidiaries at the end of the fiscal year, provision for (reversal of) valuation allowance for operational investment securities is calculated by taking into consideration the situations at investee companies. During the fiscal year under review, reversal of valuation allowance for operational investment securities amounted to ¥71 million.

Other operating costs

Other operating costs, which are those related to the Asset Management Business, amounted to ¥3,453 million. During the fiscal year under review, these costs consisted mainly of personnel costs, cost of real estate and remuneration expenses.

2) Brokerage and Investment Banking Business

Operating costs in the Brokerage and Investment Banking Business were mainly financial costs related to interest on lending and borrowing for margin transactions. During the fiscal year under review, financial charges amounted to ¥2,327 million.

3) Financial Services Business

Rental and lease costs in the Financial Services Business, which were mainly cost of leases incurred by WEB-Lease (SBI Lease Co., Ltd.), amounted to ¥5,374 million during the fiscal year under review.

Selling, General and Administrative Expenses

Selling, general and administrative expenses amounted to ¥35,319 million and consisted mainly of personnel expenses, expenses for commissioning the operation of securities systems and the payment of fees.

Other Income (Expenses)

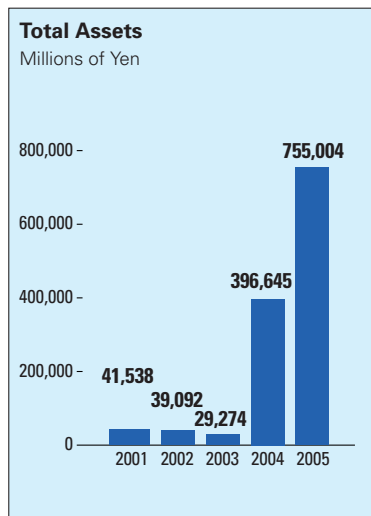
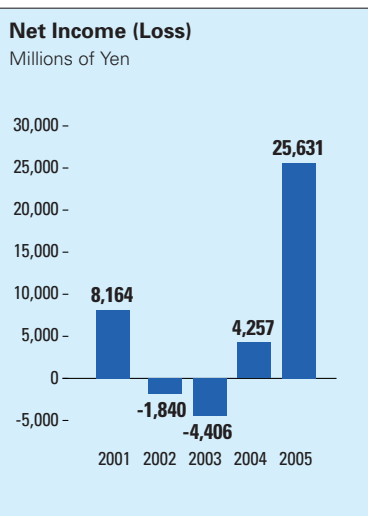
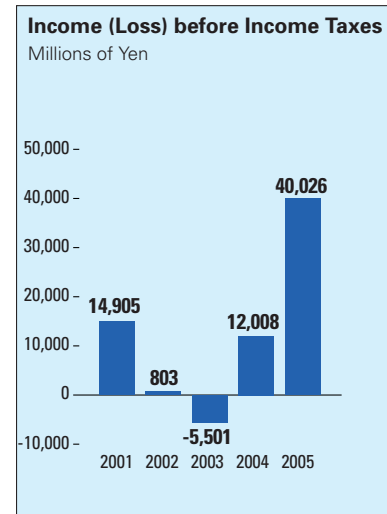
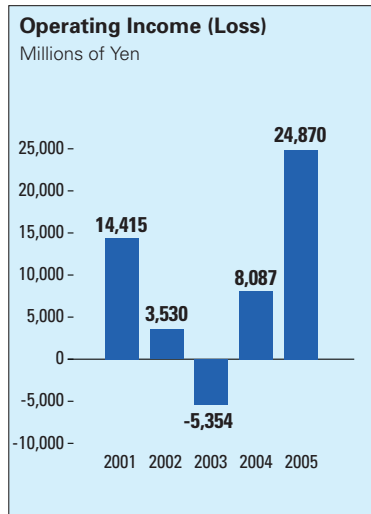
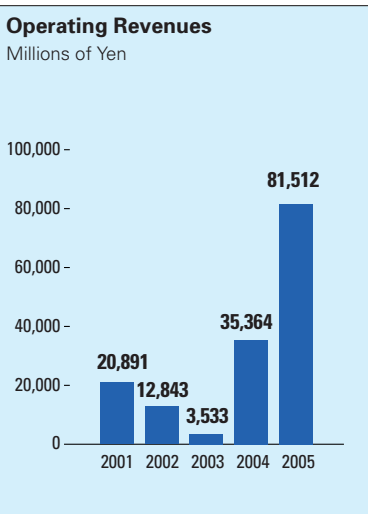
Other income—net amounted to ¥15,156 million. Factors included dilution gain from changes in equity interest of ¥10,569 million, gain on sale of investment securities—net of ¥3,868 million and provision for statutory reserves of ¥1,177 million.

Consolidated Financial Highlights

SOFTBANK INVESTMENT CORPORATION and Consolidated Subsidiaries

	Millions of Yen Year ended 31st March		Thousands of U.S. Dollars Year ended 31st March
	2004	2005	2005
For the Year:			
Operating Revenues	¥ 35,364	¥ 81,512	\$ 758,886
Operating Costs	12,018	21,323	198,519
Gross Profit	23,346	60,189	560,367
Operating Income	8,087	24,870	231,542
Net Income	4,257	25,631	238,632
Per Share Data (in Yen and U.S. Dollars):			
Basic Net Income	¥ 650.49	¥ 3,579.29	\$33.32
Diluted Net Income	594.89	3,280.47	30.54
Cash Dividends Applicable to the Period	770	350	3.26
At Year-end:			
Total Shareholders' Equity	¥ 47,465	¥ 129,419	\$ 1,204,908
Total Assets	396,645	755,004	7,029,182

Notes: 1. Per share of common stock is computed based on the weighted average number of shares outstanding during the year.
2. U.S. Dollar figures are translated for reference only at ¥107.41 to U.S.\$1.00, the exchange rate at 31st March 2005.



Consolidated Balance Sheets

SOFTBANK INVESTMENT CORPORATION and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	31st March		31st March,
	2004	2005	2005
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 12)	¥ 34,361	¥106,460	\$ 991,158
Time deposits	61	2,904	27,038
Cash required to be segregated under regulations (Note 3)	95,608	188,150	1,751,698
Account receivables—trade	584	1,013	9,425
Operational investment securities (Note 4)	17,676	39,829	370,811
Valuation allowance for operational investment securities	(579)	(463)	(4,309)
Operational loans receivable	155	8,059	75,032
Real estate inventory	787		
Trading assets (Notes 5 and 12)	1,310	2,859	26,621
Margin transaction assets:			
Receivables from customers	168,485	317,801	2,958,768
Cash deposits as collateral for securities borrowed	12,558	15,680	145,981
Loans secured by securities:			
Resale agreement transactions	13,545	13,545	126,109
Others		14	130
Short-term guarantee deposits (Note 3)	6,539	7,052	65,657
Deferred tax assets—current (Note 22)	2,014	986	9,180
Prepaid expenses and other current assets (Notes 3 and 7)	3,900	11,960	111,346
Allowance for doubtful accounts	(205)	(401)	(3,735)
Total current assets	356,799	715,448	6,660,910
PROPERTY AND EQUIPMENT—Net (Notes 8 and 12)	3,393	4,715	43,898
LEASED ASSETS—Net (Note 9)	8,964	8,231	76,634
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 12)	17,749	11,686	108,797
Investments in unconsolidated subsidiaries and affiliated companies (Notes 10 and 25)	112	807	7,511
Software, net of accumulated amortisation of ¥2,173 million and ¥3,599 million (\$33,508 thousand) at 31st March, 2004 and 2005, respectively	2,877	4,017	37,396
Rental deposits	2,150	4,323	40,251
Goodwill	15	1,581	14,720
Long-term trade receivables	4,415	2,824	26,287
Deferred tax assets—non-current (Note 22)	510	880	8,195
Other assets	2,016	3,362	31,303
Allowance for doubtful accounts	(2,355)	(2,870)	(26,720)
Total investments and other assets	27,489	26,610	247,740
TOTAL	¥396,645	¥755,004	\$7,029,182

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	31st March		31st March, 2005
	2004	2005	
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Notes 11 and 12)	¥ 9,630	¥ 8,732	\$ 81,292
Current portion of long-term debt (Note 11)	2,625	11,759	109,475
Income taxes payable	5,977	7,506	69,883
Margin transaction liabilities:			
Payables to financial institutions (Notes 11 and 12)	126,722	238,766	2,222,943
Proceeds of securities sold for customers' accounts	33,661	45,824	426,621
Loans secured by securities—repurchase agreement transactions (Note 11)	3,714	1,165	10,850
Consignment guarantee money received for margin transactions	84,111	151,652	1,411,898
Customers' deposits as collateral for commodity futures (Note 7)	7,254	19,309	179,770
Customers' deposits for securities transactions	7,631	15,427	143,630
Unearned income (Note 13)	1,307	2,615	24,349
Accrued expenses	1,708	2,654	24,708
Contingent reserve		5,219	48,586
Deferred tax liabilities—current (Note 22)	6	3,367	31,347
Other current liabilities (Notes 5 and 11)	6,053	16,619	154,725
Total current liabilities	290,399	530,614	4,940,077
LONG-TERM LIABILITIES:			
Long-term debt, less current portion (Note 11)	23,400	36,000	335,164
Negative goodwill	5,477		
Deferred tax liabilities—non-current (Note 22)	3,308	2,051	19,093
Other long-term liabilities (Notes 14 and 15)	286	302	2,816
Total long-term liabilities	32,471	38,353	357,073
STATUTORY RESERVES (Note 16):			
Reserve for liability for securities transactions	1,267	2,523	23,493
Reserve for liability for commodity transactions	104	152	1,415
Total statutory reserves	1,371	2,675	24,908
MINORITY INTERESTS			
	24,939	53,943	502,216
SHAREHOLDERS' EQUITY (Notes 17, 18 and 30):			
Common stock—authorised, 9,064,000 shares in 2004 and 27,190,000 shares in 2005; issued, 2,321,227 shares in 2004 and 8,542,344 shares in 2005	8,393	34,765	323,668
Capital surplus	27,092	53,467	497,780
Retained earnings	9,772	33,377	310,745
Unrealised gain on available-for-sale securities	2,399	7,633	71,065
Foreign currency translation adjustments	25	416	3,874
Treasury stock—at cost, 3,521 shares in 2004 and 11,083 shares in 2005	(216)	(239)	(2,224)
Total shareholders' equity	47,465	129,419	1,204,908
TOTAL	¥396,645	¥755,004	\$7,029,182

