

Toward a New Evolutionary Process—Strategic Business Innovator

As we further advance our “customer-centric principle,” the point of origin of our founding, the SBI Group is striving to attain significant growth to become a comprehensive corporate group that transcends the finance domain.

Question | 1

Could you provide a brief overview of the SBI Group's principal businesses and explain the Group's positioning in fiscal 2006 ending March 31, 2007?

We expect to record particularly solid results in our Asset Management Business, thanks primarily to the excellent performance of funds now entering a period for reaping profits on investments. Similarly, we anticipate our Brokerage & Investment Banking Business and Financial Services Business will sustain favorable performances. Of particular note, consolidated profits in each of these businesses during the first quarter of fiscal 2006 alone outpaced those recorded for the entire interim period of the previous fiscal year. In view of these outstanding results, we take a proactive stance toward redistributing profits to shareholders and thus paid our first-ever interim dividend. Specifically, we paid interim cash dividends of ¥600 per share. This equals the amount of dividends per share paid for the entire previous fiscal year, and we plan to pay year-end cash dividends of ¥600 per share at the term end (fiscal year ending March 2007).

Let me now briefly discuss the positioning of each of our businesses in the current fiscal year.

Asset Management Business

(1) The SBI Group will Endeavor to Become the Undisputed Leader in Japan's Venture Capital Industry

Looking at our recent fund management results, in August 2006 we made early redemptions of Enterprise Revitalization Fund #1 and the VR Enterprise Revitalization Fund that were set up in 2002. Both funds attained an annual IRR (internal rate of return) exceeding 25%, enabling us to further build on our solid performance record in fund management. As an especially notable achievement, all our funds compared to funds managed by competing companies in Japan recorded overwhelmingly high performance results, with an IRR generally exceeding 20%. While sustaining such favorable fund performances, we will cover redemptions of existing funds by establishing new funds through the addition of new capital. In

doing so, we will strive to continue to maintain the position of the top company in Japan in terms of investment performance and of the total amount of funds managed as well.

(2) Transitioning to a Global Venture Capital Structure Focusing on BRICs

Our flagship SOFTBANK INTERNET TECHNOLOGY FUND (hereafter "IT FUND") has entered a period of full-fledged profit-taking on investments that include the harvesting of unrealized capital gains. Looking ahead, we will expand the scope of our investments beyond domestic IT-related fields, as we will also actively promote global investments. Specifically, we will vigorously channel our investments into industry groups with the highest growth potential in each geographic region of the world. Prime examples of such lucrative industries include the IT and biotechnology industries in Japan, manufacturing and sales industries in China, software and high-tech fields in India, and resource and energy sectors in Russia. By expanding our investment horizon in this manner, we will globalize our diversified fund portfolio.

Track Record for Redeemed Funds (Investment Performance Results)

At the end of September 2006 (%)

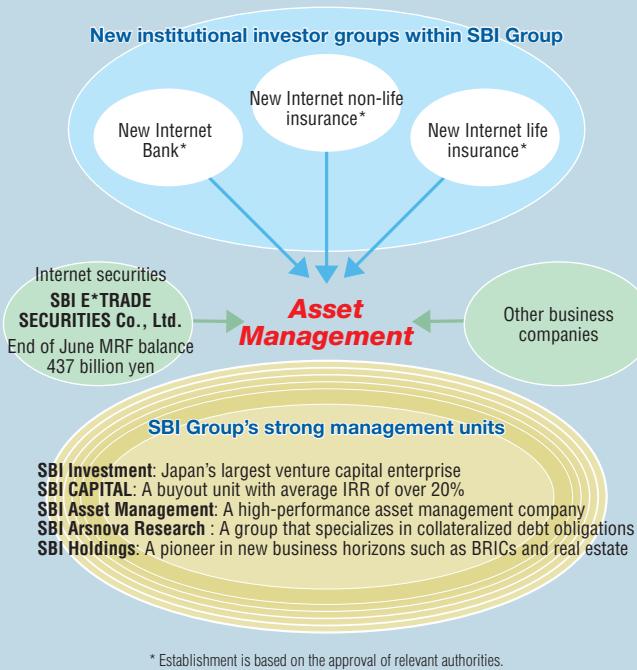
Name of Redeemed Fund	Redemption Date	Net IRR
SOFTBANK VENTURES SILENT PARTNERSHIP	December 2002	20.5
Softven #2 Investment Partnership	October 2004	20.4
SBI LBO Fund #1	June 2006	18.3
Enterprise Revitalization Fund #1, Limited Liability Investment Partnership	August 2006	25.7
VR Enterprise Revitalization Fund, Limited Liability Investment Partnership	August 2006	27.7



