

## To Our Shareholders

For the fiscal year ended March 31, 2006, SBI Holdings, Inc. posted outstanding results in each of its businesses and achieved record highs in consolidated operating revenues, operating income and net income, with figures for each of these categories significantly surpassing previous highs. Although SBI Holdings, Inc. attained consecutive increases in performance for the past three years, the sharp rise in results for the fiscal year ended March 31, 2006 was particularly impressive. Moreover, we expect to achieve further sizeable growth in each of our businesses for the foreseeable future.

Consolidated operating revenues surpassed ¥100.0 billion, jumping 68.4% to ¥137.2 billion, while ordinary profit surpassed ¥50.0 billion, up 88.2% to ¥51.3 billion, sharply surpassing its previous all time high, and operating income soared 99.4% to ¥49.5 billion. All of these figures represent significant increases over previous highs.

Reflecting our favorable performance, we paid cash dividends of ¥600 per share, including a ¥100 dividend to commemorate our mergers, which is a marked increase compared with cash dividends of ¥350 per share for the previous year.

As a result of a reorganization within the SBI Group and the formation of capital alliances with leading companies that we believe will create synergies with the SBI Group, the number of shares issued at the end of the fiscal year stood at 12.22 million shares, up 1.4 times from the end of the previous fiscal year. However, consolidated net income per share of common stock also rose 1.4 times from the previous year and consolidated shareholders' equity increased 1.5 times from the end of the previous fiscal year. Looking ahead, while further increasing value per share, as we head toward our next stage of growth we will strive to continue to maximize our operating results.

By business segment, reflective of excellent fund management performance, we have entered a truly favorable cycle in our Asset Management Business as distributions to investors increased, making it easier to raise capital for new funds and leading to a further expansion in the scale of our fund management business. In Brokerage & Investment Banking, SBI E\*TRADE SECURITIES Co., Ltd. boasts a dominant position and is at last approaching the final phase of competition amongst its peers. Our Financial Services Business is benefiting from a favorable environment created by several significant trends in Japan, namely, a "shift from savings to investment," "the further advancement of broadband" and "financial system reforms," thereby contributing to a further improvement in business results.

In July 2005, SBI Holdings, Inc. spun off and transferred its Asset Management Business to SBI VENTURES K.K., a wholly owned subsidiary, while changing that company's corporate name to SOFTBANK INVESTMENT CORPORATION that same month. By making this change, we shifted to a holding company structure, with SBI Holdings, Inc. (name changed from SOFTBANK INVESTMENT CORPORATION) as the core company, in the run-up to the next phase of strong growth in what can be called our "second founding."

In October 2005, we signed a basic agreement for the joint establishment of a new pure play Internet bank with The Sumitomo Trust & Banking Co., Ltd. to carry out an array of businesses with various companies in the SBI Group, including online securities business that will produce a greater level of synergy with the securities business. In January 2006, we formed an agreement for multifaceted business alliances that will enable each group to strengthen its competitiveness and earnings power.

In March 2006, we merged with SBI Partners Co., Ltd., which was involved in real estate-related businesses, and with FINANCE ALL CORPORATION, which operated a comprehensive comparison website and provided financial-related services. At the same time, SBI Securities Co., Ltd. became a wholly owned subsidiary through a share exchange. By making these moves, we have built a structure to vigorously promote our transition to a five-core business structure.

Up until recently, the SBI Group has carried out its business primarily in financial sectors through three core businesses: Asset Management, Brokerage & Investment Banking and Financial Services. However, the SBI Group has now added Housing and Real Estate and Lifestyle Networks as two new core businesses. In doing so, we are making a new start as a company that transcends the framework of finance to contribute to the creation of enriched lifestyles for investors and consumers.

In August 2006, our capital relationship with SOFTBANK CORP. was thoroughly dissolved, and therefore we are no longer an equity-method affiliate of that company. As a result, we have eliminated any correlation with SOFTBANK CORP.'s stock price and can now implement more flexible financial and business strategies. However, we still intend to continue to maintain friendly business ties, and have agreed to pursue joint ventures.

Under our new structure, the SBI Group will work to create even more innovative services and businesses for customers and investors and will strive to maximize corporate value, the combined aggregate of "customer value," "shareholder value" and "human capital value."



北尾吉孝 

**Yoshitaka Kitao**  
Representative Director & CEO

#### Profile

- 1951 Born in Hyogo Prefecture
- 1974 Joined Nomura Securities Co., Ltd. after graduating from Keio University, the Faculty of Economics
- 1978 Graduated from Cambridge University, the Faculty of Economics, in the United Kingdom
- 1989 Appointed Executive Director at Wasserstein Perella International (London)
- 1992 Appointed General Manager of Corporate Finance Division, Nomura Securities
- 1995 Joined SOFTBANK CORP. at the request of Masayoshi Son as Executive Director and General Manager of Control Division
- 1999 Appointed President and Representative Director of SOFTBANK FINANCE CORPORATION
- 2005 Representative Director & CEO of SBI Holdings, Inc.

#### Principal Books Written

- **Continuously Evolving Management** (English translation to be published by John Wiley & Sons, Inc.)
  - **Challenges of E-Finance I** (Chinese translation: The Commercial Press; Korean translation: Dongbang Media Co. Ltd.)
  - **Challenges of E-Finance II** (Korean translation: Dongbang Media Co. Ltd.)
  - **Value-Creation Management** (Chinese translation: The Commercial Press; Korean translation: Dongbang Media Co. Ltd.)
- (all published by Toyo Keizai, Inc.)
- **Mysterious Powers Gained from Chinese Classics** (Chinese translation: Peking University Press)  
(Mikasa Publishing, Inc.)
  - **Universal Management, Growth Management** (Korean translation: Dongbang Media Co. Ltd.)
  - **Developing Character**  
(All published by PHP Institute Office International, Inc.)