Consolidated Statements of Income

SOFTBANK INVESTMENT CORPORATION and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Year Ended 31st March		Year Ended 31st March,
	2004	2005	2005
OPERATING REVENUES (Note 19)	¥35,364	¥81,512	\$758,886
OPERATING COSTS (Note 20)	12,018	21,323	198,519
Gross profit	23,346	60,189	560,367
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 21)	15,259	35,319	328,825
Operating income	8,087	24,870	231,542
OTHER INCOME (EXPENSES):			
Interest and dividends income	21	194	1,810
Interest expense	(100)	(63)	(591)
Foreign exchange (loss) gain—net	(30)	107	994
Gain on sale of investment securities—net	10,088	3,868	36,008
Dilution gain from changes in equity interest (Note 23)	33	10,569	98,400
Reversal of allowance for doubtful accounts	1,948	101	941
Loss on transfer of stock within the group	(7,025)		
Amortisation of negative goodwill—net	1,197	1,973	18,375
Provision for statutory reserves	(657)	(1,177)	(10,956)
Impairment of goodwill	(541)		
Other—net	(1,013)	(416)	(3,872)
Other income—net	3,921	15,156	141,109
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	12,008	40,026	372,651
INCOME TAXES (Note 22):			
Current	6,134	10,360	96,458
Reversal of the prior year's income taxes	(167)	(33)	(307)
Deferred	180	(904)	(8,418)
Total income taxes	6,147	9,423	87,733
MINORITY INTERESTS IN NET INCOME	(1,604)	(4,972)	(46,286)
NET INCOME	¥ 4,257	¥25,631	\$238,632
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.u and 27):			
Basic net income	¥650.49	¥3,579.29	\$33.32
Diluted net income	594.89	3,280.47	30.54
Cash dividends applicable to the year	770	350	3.26

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

SOFTBANK INVESTMENT CORPORATION and Consolidated Subsidiaries

	Outstanding Number of Shares of Common Stock	Millions of Yen					
		Common Stock	Capital Surplus	Retained Earnings	Unrealised Gain (Loss) on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, 1ST APRIL, 2003	330,444	¥ 7,826	¥ 9,363	¥ 2,082	¥ (8)	¥485	¥(636)
Exercise of warrants (Note 17)	33,637	567	612				
Adjustment of capital surplus for merger of E*TRADE Japan K.K. ("ETJ") through issuance of common stock (Note 17)	419,095		16,844				
Stock splits (Note 17)	1,529,775						
Cash dividends, ¥120 per share				(40)			
Bonuses to directors				(43)			
Adjustment of retained earnings for newly consolidated subsidiaries				3,143			
Other adjustments of retained earnings				373			
Net income				4,257			
Net increase in unrealised gain on available-for-sale securities					2,407		
Net decrease in foreign currency translation adjustments						(460)	
Purchase of treasury stock	(1,016)						(219)
Reissuance of treasury stock	5,771		273				639
BALANCE, 31ST MARCH, 2004	2,317,706	8,393	27,092	9,772	2,399	25	(216)
Stock splits (Note 17)	4,650,593						
Stock issuance through public offering (Note 17)	1,250,000	22,414	22,413				
Stock issuance through private placement (Note 17)	187,500	3,362	3,362				
Exercise of warrants (Note 17)	125,678	596	599				
Cash dividends, ¥770 per share				(1,785)			
Bonuses to directors				(224)			
Adjustment of retained earnings for newly consolidated subsidiaries				(2)			
Adjustment of retained earnings for merged companies				11			
Adjustment of retained earnings due to exclusion from consolidation				(26)			
Net income				25,631			
Net increase in unrealised gain on available-for-sale securities					5,234		
Net increase in foreign currency translation adjustments						391	
Purchase of treasury stock	(247)						(24)
Reissuance of treasury stock	31		1				1
BALANCE, 31ST MARCH, 2005	8,531,261	¥34,765	¥53,467	¥33,377	¥7,633	¥416	¥(239)

	Thousands of U.S. Dollars (Note 1)						
	Common Stock	Capital Surplus	Retained Earnings	Unrealised Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	
BALANCE, 31ST MARCH, 2004	\$ 78,138	\$252,230	\$ 90,976	\$22,334	\$ 233	\$(2,009)	
Stock issuance through public offering (Note 17)	208,675	208,663					
Stock issuance through private placement (Note 17)	31,301	31,300					
Exercise of warrants (Note 17)	5,554	5,577					
Cash dividends, \$7.17 per share			(16,615)				
Bonuses to directors			(2,088)				
Adjustment of retained earnings for newly consolidated subsidiaries			(23)				
Adjustment of retained earnings for merged companies			103				
Adjustment of retained earnings due to exclusion from consolidation			(240)				
Net income			238,632				
Net increase in unrealised gain on available-for-sale securities				48,731			
Net increase in foreign currency translation adjustments					3,641		
Purchase of treasury stock						(226)	
Reissuance of treasury stock		10				11	
BALANCE, 31ST MARCH, 2005	\$323,668	\$497,780	\$310,745	\$71,065	\$3,874	\$(2,224)	

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

SOFTBANK INVESTMENT CORPORATION and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Year Ended 31st March		Year Ended 31st March,
	2004	2005	2005
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥12,008	¥ 40,026	\$ 372,651
Adjustments for:			
Income taxes paid	(690)	(9,266)	(86,270)
Amortisation and depreciation	954	3,617	33,675
Provision for valuation allowance for operational investment securities	669		
(Reversal of) provision for allowance for doubtful accounts	(1,819)	178	1,661
Dilution gain from changes in equity interest	(33)	(10,569)	(98,400)
Write-down of operational investment securities	1,120	268	2,493
Equity loss (earnings) in funds	31	(2,944)	(27,404)
Loss on transfer of stock within the group	7,025		
Gain on sales of investment securities—net	(10,088)	(3,868)	(36,008)
Changes in assets and liabilities:			
Increase in operational investment securities	(810)	(7,865)	(73,224)
Increase in operational loans receivable	(7)	(7,315)	(68,106)
Decrease in real estate inventory	1,453	788	7,332
Increase in segregated assets for customers	(51,622)	(81,640)	(760,080)
Decrease (increase) in trading assets	1,502	(145)	(1,348)
Increase in leased assets	(644)	(3,047)	(28,369)
Net changes in margin transaction assets and liabilities	(2,389)	(21,025)	(195,740)
Increase in customers' deposits for securities transactions	2,295	11,862	110,433
Increase in consignment guarantee money received for margin transactions	42,363	63,580	591,938
Net changes in loans receivable and payable secured by securities	(7,821)	(2,562)	(23,852)
(Decrease) increase in unearned income	(136)	1,305	12,152
Other—net	5,160	3,091	28,776
Net cash used in operating activities	¥ (1,479)	¥(25,531)	\$(237,690)
INVESTING ACTIVITIES:			
Purchases of intangible assets	(633)	(2,040)	(18,993)
Purchases of investment securities	(1,700)	(1,978)	(18,417)
Proceeds from sales of investment securities	4,117	10,731	99,907
Proceeds from sales of subsidiaries' stock	15,140	5,303	49,378
Cash paid in business acquisition, net of cash acquired	(4,369)	(2,515)	(23,413)
Cash received in sales of subsidiaries, net of cash relinquished	102	6	52
Investments in subsidiaries	(800)	(1,901)	(17,698)
Investments in loans receivable	(6,745)	(8,437)	(78,553)
Collections of loans receivable	7,011	6,811	63,417
Payments for security deposits	(136)	(2,284)	(21,266)
Collection of security deposits	359	1,164	10,836
Other—net	(176)	(1,508)	(14,041)
Net cash provided by investing activities	12,170	3,352	31,209
FINANCING ACTIVITIES:			
Decrease in short-term borrowings—net	(3,930)	(5,087)	(47,357)
Proceeds from long-term debt	23,155	24,262	225,883
Repayment of long-term debt	(5,439)	(3,025)	(28,163)
Dividends paid	(41)	(1,776)	(16,540)
Dividends paid to minority shareholders		(879)	(8,182)
Proceeds from issuance of common stock	1,078	52,481	488,602
Proceeds from issuance of common stock to minority shareholders	956	28,351	263,955
Reissuance of treasury stock	913	2	21
Purchase of treasury stock	(219)	(24)	(226)
Other—net	(20)		(4)
Net cash provided by financing activities	16,453	94,305	877,989
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS			
	10	75	698
INCREASE IN CASH AND CASH EQUIVALENTS—(Forward)	¥27,154	¥ 72,201	\$ 672,206

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Year Ended 31st March		Year Ended 31st March, 2005
	2004	2005	2005
INCREASE IN CASH AND CASH EQUIVALENTS—(Forward)	¥ 27,154	¥ 72,201	\$ 672,206
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES	3,051	25	232
CASH AND CASH EQUIVALENTS DECREASED DUE TO EXCLUSION FROM CONSOLIDATION	(28)	(133)	(1,237)
CASH AND CASH EQUIVALENTS OF NEWLY MERGED COMPANIES	299	6	56
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,885	34,361	319,901
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 34,361	¥106,460	\$ 991,158

NON-CASH INVESTING AND FINANCING ACTIVITIES (Notes 2.a and 17):

Assets acquired and liabilities assumed in merger of ETJ in exchange for 419,095 shares of common stock issuance:			
Current assets	¥ 402		
Non-current assets*	17,893		
Total assets	¥ 18,295		
Current liabilities	¥ 84		
Long-term liabilities	18		
Total liabilities	¥ 102		
Assets acquired and liabilities assumed in merger of ETJ's consolidated subsidiaries:			
Current assets	¥125,767		
Non-current assets	6,524		
Total assets	¥132,291		
Current liabilities	¥112,768		
Long-term liabilities	57		
Statutory reserves	648		
Total liabilities	¥113,473		

*Non-current assets mentioned above included investments in subsidiaries of ¥14,729 million.