Yoshitaka Kitao
Representative Director & CEO

(3) Making Preparations for Building a New Asset Management Structure within the SBI Group that Embodies such Institutional Investors as Banks and Non-Life Insurance and Life Insurance Companies

The SBI Group is working to build a new foundation within the Group that embodies institutional investors. These efforts include the start of preparations for jointly establishing a new pure play Internet bank with The Sumitomo Trust & Banking Co., Ltd., a new Internet non-life insurance company with Aioi Insurance Co., Ltd. as well as a new Internet life insurance company with AXA Japan Holding Co., Ltd. By taking these steps, the SBI Group will position itself to expand the scale of its managed assets and build a structure for sustained favorable performance results utilizing the Group's extensive know-how in asset management. We are confident that such a structure will significantly contribute to enhancing the performance of each of the aforementioned new companies. For example, such a structure will allow the Internet bank to offer a higher rate of interest on deposits while the Internet life insurance company can provide higher dividends.



Brokerage & Investment Banking Business

(1) Expanding Our Market Share to Increase Our Competitive Advantage in the Final Phase of the Online Securities Industry Competition

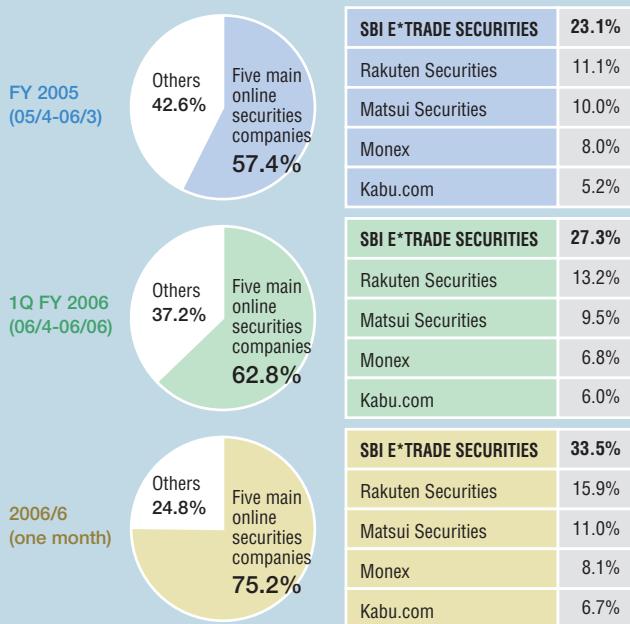
SBI E*TRADE SECURITIES Co., Ltd. ("SBI E*TRADE SECURITIES"), will increase its market share by offering the industry's lowest commission levels, while providing appealing products and services and operating stable systems, amid an environment of sluggish equity market conditions that we believe is advantageous for the company to increase its lead over its competitors. As testimony to the tremendous strides made toward achieving this goal, SBI E*TRADE SECURITIES raised its individual brokerage trading value share from 23.1% for the full year ended March 31, 2006 to 27.3% for the first quarter of the year ending March 31, 2007 and to 33.5% for June 2006.

Similarly, the number of customer accounts at the end of September 2006 topped 1.31 million accounts, and client assets stood at ¥3,828.4 billion. As these figures show, SBI

Individual Brokerage Trading Value Share of Main Online Securities Companies

SBI E*TRADE's share rose to 27.3% in 1Q, and then to 33.5% in June

Individual brokerage trading value comparison



Source: Tokyo Stock Exchange statistical data, JASDAQ statistical data, and public documents from each company's website.

Note 1: Individual brokerage trading value is totaled from three exchanges (sections one and two) and JASDAQ.

Note 2: Monex Securities and Nikko Beans are totaled as Monex.

Note 3: Kabu.com Securities merged with MeNet Securities in January 2006.

E*TRADE SECURITIES further increased its dominance over competing online securities companies in both of these categories.