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION (Note 2.a):

Fair value of assets acquired	¥ (89,859)	¥ (63,890)	\$(594,828)
Liabilities assumed	53,764	46,894	436,592
Goodwill	7,204	(4,447)	(41,398)
Loss on transfer of stock within the group	(7,025)		
Statutory reserves	69	128	1,194
Minority interest	17,088	6,867	63,933
Foreign currency translation adjustments		(11)	(107)
Acquisition costs	(18,759)	(14,459)	(134,614)
Cash acquired	14,390	11,944	111,201
Cash paid in business acquisitions, net of cash acquired	¥ (4,369)	¥ (2,515)	\$ (23,413)
Fair value of assets sold	¥ 410	¥ 7	\$ 65
Liabilities relinquished	(151)	(1)	(13)
Foreign currency translation adjustments	(217)		
Gain on sale of the stock—net	246		
Foreign exchange loss	(3)		
Sale value	285	6	52
Cash relinquished	(183)		
Cash received in sale of subsidiaries, net of cash relinquished	¥ 102	¥ 6	\$ 52

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

SOFTBANK INVESTMENT CORPORATION and Consolidated Subsidiaries
Years Ended 31st March, 2004 and 2005

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

SOFTBANK INVESTMENT CORPORATION (the "Company," currently known as SBI Holdings, Inc.) 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's subsidiaries, SBI Ventures, Inc. ("SBI-Ventures," currently known as SOFTBANK INVESTMENT CORPORATION), SBI CAPITAL Co., Ltd. ("SBI-CAPITAL") and SBI BROADBAND CAPITAL K.K. ("SBI-BC"), and involves the management of venture capital investment funds, corporate restructuring funds and broadband media 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," currently known as SBI Securities Co., Ltd.). 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," currently known as SBI Mortgage Co., Ltd.) and WEB-Lease Co., Ltd. ("WEB-Lease," currently known as SBI Lease Co., Ltd.). 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 2004 financial statements to conform to the classifications used in 2005.

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 ¥107.41 to \$1, the approximate rate of exchange at 31st March, 2005. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as at 31st March, 2005 include the accounts of the Company and its 36 significant (22 in 2004) 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 2 (1 in 2004) affiliated companies are accounted for by the equity method. Investments in the remaining 12 (7 in 2004) unconsolidated subsidiaries and 3 (1 in 2004) affiliated companies 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 5 (7 in 2004) companies and 1 (1 in 2004) 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 included in operational investment securities 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 income. Revenue and expenses stated on the profit and loss statement of the funds are recorded in

SBI's consolidated statement of income based on SBI's percentage share in each partnership's contributed capital.

Non-operational investments in funds included in investment securities 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 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.

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, became 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. ("NRI") 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 (¥150 per share) on 30th October, 2003. As a result, 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.

The Company acquired 20,000 shares of common stock of Nissho Iwai Securities Corporation (currently merged into ETS) from Nissho Iwai Corporation in the aggregate amount of ¥1,187 million 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 SOFTBANK FINANCE CORPORATION ("SBF," currently known as SOFTBANK AM CORPORATION) in the aggregate amount of approximately ¥7,228 million (¥113,497 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 (¥113,497 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 (currently known as SBI Financial Agency Co., Ltd.), HomeLoan Consulting Co., Ltd. (currently known as SBI Mortgage Consulting Co., Ltd.), TechTank Corporation ("TechTank") and VeriTrans, Inc. (currently known as SBI VeriTrans, Co., Ltd.)) became consolidated subsidiaries 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 and recognised a gain of ¥248 million in fiscal 2004 in connection with these sales.

In February and March 2004, SBI KOREA FINANCIAL CO., LTD. ("SBI-KF") and SBI Real Estate Co., Ltd. ("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.

Upon resolution and approval of the Board of Directors on 19th April, 2004, the Company acquired a total of 6,000 shares of common stock of ASCOT CO., LTD. ("ASCOT") from SBF and ACOM CO., LTD. and a total of 3,600 shares of common stock of Swan Credit Corporation ("SWAN," currently known as SBI Business Loan Co., Ltd.) from SBF on 19th April, 2004. ASCOT and SWAN became the Company's consolidated subsidiaries from April 2004. On 2nd August, 2004, ASCOT was eventually merged into SWAN which was the surviving company. As a result, equity of SWAN held by the Company was 82.5 percent as at 31st March, 2005.

On 15th May, 2004, TechTank established Finance All Solutions Co., Ltd. ("FAS") in Korea. TechTank held 85.7 percent of the shares of FAS in the aggregate amount of ¥71 million (\$662 thousand). The main business of FAS is to deploy system development businesses principally in the Korean financial industry. FAS became a consolidated subsidiary of the Company from May 2004.

On 29th June, 2004, FAC acquired INTER-EYE Co., Ltd. ("IE") through a stock exchange. Through this stock exchange, FAC issued 1,886 shares of common stock valued at ¥335 million (\$3,117 thousand). IE became a consolidated subsidiary of the Company from June 2004. The main business of IE was to provide full cost estimate services for discounted air tickets or rental computer servers. In July 2005, IE merged into FAC which was the surviving company.

Since the importance of SB NERVA CORPORATION ("SB-NERVA," currently known as SBI Nerva Co., Ltd.) for SBI's consolidated financial statements became more significant, SB-NERVA became a consolidated subsidiary of the Company from June 2004.

On 29th June, 2004, the Company established SBI-BC and held 100 percent of the shares of SBI-BC in the aggregate amount of ¥10 million (\$93 thousand).

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 CORPORATION, respectively, in the aggregate amount of ¥2,110 million (\$19,646 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. Upon resolution and approval of the Board of Directors on 4th March, 2005, the Company sold all the shares of ETK to ETS on 11th March, 2005 and ETK became a consolidated subsidiary of ETS.

Upon resolution and approval of the Board of Directors on 26th July, 2004, the Company acquired 32,968 shares of common stock of Morningstar Japan K.K. ("MSJ") from SBF in the aggregate amount of ¥7,085 million (\$65,959 thousand) on 29th July, 2004. As a result, equity of MSJ held by the Company as at 29th July, 2004 was 50.43 percent and MSJ and its consolidated subsidiaries (Morningstar Asset Management Co., Ltd., Gomez Japan K.K. and E*Advisor Co., Ltd.) became consolidated subsidiaries of the Company from July 2004.

On 1st July, 2004, the Company agreed in principle with the Board of Directors of Ace Securities, Co., Ltd. ("ASCL"), NLB and NRI that the Company acquired common stock of ASCL through Take Over Bid ("TOB"), and the TOB was officially approved by the Company's Board of Directors on 14th July, 2004. The TOB was executed from 15th July, 2004 through 5th August, 2004. The number of shares acquired through TOB was 20,603,700 shares, and the aggregate investment amount was ¥4,430 million (\$41,242 thousand). As a result, equity of ASCL held by the Company was 55.93 percent and ASCL and its consolidated subsidiaries (ACE CONSULTING CO., LTD., ACE CORPORATION and ACE TOCHI-TATEMONO CO., LTD. ("ATC")) became consolidated subsidiaries of the Company from August 2004. ATC merged into ASCL which was the surviving company in March 2005.

In terms of importance for SBI's consolidated financial statements, SBI CAPITAL SOLUTIONS Co., Ltd. ("SBI-CS") became a consolidated subsidiary of the Company from July 2004. However, SBI-CS merged into SBI-CAPITAL which was the surviving company in December 2004.

On 1st September, 2004, the Company acquired 700 shares of common stock of Office Work Corporation ("OWC," currently known as SBI Accounting Co., Ltd.) from SBF in the aggregate amount of ¥88 million (\$815 thousand). As a result, OWC and its consolidated subsidiary, Office Work Systems Corporation ("OWSC," currently known as SBI Solutions Co., Ltd.) became consolidated subsidiaries of the Company from September 2004. However, in terms of importance for SBI's consolidated financial statements, OWC and OWSC were excluded from the scope of consolidation at the end of fiscal 2005.

On 29th November, 2004, the Company acquired 4,000 shares of common stock of Equal Credit Corporation ("ECC," currently known as SBI Equal Credit Co., Ltd.) from SBF in the aggregate amount of ¥200 million (\$1,862 thousand). As a result, ECC became a wholly owned consolidated subsidiary of the Company from November 2004.

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 and call deposits, 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.

Investments in funds are accounted for as either operational investment securities or investment securities on the consolidated balance sheets, according to SBI's contributed capital in investment partnerships.