(2) Transition to Diversified Earnings Sources

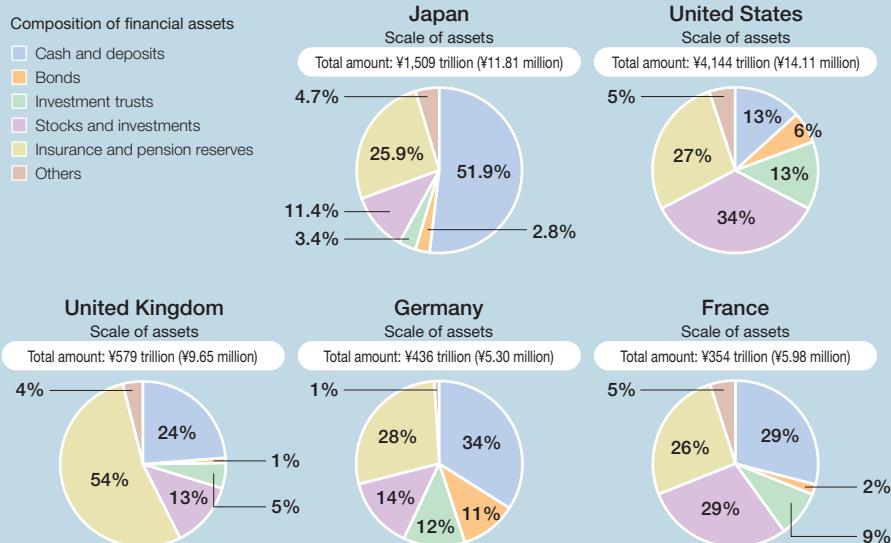
SBI E*TRADE SECURITIES will further diversify its earnings sources by utilizing its extremely broad customer base, the largest in the industry in terms of number of accounts, client assets and brokerage trading value share. As an example of its diversified earnings source, for the first quarter of the fiscal year ending March 31, 2007, SBI E*TRADE SECURITIES recorded financial income of ¥4,086 million, which was mainly interest income from margin trading, representing an 80% increase over the corresponding quarter of the previous fiscal year. Additionally, SBI E*TRADE SECURITIES will expand its earnings sources by offering a multiplicity of products and services matched to customer needs. These include the sale of foreign bonds, futures and options trading and stock lending.

(3) Increasing the Number of Customers by Attracting Novice Investors

Amid the “shift from savings to investment,” SBI E*TRADE SECURITIES is working to secure a large increase in the number of customers by launching “E*TRADE Elementary (provisional name),” a site for novice investors, and “E*TRADE SNS (Social Network Service) (provisional name),” a site for promoting communications between investors and companies. During the first quarter of the fiscal year ending March 31, 2007, novice stock investors accounted for approximately 63% of all new accounts opened at SBI E*TRADE SECURITIES. Therefore, the launching of a separate site targeting novice investors will be instrumental in enabling SBI E*TRADE SECURITIES to accurately capture the shift in sentiment from “savings to investment.”

Japan is Currently in a Transitional Phase in Individual Financial Asset Portfolios on Par with Europe and the United States

- Total individual financial assets in Japan stand at ¥1,509 trillion, which exceeds the combined amount (¥1,369 trillion) for the United Kingdom, Germany and France.
- Japan's per capita financial assets total ¥11.81 million.



* Figures in parentheses show amounts of per capita financial assets.
Bank of Japan Survey; Japan, end of December 2005; United States: end of June 2005; Other countries: end of December 2001

(4) Reinforcing Cooperation between Online and Brick-and-Mortar Securities Businesses and Launching a Full-Fledged Strategic Foray into Investment Banking and Private Banking

Backed by a dominant market share in the Internet brokerage business, SBI E*TRADE SECURITIES will reinforce ties with SBI Securities Co., Ltd. to strengthen its investment banking business, not only for promoting its IPO lead manager business, but also for underwriting secondary public offerings. Meanwhile, SBI Securities, our brick-and-mortar (face-to-face) securities business, is making notable progress in building a structure to provide full-fledged private banking services for customers requiring highly personalized services. Through the mutual cooperation and complementary activities of SBI E*TRADE SECURITIES and SBI Securities Co., Ltd., the SBI Group will establish a structure capable of responding to diverse customer needs.

Financial Services Business

(1) Raising the Contributions by the Financial Services Business as a Source of Stable Earnings

Our Financial Services Business is experiencing a favorable business environment that continues improving on the back of such current trends as the “shift from savings to investment,” the “advance of broadband” and “financial system reforms.”

Benefiting from these trends, the Financial Services Business will work to raise its contributions as a source of stable earnings.

A shift in Japan’s household financial assets from “savings to investment” is paving the way for Morningstar Japan K.K. to expand its revenue opportunities along with the increased need for objective investment advice and evaluations of investment trusts and other managed assets.

Along with the “advance of broadband,” the SBI Group’s Marketplace Business has grown to become one of Japan’s largest websites of comparison and price estimate services, mainly for insurance and loan products. The Marketplace Business is recording steady growth in price estimates, provisional applications and other such transactions. Also, SBI VeriTrans Co., Ltd., which provides online settlement solutions for e-commerce (EC) business operators, is expected to achieve growth that outpaces the expansion of EC markets.

With the impending April 2007 abolition of the Government Housing Loan Corporation (GHILC), which is set to be transferred to an independent housing finance support organization, SBI Mortgage Co., Ltd. (“SBI Mortgage”) is establishing a prominent brand reputation in terms of providing long-term, fixed-interest housing loans at the industry’s lowest

level of interest rates. Accordingly, SBI Mortgage is recording sharp growth in its housing loan execution balance.

(2) Completing Our Financial Ecosystem and Building a Foundation for Achieving a Remarkable Expansion in Earnings in the Near Future

In undertaking business as a “Financial Innovator” that provides innovative financial services, we believe that reinforcing a brand synonymous with credibility and trust is of paramount importance. In the fiscal year ending March 31, 2007, with the collaboration of leading business partners, we will make full-scale preparations for the start of Internet-based banking, non-life insurance and life insurance businesses as we move toward the completion of our financial ecosystem. Concurrently, we will also pursue business fields that will enhance existing group synergies, as well as establish businesses that will expand services in non-financial fields to build a foundation for attaining significant earnings expansion in the near future. Accordingly, these objectives are contingent on entering business fields that provide SBI Group companies with powerful synergies, as well as on establishing businesses to expand services in non-financial fields. Therefore, we will enter the banking business, which is highly compatible with the securities business, engage in the credit card and consumer and business loan fields, focusing on middle risk and expand the scope of our marketplace business beyond financial products to non-financial-related fields.

Favorable Turnaround in Business Environment Clearly Evidenced by Performance Figures

Figures in parentheses show changes from the previous fiscal year. (Millions of yen)

		2004/3	2005/3	2006/3
SBI VeriTrans Co., Ltd.	Operating revenues	544	944 (+74)	1,916 (+103)
	Ordinary income	135	225 (+67)	395 (+76)
Morningstar Japan K.K. (Consolidated)	Operating revenues	924	1,015 (+10)	1,259 (+24)
	Ordinary income	136	174 (+28)	263 (+51)
Gomez Consulting Co., Ltd.	Operating revenues	163	234 (+44)	373 (+59)
	Ordinary income	54	80 (+48)	127 (+59)
		2003/9	2004/9	2005/9
FINANCE ALL CORPORATION* (Non-consolidated)	Operating revenues	760	1,654 (+217)	2,922 (+77)
	Ordinary income	91	318 (+249)	628 (+196)

*FINANCE ALL CORPORATION was merged into SBI Holdings in March 2006.

Question | 2

How do you plan to further develop the SBI Group's Business Ecosystem in the future?

The SBI Group initiated operations in 1999 when SOFTBANK CORP. ("SOFTBANK") transitioned to a pure holding company and spun off each of its business divisions as independent subsidiaries. A core company in the Group at that time was SOFTBANK FINANCE CORPORATION (currently SOFTBANK TELECOM SALES Corporation), a quasi-holding company handling financial-related businesses. With 55 employees under my authority and supervision, SOFTBANK FINANCE CORPORATION was spun off from SOFTBANK, eventually becoming SBI Holdings, Inc. ("SBI Holdings"). To the present, the SBI Group has developed various businesses, primarily in the financial field, with the objective of becoming a comprehensive financial services company.