In accordance with the Commodities Exchange Law, securities in custody for commodity futures related businesses are reported at a price determined by the 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. Real Estate Inventory—Real estate inventory is stated at cost, by the specific identification method. Real estate inventory as at 31st March, 2004 consisted of real estate under construction in the aggregate amount of ¥787 million.

f. 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.

g. 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.

h. 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.

Tangible 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 tangible leased assets at the expiration of the lease term.

Intangible leased assets are stated at cost less accumulated amortisation. Amortisation is computed by using the straight-line method over the lease term.

i. Software—Software is recorded at cost, less accumulated amortisation. Amortisation of software used for internal purposes is computed by using the straight-line method over 5 years, the estimated useful life of the software. On the other hand, amortisation of software for sale to the market is computed by using the straight-line method over 3 years or less, the estimated salable period of the software.

j. 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.

k. Contingent Reserve—Contingent reserve is provided at an estimated amount of possible losses arising from contentious cases.

l. Employees’ Retirement Benefits—The liability for employees’ retirement benefits is accounted for based on projected benefit obligations and plan assets at the balance sheet date.

m. Retirement Allowance for Directors—Retirement allowance for directors of certain consolidated subsidiaries is recorded to state the liability at the amount that would be required if all directors retired at each balance sheet date.

Upon resolution and approval of the Board of Directors on 28th March, 2005, the Company abolished the policy concerning to retirement allowance for directors and, as a result, all of the retirement allowances for directors was reversed as other income in the consolidated statements of income.

n. Revenue and Cost Recognition—SBI’s revenues principally consist of revenue from operational investment securities, fees from funds and revenues from real estate related transactions, securities transactions and commodity futures transactions, while its costs principally consist of the cost of operational investment securities or real estate sold and a provision for valuation allowance for operational investment securities.

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, write-downs of operational investment securities and securities held by funds, and fees related to securities transactions. Write-downs of operational investment securities and securities held by funds are recognised at the balance sheet date for quoted and unquoted securities if impairment of value has occurred and been deemed other than temporary, and operational investment securities are reduced to their 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. Commissions charged for executing brokerage transactions are accrued on a trade date basis and are included in current period earnings. Underwriting fees are recorded when services for underwriting are completed. All other fees are recognised when related services are rendered.

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

Financial charges and cost of funding—Financial charges related to brokerage and investment banking businesses such as interest expense from margin transactions and costs from repurchase agreement transactions are accounted for as operating costs. Interest expense other than financial charges is categorised into either interests related to operating assets such as operational investment securities or leased assets or interests related to non-operating assets. Cost of funding related to operating assets is accounted for as operating costs while interest expense related to non-operating assets is recorded as non-operating expenses.

o. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. 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 income. 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 statements of income 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, except for the portion pertaining to minority shareholders, which is included in "Minority interest." 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 and interest rate swaps as a means of hedging exposures to foreign currency and interest rate risks. 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 consolidated statements of income 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.

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.

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognised and included in interest expense or income.

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 income 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 expects to adopt these pronouncements as at 1st April, 2005 and is currently in the process of assessing the effect of adoption of these pronouncements.

3. SEGREGATED ASSETS

At 31st March, 2004 and 2005, assets required to be segregated in certain financial institutions according to the Commodities Exchange Law were as follows:

	Millions of Yen		Thousands of
	31st March		U.S. Dollars
	2004	2005	31st March, 2005
Cash required to be segregated under regulations	¥23	¥1,184	\$11,024
Short-term guarantee deposits		2,390	22,251
Securities in custody		104	966

At 31st March, 2004 and 2005, 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
	31st March		U.S. Dollars
	2004	2005	31st March, 2005
Cash required to be segregated under regulations	¥53	¥58	\$544

4. OPERATIONAL INVESTMENT SECURITIES AND INVESTMENT SECURITIES

Operational investment securities and investment securities at 31st March, 2004 and 2005 consisted of the following:

	Millions of Yen		Thousands of
	31st March		U.S. Dollars
	2004	2005	31st March, 2005
Current (operational investment securities):			
Marketable equity securities	¥ 1,887	¥12,900	\$120,094
Non-marketable equity securities	3,247	3,519	32,760
Corporate bonds		89	833
Investment in funds	12,542	23,083	214,908
Others		238	2,216
Total	¥17,676	¥39,829	\$370,811
Non-current (investment securities):			
Marketable equity securities	¥14,290	¥ 6,768	\$ 63,015
Non-marketable equity securities	1,281	2,566	23,893
Investment in funds	895	2,250	20,947
Government bonds	100	16	145
Corporate bonds	1,091		
Trust fund investment	92	86	797
Total	¥17,749	¥11,686	\$108,797

The carrying amounts and aggregate fair value of operational investment securities and investment securities at 31st March, 2004 and 2005 were as follows:

	Millions of Yen			Fair Value
	Cost	Unrealised Gains	Unrealised Losses	
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
31st March, 2005				
Securities classified as available-for-sale:				
Equity securities	¥12,533	¥7,339	¥204	¥19,668
Government bonds	10			10
Trust funds investments	100		14	86

	Thousands of U.S. Dollars			Fair Value
	Cost	Unrealised Gains	Unrealised Losses	
31st March, 2005				
Securities classified as available-for-sale:				
Equity securities	\$116,683	\$68,323	\$1,897	\$183,109
Government bonds	93			93
Trust funds investments	931		133	798

Available-for-sale securities whose fair value is not readily determinable as at 31st March, 2004 and 2005 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	31st March 2004	31st March 2005	31st March 2005
Available-for-sale:			
Equity securities	¥ 4,528	¥ 6,085	\$ 56,653
Investment in funds	13,437	25,333	235,854
Debt securities and other		333	3,101
Total	¥17,965	¥31,751	\$295,608

Proceeds from sales of available-for-sale securities for the years ended 31st March, 2004 and 2005 were ¥9,951 million and ¥22,626 million (\$210,650 thousand), respectively. Gross realised gains and losses on these sales, computed on the moving average cost basis, were ¥2,777 million and ¥656 million, respectively, for the year ended 31st March, 2004 and ¥5,108 million (\$47,558 thousand) and ¥119 million (\$1,108 thousand), respectively, for the year ended 31st March, 2005.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at 31st March, 2005 are as follows:

	Thousands of U.S. Dollars	
	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	¥99	\$918
Due after one year through five years	2	15
Due after five years through ten years	4	37

Due to the change in the purpose of holding securities, available-for-sale equity securities in the aggregate amount of ¥118 million and ¥106 million (\$989 thousand) were reclassified from operational investment securities into investments in subsidiaries and affiliated companies for the years ended 31st March, 2004 and 2005, respectively. In addition, available-for-sale equity securities in the aggregate amount of ¥5 million (\$47 thousand) were reclassified from investment securities into investments in subsidiaries and affiliated companies for the year ended 31st March, 2005.

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 possibility of market

value recovery or other factors. For the years ended 31st March, 2004 and 2005, write-downs of operational investment securities in the aggregate amount of ¥2,187 million and ¥232 million (\$2,162 thousand), of which the amount of available-for-sale equity securities with fair value were ¥281 million and nil, respectively, were recognised, including reclassification from valuation allowance for operational investment securities.

At 31st March, 2004 and 2005, investments in funds consisted of the following:

	Millions of Yen		Thousands of
	31st March		U.S. Dollars
	2004	2005	31st March, 2005
SOFTBANK INTERNET TECHNOLOGY FUND No. 2	¥ 1,267	¥ 4,393	\$ 40,896
SOFTBANK INTERNET TECHNOLOGY FUND No. 3	3,487	2,342	21,802
SOFTBANK INTERNET FUND	530	550	5,126
SBI-LBO-FUND No. 1	1,392	2,063	19,209
RESTRUCTURING Fund No. 1	3,932	5,441	50,652
SBI Mezzanine Fund No. 1		1,671	15,558
SBI BB Media Fund		1,959	18,236
BIOVISION Life Science Fund I		1,432	13,334
Other funds	2,829	5,482	51,042
Total	¥13,437	¥25,333	\$235,855

5. TRADING ASSETS AND LIABILITIES

At 31st March, 2004 and 2005, trading assets and liabilities consisted of the following:

	Millions of Yen		Thousands of
	31st March		U.S. Dollars
	2004	2005	31st March, 2005
Trading assets:			
Equity securities	¥ 22	¥ 64	\$ 592
Debt securities	1,285	2,693	25,076
Derivatives	3	1	14
Others		101	939
Total	¥1,310	¥2,859	\$26,621
Trading liabilities—Equity securities	¥ 5		

6. SECURITIES DEPOSITED AND RECEIVED

Fair value of the securities deposited by SBI in securities-related businesses at 31st March, 2004 and 2005 were as follows:

	Millions of Yen		Thousands of
	31st March		U.S. Dollars
	2004	2005	31st March, 2005
Securities loaned on margin transactions	¥ 37,660	¥ 47,553	\$ 442,726
Securities pledged for loans payable for margin transactions	130,509	235,423	2,191,816
Securities sold in resell agreement transactions	4,427	2,117	19,706
Substitute securities for guarantee money paid	48,869	102,984	958,792
Others		791	7,361

Fair value of the securities received by SBI in securities-related businesses at 31st March, 2004 and 2005 were as follows:

	Millions of Yen		Thousands of
	31st March		U.S. Dollars
	2004	2005	31st March, 2005
Securities pledged for loans receivable for margin transactions	¥178,131	¥303,551	\$2,826,096
Securities borrowed on margin transactions	12,516	15,374	143,137
Securities purchased on repurchase agreement transactions	13,424	14,290	133,045
Substitute securities for guarantee money received, which were agreed on using as collateral for other transactions	91,676	195,624	1,821,282
Substitute securities for guarantee money received on futures	117	130	1,206
Others		14	133

7. 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 and ¥482 million (\$4,484 thousand) as at 31st March, 2004 and 2005, respectively, which were recorded as securities in custody included in other current assets or as customers' deposits as collateral for commodity futures on the consolidated balance sheets.

8. PROPERTY AND EQUIPMENT

Property and equipment at 31st March, 2004 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2004	2005	2005
Land	¥ 1,728	¥ 1,678	\$ 15,626
Buildings and leasehold improvements	3,887	4,972	46,293
Furniture and equipment	1,934	3,951	36,784
Others		88	818
Total	7,549	10,689	99,521
Less accumulated depreciation	(4,156)	(5,974)	(55,623)
Property and equipment—net	¥ 3,393	¥ 4,715	\$ 43,898

9. LEASED ASSETS

Leased assets at 31st March, 2004 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2004	2005	2005
Furniture and equipment	¥15,183	¥16,113	\$150,017
Software	773	1,331	12,394
Total	15,956	17,444	162,411
Less accumulated depreciation	(6,992)	(9,213)	(85,777)
Leased assets—net	¥ 8,964	¥ 8,231	\$ 76,634

Rental income and depreciation expense were ¥634 million and ¥552 million, respectively, for the year ended 31st March, 2004 and ¥3,994 million (\$37,188 thousand) and ¥3,497 million (\$32,558 thousand), respectively, for the year ended 31st March, 2005.

The minimum future rentals on noncancellable operating lease contracts at 31st March, 2004 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2004	2005	2005
Due within one year	¥248	¥222	\$2,070
Due after one year	72	240	2,235
Total	¥320	¥462	\$4,305

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 years ended 31st March, 2004 and 2005 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,
	2004	2005	2005
Due within one year	¥ 4,320	¥4,640	\$43,201
Due after one year	7,363	4,871	45,351
Total	¥11,683	¥9,511	\$88,552

Interest income under finance leases:

	Millions of Yen		Thousands of
	31st March		U.S. Dollars
	2004	2005	31st March, 2005
Interest income	¥95	¥576	\$5,363

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

10. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATED COMPANIES

Investments in unconsolidated subsidiaries and affiliated companies of ¥112 million and ¥807 million (\$7,511 thousand) at 31st March, 2004 and 2005, respectively, consisted of common stock of unconsolidated subsidiaries of ¥19 million and ¥492 million (\$4,577 thousand), and common stock of affiliated companies of ¥93 million and ¥315 million (\$2,934 thousand), respectively.

11. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at 31st March, 2004 and 2005 consisted of the following:

	Millions of Yen		Thousands of
	31st March		U.S. Dollars
	2004	2005	31st March, 2005
Short-term borrowings:			
From banks, 1.375 to 2.430 percent in 2004 and 0.579 to 2.375 percent in 2005	¥8,600	¥5,812	\$54,105
From other, 0.225 to 2.125 percent in 2004 and 2005	1,030	2,920	27,187
Total	¥9,630	¥8,732	\$81,292

Weighted average interest rates of loans payable for margin transactions and loans payable for repurchase agreement transactions were 0.6000 percent and 0.5731 percent, respectively, for the year ended 31st March, 2004 and 0.6306 percent and 0.5670 percent, respectively, for the year ended 31st March, 2005.

Long-term debt at 31st March, 2004 and 2005 consisted of the following:

	Millions of Yen		Thousands of
	31st March		U.S. Dollars
	2004	2005	31st March, 2005
Zero coupon unsecured Japanese yen convertible bonds with warrants due November 2008	¥13,000	¥ 13,000	\$ 121,032
Zero coupon unsecured Japanese yen convertible bonds with warrants due April 2009		20,000	186,202
Unsecured Japanese yen bonds with a fixed interest rate of 2 percent		1,400	13,034
Unsecured Japanese yen bonds with a fixed interest rate of 3 percent		459	4,271
Unsecured loans from financial institutions, due serially through November 2009 with a weighted average floating interest rate of 1.240 percent in 2004 and 1.250 percent in 2005 and a weighted average fixed interest rate of 1.875 percent in 2004 and 3.267 percent in 2005	13,025	12,900	120,100
Total	26,025	47,759	444,639
Less current portion	(2,625)	(11,759)	(109,475)
Long-term debt, less current portion	¥23,400	¥ 36,000	\$ 335,164

Annual maturities of long-term debt as at 31st March, 2005 for the next five years were as follows:

Year Ending 31st March	Millions of Yen	Thousands of U.S. Dollars
2006	¥11,759	\$109,475
2007	900	8,379
2008	1,900	17,689
2009	13,100	121,963
2010	20,100	187,133
Total	¥47,759	\$444,639

On 25th November, 2003, the Company issued ¥13,000 million 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 at ¥38,486.10 per share 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 maximum number of shares to be issued upon exercise of the warrants was 337,784 shares.

On 8th April, 2004, the Company issued ¥20,000 million (\$186,202 thousand) of zero coupon unsecured Japanese yen convertible bonds with warrants mainly in the Euro market. The bonds are due 8th April, 2009, and the warrants are exercisable at ¥42,665 (\$397) per share 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 was 100 percent of the face value of the bonds, and the issue price and the issued number of the warrants were nil and 2,000 warrants, respectively. The maximum number of shares to be issued upon exercise of the warrants was 468,768 shares.

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, 2005, these warrants were included in other current liabilities.

Exercise prices and exercise periods of warrants outstanding at 31st March, 2005 were as follows:

Exercise Period		Per Share Exercise Price		Number of Common Stock to Purchase
From	To	Yen	U.S. Dollars	
1st April, 2001	31st March, 2006	¥ 2,083.3	\$ 19.40	432.00
1st April, 2002	31st March, 2007	2,083.3	19.40	2,592.02
1st April, 2003	31st March, 2008	2,083.3	19.40	18,792.25
1st October, 2000	30th September, 2005	25,464.9	237.08	290.59
1st April, 2001	31st March, 2006	25,464.9	237.08	4,126.37
1st April, 2002	31st March, 2007	25,464.9	237.08	4,068.27
1st April, 2003	31st March, 2008	25,464.9	237.08	4,068.24
1st October, 2003	30th September, 2008	25,464.9	237.08	581.10
				34,950.84

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, 2005 were as follows:

Exercise Period		Per Share Exercise Price		Number of Common Stock to Purchase
From	To	Yen	U.S. Dollars	
1st April, 2001	28th March, 2006	¥1,910.7	\$17.79	4,558.42
1st April, 2002	28th March, 2007	1,910.7	17.79	7,960.19
1st April, 2003	28th March, 2008	1,910.7	17.79	13,607.28
12th June, 2001	28th March, 2006	2,116.4	19.70	136.08
12th June, 2002	28th March, 2007	2,116.4	19.70	1,496.88
12th June, 2003	28th March, 2008	2,116.4	19.70	2,959.74
				30,718.59

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 ¥57,235 million (\$532,864 thousand) available for working capital use, ¥52,273 million (\$486,672 thousand) of which was unused at 31st March, 2005.

12. PLEDGED ASSETS

The carrying amounts of assets pledged as collateral for short-term borrowings of ¥1,940 million and ¥2,190 million (\$20,389 thousand) at 31st March, 2004 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2005	31st March, 2005
Cash and cash equivalents	¥ 110	¥ 275	\$ 2,556
Trading assets	545		
Buildings and leasehold improvements	405	152	1,418
Land	1,102	152	1,415
Investment securities	1,940	612	5,697
Total	¥4,102	¥1,191	\$11,086

Investment securities of ¥100 million and nil were pledged as deposits as security for dealing at 31st March, 2004 and 2005, respectively.

Securities received as collateral for financing from broker's own capital of ¥2,640 million and ¥2,211 million (\$20,582 thousand) were pledged as collateral for short-term bank loans at 31st March, 2004 and 2005, respectively.

Securities received as collateral for financing from broker's own capital of ¥274 million and ¥6,507 million (\$60,585 thousand) were pledged as collateral for loans payable for margin transactions at 31st March, 2004 and 2005, respectively. Substitute securities for guarantee money received from customers of ¥12,948 million and ¥12,474 million (\$116,134 thousand) were also pledged as collateral for loans payable for margin transactions at 31st March, 2004 and 2005, respectively.

Substitute securities for guarantee money received from customers of ¥117 million and ¥130 million (\$1,206 thousand) and securities received as collateral for financing from broker's own capital of ¥51 million and ¥35 million (\$329 thousand) were pledged as collateral for substitute securities for trade margin on futures at 31st March, 2004 and 2005, respectively.

Securities received as collateral for financing from broker's own capital of ¥73 million and ¥66 million (\$617 thousand) were pledged as collateral for substitute securities for guarantee money for the securities exchange at 31st March, 2004 and 2005, respectively.

Securities received as collateral for financing from broker's own capital of ¥10 million (\$90 thousand) were pledged as collateral for substitute securities for guarantee money for when-issued transactions at 31st March, 2005.

In addition, cash and cash equivalents of ¥2,500 million (\$23,275 thousand) were pledged as collateral for payment guarantee by a financial institution upon the court decree concerning suits for damages at 31st March, 2005.

13. UNEARNED INCOME

Unearned income at 31st March, 2004 and 2005 consisted of prepaid fees received from the following funds:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March, 2005
	2004	2005	
SOFTBANK INTERNET TECHNOLOGY FUND No. 1	¥ 71	¥ 67	\$ 621
SOFTBANK INTERNET TECHNOLOGY FUND No. 2	522	559	5,202
SOFTBANK INTERNET TECHNOLOGY FUND No. 3	70	107	995
SOFTBANK INTERNET FUND	290	291	2,705
SBI-LBO-FUND No. 1	49	48	450
RESTRUCTURING Fund No. 1	91	90	841
SBI BB Media Fund		475	4,419
SBI Broadband Fund No. 1		162	1,513
BIOVISION Life Science Fund I		121	1,127
Others	214	695	6,476
Total	¥1,307	¥2,615	\$24,349

14. LIABILITY FOR EMPLOYEES' RETIREMENT BENEFITS

The Company and certain domestic consolidated subsidiaries have a contributory funded defined benefit pension plan and a defined contribution pension plan. The Company's certain domestic consolidated subsidiaries have a non-contributory funded defined benefit pension plan and either of a contributory funded defined benefit pension plan, a defined contribution pension plan or an advance payment system for the employees' retirement plan, or more, while certain foreign consolidated subsidiaries have a termination allowance plan according to their own retirement benefit policies.

In addition, certain consolidated subsidiaries had been covered by a contributory funded defined benefit pension plan managed by Japanese Securities Dealers Employees Pension Fund ("JSDEPF"). However, the plan was terminated in March 2005 since JSDEPF was dissolved. As at 31st March, 2004, fair value of plan assets under the contributory funded defined benefit pension plan managed by the Fund was ¥6,406 million, which was calculated based on ratio of the contribution amount made by the Company's subsidiaries in the total contribution amount.

Under the contributory or non-contributory funded defined benefit pension plan, 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. Under the defined contribution pension plans, 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, 2004 and 2005, fair value of plan assets under the contributory funded defined benefit pension plan managed by Tokyo Personal Computer Software Industry Health Insurance Society was ¥159 million and ¥438 million (\$4,077 thousand), respectively, which was calculated based on a ratio of the number of plan beneficiaries from the Company and its subsidiaries to the total number of plan beneficiaries.

As at 31st March, 2004 and 2005, 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 and ¥238 million (\$2,212 thousand), respectively, which was calculated based on a ratio of the contribution amount made by the Company's subsidiary to the total contribution amount.

The liability for employees' retirement benefits included in other long-term liabilities at 31st March, 2004 and 2005 consisted of the following:

	Millions of Yen		Thousands of
	31st March		U.S. Dollars
	2004	2005	31st March, 2005
Projected benefit obligation	¥ 2,069	¥ 1,855	\$ 17,265
Fair value of plan assets	(1,880)	(1,810)	(16,848)
Unrecognised actuarial loss	(195)	(66)	(615)
Prepaid pension costs	22	36	338
Net liability	¥ 16	¥ 15	\$ 140

Other than the liability mentioned above, the liability for employees' retirement benefit of a foreign consolidated subsidiary in the aggregate amount of ¥61 million (\$570 thousand) was included in the SBI's liability for employee's retirement benefit.

The components of net periodic benefit costs for the years ended 31st March, 2004 and 2005 are as follows:

	Millions of Yen		Thousands of
	Year Ended 31st March		U.S. Dollars
	2004	2005	Year Ended 31st March, 2005
Service cost	¥131	¥ 260	\$2,421
Interest cost	21	54	504
Expected return on plan assets	(17)	(42)	(395)
Recognised actuarial loss	50	84	783
Net periodic benefit costs	185	356	3,313
Contributions to the defined contribution pension plan and advance retirement payments	40	65	610
Total	¥225	¥ 421	\$3,923

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 ¥24 million and ¥41 million (\$382 thousand) for the years ended 31st March, 2004 and 2005, respectively, to the contributory funded defined benefit pension plan managed by Japanese Securities Dealers Employees Pension Fund in the aggregate amount of ¥41 million and ¥61 million (\$568 thousand) for the years ended 31st March, 2004 and 2005, respectively, 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 and ¥8 million (\$74 thousand) for the years ended 31st March, 2004 and 2005, respectively.

Other than the costs mentioned above, SBI accounted for the benefit costs in the aggregate amount of ¥27 million (\$250 thousand) which was incurred by a foreign consolidated subsidiary.

Certain domestic consolidated subsidiaries have applied the simplified method for computation of projected benefit obligation. Under the simplified method, the liability for employees' retirement benefits is recorded to state the liability at the amount that would be required if all employees voluntarily terminate at each balance sheet date. Net periodic benefit costs of consolidated domestic subsidiaries which applied the simplified method for computation of projected benefit obligation were included in service cost.

Assumptions used for the years ended 31st March, 2004 and 2005 were set forth as follows:

	2004	2005
Discount rate	Principally 2.00 percent	Principally 2.50 percent
Expected rate of return on plan assets	Principally 2.00 percent	Principally 2.50 percent
Recognition period of actuarial gain/loss	Principally amortised in the following fiscal year	Principally 8 to 10 years
Amortisation period of transitional obligation	Principally 5 years	

15. RETIREMENT ALLOWANCES FOR DIRECTORS

Retirement allowance for directors is paid subject to approval of the shareholders in accordance with the Code.

The Company and its subsidiary recorded liabilities of ¥101 million and ¥44 million (\$414 thousand) for its unfunded retirement allowance plan covering all of their directors at 31st March, 2004 and 2005, respectively, which was included in other long-term liabilities. Upon resolution and approval of the Board of Directors on 28th March, 2005, the Company and its domestic consolidated subsidiary abolished the internal rules of the retirement allowance for directors. As a result, the retirement allowance for directors was reversed, and other income of ¥101 million (\$939 thousand) was recorded for the year ended 31st March, 2005. The net annual provision for (reversal of) retirement allowance for directors for the years ended 31st March, 2004 and 2005 was ¥19 million and ¥(88) million (\$(818) thousand), respectively.

16. 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.

17. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Code.

The Code required that all shares of common stock are 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 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 Code allows Japanese companies to repurchase treasury stock 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 shareholders meeting.

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. The amount of retained earnings available for dividends under the Code was ¥40,010 million (\$372,495 thousand) as at 31st March, 2005, based on the amount recorded in the Company's general books of account.

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.

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 shares 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 and ¥612 million, respectively.

On 5th October, 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 4,657,939 shares of the Company's common stock were issued to shareholders of record on 11th August, 2004 and 7,346 shares of treasury stock increased. Dividends for newly issued shares in relation to this stock split were computed from 1st October, 2004. In addition, on 5th October, 2004, the Company increased the number of authorised shares by 18,126,000 shares to 27,190,000 shares through amendment of articles of incorporation.

During the year ended 31st March, 2005, the Company issued 125,678 shares of its common stock pursuant to the exercise of warrants attached to various unsecured corporate bonds already redeemed and options granted based on the stock option plans. As a result, common stock and capital surplus increased by ¥596 million (\$5,554 thousand) and ¥599 million (\$5,577 thousand), respectively.

Upon resolution and approval of the Board of Directors on 23rd February, 2005, the Company issued 1,250,000 new shares of common stock through public offering on 15th March, 2005. The Company's common stock and capital surplus increased by ¥22,414 million (\$208,675 thousand) and ¥22,413 million (\$208,663 thousand), respectively.

Upon resolution and approval of the Board of Directors on 23rd February, 2005, the Company issued 187,500 new shares of common stock through private placement on 23rd March, 2005. The Company's common stock and capital surplus increased by ¥3,362 million (\$31,301 thousand) and ¥3,362 million (\$31,300 thousand), respectively.

18. 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 ¥20,840 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 options was 13,939 shares. In the case where the Company makes a 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 ¥5,996 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 options was 111,402 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 ¥17,917 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 options was 67,491 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 ¥17,917 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 options was 312,750 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 ¥12,105 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 options was 138,835.62 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 ¥27,714 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 options was 61,650 shares.

The stock option plan, which was approved by the Company's shareholders at the general shareholders meeting held on 23rd June, 2004, lapsed on 28th June, 2005.

The exercise prices of the above options will be adjusted for subsequent transactions such as stock splits, stock consolidations, or stock issuances 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.

19. OPERATING REVENUES

Operating revenues for the years ended 31st March, 2004 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended 31st March		Year Ended 31st March, 2005
	2004	2005	
Asset management business:			
Revenue from operational investment securities	¥ 6,458	¥11,242	\$104,670
Fees from funds	3,737	4,625	43,060
Revenue from real estate transactions, investment advisory service fees and others	2,400	8,391	78,118
Total	12,595	24,258	225,848
Brokerage and investment banking businesses:			
Revenue from securities transactions	20,060	44,095	410,532
Revenue from commodity futures transactions	1,076	1,302	12,116
Total	21,136	45,397	422,648
Financial services business	1,633	11,857	110,390
Total operating revenues	¥35,364	¥81,512	\$758,886

Revenue from investments in real estate-related dormant partnerships in the aggregate amount of ¥6,600 million (\$61,447 thousand) were included in revenue from real estate transactions, investment advisory service fees and others.

Gain (loss) on trading included in operating revenues for the years ended 31st March, 2004 and 2005 consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars					
	2004		2005	2005					
	Realised Gain	Unrealised Gain	Total	Realised Gain	Unrealised Gain (Loss)	Total			
Equity securities	¥508		¥508	¥ 670	¥(26)	¥ 644	\$ 6,238	\$ (238)	\$ 6,000
Debt securities	145	¥ 3	148	2,495		2,495	23,227	(1)	23,226
Others	63	7	70	187	22	209	1,739	201	1,940
Total	¥716	¥10	¥726	¥3,352	¥ (4)	¥3,348	\$31,204	\$ (38)	\$31,166

Gains on certain businesses other than securities-related businesses of ¥1 million and ¥7 million (\$68 thousand) were included in the gain (loss) on trading for the years ended 31st March, 2004 and 2005, respectively.

20. OPERATING COSTS

Operating costs for the years ended 31st March, 2004 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended 31st March		Year Ended 31st March, 2005
	2004	2005	
Cost of operational investment securities	¥ 5,674	¥10,240	\$ 95,338
Provision for (reversal of) valuation allowance for operational investment securities	574	(71)	(664)
Financial charges	963	2,327	21,666
Rental and lease costs	912	5,374	50,032
Others, including administrative expenses	3,895	3,453	32,147
Total	¥12,018	¥21,323	\$198,519

The above cost of operational investment securities for the years ended 31st March, 2004 and 2005 included a write-down of operational investment securities and securities held by funds of ¥565 million and ¥616 million (\$5,738 thousand), respectively.

21. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended 31st March, 2004 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended 31st March		Year Ended 31st March,
	2004	2005	2005
Compensation for directors	¥ 510	¥ 973	\$ 9,053
Provision for allowance for doubtful accounts	143	239	2,226
Payroll and bonuses	2,638	6,309	58,737
Provision for retirement allowances for directors	37	13	121
Retirement benefit costs	70	285	2,657
Provision for accrued bonus	481	593	5,524
Subcontracting fees	2,610	5,731	53,360
Others	8,770	21,176	197,147
Total	¥15,259	¥35,319	\$328,825

22. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of 42.05 percent and 40.69 percent for the years ended 31st March, 2004 and 2005, respectively.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at 31st March, 2004 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2004	2005	2005
Deferred tax assets:			
Current:			
Write-down of operational investment securities and securities held by funds	¥ 460	¥ 951	\$ 8,851
Valuation allowance for operational investment securities	1,199	769	7,165
Allowance for doubtful accounts	48	125	1,167
Accrued bonus	198	266	2,479
Fee from funds	183	24	221
Tax loss carryforwards	189	294	2,733
Accrued enterprise taxes	537	717	6,673
Other	268	455	4,237
Less valuation allowance	(840)	(904)	(8,413)
Total	2,242	2,697	25,113
Non-current:			
Tax loss carryforwards	3,326	3,199	29,780
Allowance for doubtful accounts	1,178	898	8,364
Write-down of investment securities	722	753	7,013
Reserve for liability for securities transactions	556	1,036	9,648
Other	540	603	5,609
Less valuation allowance	(5,629)	(5,419)	(50,449)
Total	693	1,070	9,965
Total	¥2,935	¥3,767	\$35,078
Deferred tax liabilities:			
Current:			
Unrealised gain on available-for-sale securities	¥ 231	¥5,077	\$47,275
Other	2	1	5
Total	233	5,078	47,280
Non-current:			
Unrealised gain on available-for-sale securities	3,308	1,914	17,821
Other	183	327	3,042
Total	3,491	2,241	20,863
Total	¥3,724	¥7,319	\$68,143

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended 31st March, 2004 and 2005 was as follows:

	Year Ended 31st March	
	2004	2005
Normal effective tax rate	42.05%	40.69%
Permanent differences	0.21	0.10
Dilution gain from changes in equity interest		(10.63)
Amortisation of goodwill		(2.70)
Reconciliation of timing difference taken over by merger	(9.23)	
Loss on transfer of stock within the group	24.60	
Valuation allowance		(3.95)
Other—net	(6.44)	0.03
Actual effective tax rate	51.19%	23.54%

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.

23. DILUTION GAIN FROM CHANGES IN EQUITY INTEREST

The "Dilution gain from changes in equity interest" arose from changes in the Company's and its consolidated subsidiaries' equity interest as a result of capital transactions by investees, including an initial public offering. Dilution gain principally consisted of a stock issuance by SFS and WNF for the year ended 31st March, 2004 and an initial public offering by ETS for the year ended 31st March, 2005.

24. LEASES

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

Total rental expenses for the years ended 31st March, 2004 and 2005 were ¥1,767 million and ¥3,288 million (\$30,607 thousand), respectively, including ¥423 million and ¥794 million (\$7,395 thousand) of lease payments under finance leases.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense, 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 years ended 31st March, 2004 and 2005 was as follows:

	Year Ended 31st March, 2004			Year Ended 31st March, 2005		
	Millions of Yen			Thousands of U.S. Dollars		
	Furniture and Equipment	Software	Total	Furniture and Equipment	Software	Total
Acquisition cost	¥2,619	¥652	¥3,271	\$36,807	\$9,547	\$46,354
Accumulated depreciation	546	96	642	9,306	2,720	12,026
Net leased property	¥2,073	¥556	¥2,629	\$27,501	\$6,827	\$34,328

Obligations under finance leases as at 31st March, 2004 and obligations under finance leases including interest portion as at 31st March, 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2004	2005	2005
Due within one year	¥1,530	¥1,730	\$16,105
Due after one year	3,383	3,203	29,820
Total	¥4,913	¥4,933	\$45,925

Depreciation expense and interest expense under finance leases for the years ended 31st March, 2004 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended 31st March		Year Ended 31st March,
	2004	2005	2005
Depreciation expense	¥390	¥740	\$6,888
Interest expense	52	86	800
Total	¥442	¥826	\$7,688

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, were computed by the straight-line method and the interest method, respectively.

The future minimum lease payments under noncancellable operating leases at 31st March, 2004 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2004	2005	2005
Due within one year	¥292	¥111	\$1,035
Due after one year	123	8	75
Total	¥415	¥119	\$1,110

25. RELATED PARTY TRANSACTIONS

Transactions of SBI with related parties for the years ended 31st March, 2004 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended 31st March		Year Ended 31st March,
	2004	2005	2005
Purchase of common stock	¥7,228		
Sales of common stock		¥486	\$4,521

At 31st March, 2004 and 2005, the following balances with related parties were outstanding:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2004	2005	2005
Investments in subsidiaries and affiliated companies	¥7,228		

26. DERIVATIVES

SBI enters into foreign currency forward contracts and interest rate swap agreements primarily to hedge foreign exchange risk associated with receivables, payables and securities denominated in foreign currencies and to manage its interest rate exposures on borrowings 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 day trading or capping of the 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 in 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 and interest rate swap agreements 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 subject to 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 the nature of derivatives, credit limit amounts and administrative structure, which is monitored by the administrative headquarters department on a daily basis.

Fair Value of Derivatives

The fair values of SBI's derivatives at 31st March, 2004 and 2005 were as follows:

	Millions of Yen			
	2004			
	Assets		Liabilities	
	Contract Amount	Fair Value	Contract Amount	Fair Value
Foreign currency forward contracts	¥ 33	¥2	¥71	¥1
Nikkei average future transactions	23			
Bond futures	139	1		
Total	¥195	¥3	¥71	¥1

	Millions of Yen			
	2005			
	Assets		Liabilities	
	Contract Amount	Fair Value	Contract Amount	Fair Value
Foreign currency forward contracts	¥67	¥2	¥256	¥3
Bond futures			139	
Total	¥67	¥2	¥395	¥3

	Thousands of U.S. Dollars			
	2005			
	Assets		Liabilities	
	Contract Amount	Fair Value	Contract Amount	Fair Value
Foreign currency forward contracts	\$622	\$15	\$2,385	\$24
Bond futures			1,297	1
Total	\$622	\$15	\$3,682	\$25

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

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

Derivatives used for the hedging purpose are excluded from the above table.

27. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended 31st March, 2004 and 2005 was as follows:

	Millions of Yen	Shares	Yen	U.S. Dollars
	Net Income	Weighted-average Shares	EPS	
Year Ended 31st March, 2004				
Basic EPS—Net income available to common shareholders	¥ 4,033	6,200,338	¥ 650.49	
Effect of dilutive securities—Warrants	(58)	481,260		
Diluted EPS—Net income for computation	¥ 3,975	6,681,598	¥ 594.89	
Year Ended 31st March, 2005				
Basic EPS—Net income available to common shareholders	¥25,251	7,054,857	¥3,579.29	\$33.32
Effect of dilutive securities—Warrants	(188)	585,307		
Diluted EPS—Net income for computation	¥25,063	7,640,164	¥3,280.47	\$30.54

28. SEGMENT INFORMATION

SBI operates in the following business segments:

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

Information about business segments, geographical segments and revenue from foreign customers of SBI for the years ended 31st March, 2004 and 2005 was as follows:

(1) Business Segments

	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

	Millions of Yen					
	Year Ended 31st March, 2005					
	Asset Management Business	Brokerage and Investment Banking Businesses	Financial Services Business	Total	Eliminations/Corporate	Consolidated
a. Revenue and Operating Income						
Revenue from customers	¥ 24,258	¥ 45,397	¥11,857	¥ 81,512		¥ 81,512
Intersegment revenue	205	827	551	1,583	¥(1,583)	
Total revenue	24,463	46,224	12,408	83,095	(1,583)	81,512
Operating expenses	13,843	31,409	11,366	56,618	24	56,642
Operating income	¥ 10,620	¥ 14,815	¥ 1,042	¥ 26,477	¥(1,607)	¥ 24,870
b. Total Assets, Depreciation and Capital Expenditures						
Total assets	¥101,083	¥617,000	¥41,160	¥759,243	¥(4,239)	¥755,004
Depreciation	48	1,256	3,986	5,290	(59)	5,231
Capital expenditures	589	2,067	3,664	6,320	(47)	6,273

Thousands of U.S. Dollars

Year Ended 31st March, 2005

	Asset Management Business	Brokerage and Investment Banking Businesses	Financial Services Business	Total	Eliminations/ Corporate	Consolidated
a. Revenue and Operating Income						
Revenue from customers	\$225,848	\$ 422,648	\$110,390	\$ 758,886		\$ 758,886
Intersegment revenue	1,904	7,707	5,130	14,741	\$(14,741)	
Total revenue	227,752	430,355	115,520	773,627	(14,741)	758,886
Operating expenses	128,881	292,428	105,817	527,126	218	527,344
Operating income	\$ 98,871	\$ 137,927	\$ 9,703	\$ 246,501	\$(14,959)	\$ 231,542
b. Total Assets, Depreciation and Capital Expenditures						
Total assets	\$941,101	\$5,744,340	\$383,203	\$7,068,644	\$(39,462)	\$7,029,182
Depreciation	451	11,691	37,105	49,247	(545)	48,702
Capital expenditures	5,488	19,245	34,112	58,845	(440)	58,405

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 ¥1,479 million and ¥2,024 million (\$18,845 thousand) for the years ended 31st March, 2004 and 2005, respectively.

2. None of corporate assets were included in "Eliminations/corporate" of total assets as at 31st March, 2004 and 2005.

(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

	Year Ended 31st March, 2004		
	Millions of Yen		
	North America	Others	Total
Sales to foreign customers (A)	¥3,874	¥1,327	¥ 5,201
Consolidated sales (B)			35,364
(A)/(B)	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.

Operating revenue from foreign customers for the year ended 31st March, 2005 is not significant, therefore, the information is not presented herein.

**29. MARKETABLE
SECURITIES LOANED**

Fair value of marketable securities loaned was ¥89,487 million (\$833,136 thousand) as at 31st March, 2005, which was an off-balance sheet item.

30. SUBSEQUENT EVENTS

(1) At the general shareholders meeting held on 29th June, 2005, 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 85,000 shares of the Company's common stock in the period from 30th June, 2005 to 29th June, 2013. 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. 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 options.

At the Board of Directors meeting on 20th July, 2005, details of the stock option plan were determined. According to the resolution, this stock option plan provides for issuing options to SBI's directors and 146 key employees to purchase the Company's common stock at an exercise price of ¥35,153 (\$327) per share during the period from 28th July, 2005 to 29th June, 2013. The maximum number of shares to be issued upon exercise of the options were 40,000 shares.

b. Appropriations of Retained Earnings

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥350 (\$3.26) per share	¥2,986	\$27,799
Bonuses to directors	200	1,862

(2) Exercise of Stock Options

Due to the exercise of stock options previously granted (see Note 11), 21,191.40 shares of the Company's common stock were additionally issued in the period from 1st April to 31st May, 2005. The Company's common stock and capital surplus increased by ¥87 million (\$814 thousand) and ¥87 million (\$814 thousand), respectively.

(3) Transition to a Holding Company through Corporate Division and Change of Company's Name

Upon resolution and approval of the Board of Directors on 26th April, 2005, the Company spun off its fund operation business into SBI-Ventures on 1st July, 2005. On the same date, SBI-Ventures merged with BIOVISION CAPITAL CORPORATION and SOFT TREND CAPITAL Corporation, which had been the Company's subsidiaries. As a result, the Company became a holding company and SBI-Ventures remained to be a subsidiary of the Company. Upon resolution and approval of the shareholders meeting on 29th June, 2005, the Company changed its company's name to SBI Holdings, Inc. on 1st July, 2005 and SBI-Ventures changed its company's name to SOFTBANK INVESTMENT CORPORATION.

(4) Bank Loans

Upon resolution and approval of the Board of Directors on 23rd June, 2005, the Company borrowed total of ¥35,000 million (\$325,854 thousand) unsecured loans from three present banks for the purpose of additional investments in funds and working capital. The maturity date of the loans is 28th September, 2007.

(5) SBI Partners Co., Ltd.

Upon resolution and approval of the Board of Directors on 30th June, 2005, the Company purchased 3,000,000 shares of common stock newly issued by SBI Partners Co., Ltd. ("SBIP"), previously held by the Company as operational investment securities, for an additional investment amount of ¥6,180 million (\$57,537 thousand) (¥2,060 (\$19.18) per share) on 19th July, 2005. As a result, equity of SBIP held by the Company as at 19th July, 2005 was 27.3 percent, and SBIP became an affiliated company of the Company from July 2005.

Upon resolution that SBI-CAPITAL distributed common stock of SBIP held by SBI-LBO-FUND No. 1 and RESTRUCTURING Fund No. 1, both of which were managed by SBI-CAPITAL, to investors in these funds, the Company received 1,635,900 shares of common stock of SBIP on 5th August, 2005. As a result, equity of SBIP held by the Company increased from 27.3 percent to 33.3 percent.

(6) Ace Securities Co., Ltd.

Upon resolution and approval of the Board of Directors on 3rd August, 2005, ASCL has decided to issue 31,000,000 new shares of common stock through private allocation with issue price of ¥7,440 million (\$69,267 thousand) (¥240 (\$2.23) per share) on 7th September, 2005. Due to this transaction, equity of ASCL held by the Company will decline from 55.7 percent to 30.3 percent, and ASCL will be accounted for by the equity method from fiscal year 2006.

INDEPENDENT AUDITORS' REPORT



Deloitte Touche Tohmatsu
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To the Board of Directors and Shareholders of
SOFTBANK INVESTMENT CORPORATION:

We have audited the accompanying consolidated balance sheets of SOFTBANK INVESTMENT CORPORATION and consolidated subsidiaries as at 31st March, 2004 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SOFTBANK INVESTMENT CORPORATION and consolidated subsidiaries as at 31st March, 2004 and 2005, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

29th June, 2005 (5th August, 2005 as to Note 30)

Asset Management Business

SOFTBANK INVESTMENT CORPORATION

Venture fund management
<http://www.sbventures.jp/>

SBI CAPITAL Co., Ltd.

LBO and mezzanine fund management

SBI Asset Management Co., Ltd.

Investment trust management, investment advisory services
(securities, etc.)
<http://www.sbi-am.co.jp/>

SBI Arsnova Research Co., Ltd.

Develops, manages and provides advice on alternative
financial products for investors
<http://www.arsnova-cr.com/>

SBI Partners Co., Ltd.

Real estate investment business, real estate development
business, fund business, consulting business, investment-
related businesses
<http://www.sbi-pts.co.jp/>

Brokerage & Investment Banking Business

E*TRADE SECURITIES Co., Ltd.

Comprehensive online securities business
<http://www.etrade.ne.jp/>

SBI Securities Co., Ltd.

Securities business
<http://www.sbi-sec.co.jp/>

E*TRADE KOREA Co., Ltd.

Online securities business
<http://www.etrade.co.kr/>

e-Commodity Co., Ltd.

Online commodity futures brokerage
<http://www.ecommodity.co.jp/>

Finance Services Business

FINANCE ALL CORPORATION

Operating comprehensive comparison website, providing
financial related services

FINANCE ALL: <http://www.financeall.jp/>

Hikaku ALL: <http://www.hikakuall.jp/>

SBI VeriTrans Co., Ltd.

Provides electronic payment settlement for EC business
<http://www.veritrans.co.jp/>

Morningstar Japan K.K.

Provides Internet-based evaluations of financial products,
particularly investment trust
<http://www.morningstar.co.jp/>

SBI Mortgage Co., Ltd.

Housing loans
<http://www.goodloan.co.jp/>

SBI Lease Co., Ltd.

Comprehensive lease services primarily for the IT industry
<http://www.weblease.co.jp/>

Equal Credit Co., Ltd.

Unsecured consumer loans for individuals
<http://www.equalcredit.co.jp/>

SBI Business Loan Co., Ltd.

Loan services for business owners
<http://www.sbi-bl.jp/>

Gomez Consulting Co., Ltd.

Rating service and business support to e-commerce websites
<http://www.gomez.co.jp/>

SBI Benefit Systems Co., Ltd.

Defined-contribution pension plan administrations, personnel
and welfare-related services, systems outsourcing
<http://www.benefit401k.com/>

SBI Accounting Co., Ltd.

Back-office support to SMEs and venture firms
<http://www.sbiaccounting.co.jp/>

Board of Directors (As of July 1, 2005)

<i>Representative Director and CEO</i>	Yoshitaka Kitao
<i>Director and COO</i>	Yasutaro Sawada
<i>Director and CFO</i>	Kenji Hirai
<i>Director (non-executive)</i>	Ken Izawa
<i>Director (non-executive)</i>	Taro Izuchi
<i>Director (non-executive)</i>	Masahito Ito
<i>Director (non-executive)</i>	Hiroshi Tasaka
<i>Standing Corporate Auditor</i>	Susumu Watanabe
<i>Corporate Auditor</i>	Norio Kurosawa
<i>Corporate Auditor</i>	Kenichi Hirabayashi
<i>Corporate Auditor</i>	Ryujiro Shimamoto

Company Outline (As of March 31, 2005)

Date of Establishment: July 8, 1999

Head Office: 1-6-1, Roppongi, Minato-ku, Tokyo 106-6019, Japan
Tel: +81 (3) 6229 0100

Number of Employees: 1,374 (consolidated)

Paid-in Capital: ¥34,765,154,988

Common Stock: 8,542,343.78 shares

Number of Shareholders: 97,181

Fiscal Year: April 1 to March 31

Listings: First Section of the Tokyo Stock Exchange
First Section of the Osaka Securities Exchange
(Code: 8473)

Transfer Agent: UFJ Trust Bank Limited
1-4-3, Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan

SBI Holdings, Inc.

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