In March 2005, SBI Holdings was removed from the scope of SOFTBANK's consolidation, thus eliminating restrictions on our business scope. Since then, we have utilized our extensive business know-how and management resources cultivated in financial businesses to actively enter domains that will allow us to further strengthen and expand our financial ecosystems. These include fields closely aligned to finance as well as non-financial domains strongly related to SBI Group companies. We

are now working toward building three ecosystems, namely the "financial ecosystem," "housing and real estate ecosystem" and an "information systems ecosystem." By promoting mutual synergies among these three ecosystems, we plan to develop one large business ecosystem covering the encompassing SBI Group as we reach a new stage of growth.

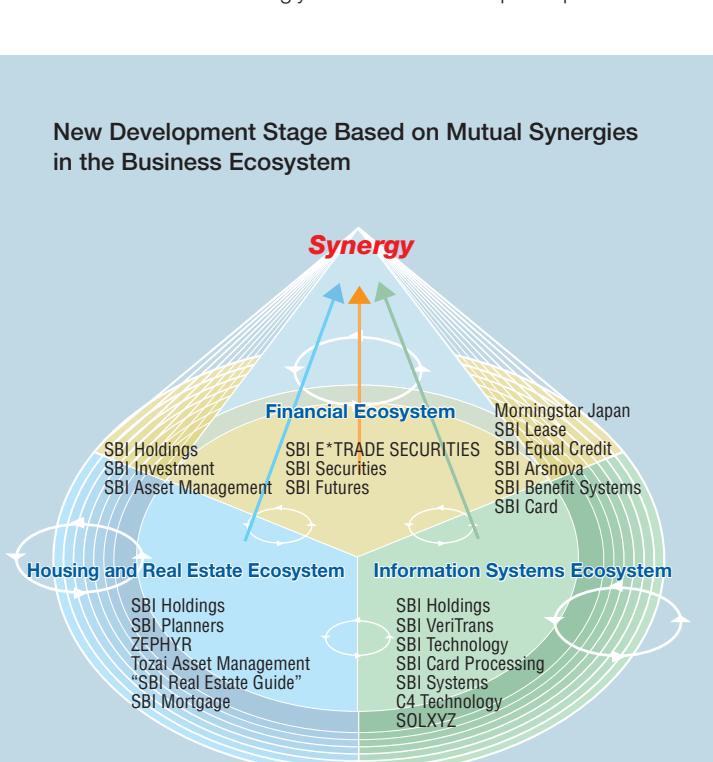
1) Financial Ecosystem

Becoming the Largest Distributor of Financial Products in Japan

Regarding our future business development, in fiscal 2007 we will establish a new pure play Internet bank with The Sumitomo Trust & Banking Co., Ltd. Banking is a core operation in the financial field, and is thus an essential operation for a financial services organization such as ours. However, we recognize that the qualities involved in the securities business, as a flow business, is vastly different than those required for the banking business. Also, we understand that banking is not a simple operation, as evidenced by the state of banks in the United States in the 1980's, and in Japan in the 1990's. With this history in mind, we believe that timing is a critical issue for entering the banking business.

Our decision to establish an Internet bank was based on our determination that we have made sufficient progress in establishing a business ecosystem for the SBI Group. By setting up the new bank, we will undertake all three major banking functions, namely, deposit taking, lending and settlements. To operate successfully, the new Internet bank must maintain solid relationships with other SBI Group companies within the business ecosystem, such as SBI Investment Co., Ltd. (formerly SOFTBANK INVESTMENT CORPORATION), one of the largest venture capital firms in Japan; SBI E*TRADE SECURITIES, the largest online securities company in Japan with over 1.31 million customer accounts; and SBI Mortgage, which boasts a home loan execution balance exceeding ¥240 billion. Additionally, it will also be essential to assure that the business ecosystem fully utilizes Group synergies and fosters synergies with the new bank. For example, we expect that one main business pillar of the new bank's operations will be lending to companies planning public offerings through the SBI Group's venture capital operations. Every year, around 20 investee companies in the SBI Group's venture capital business go public. The new bank will be able to carry out transactions with these growth companies, which are expected to possess quality creditworthiness as borrowers.

Besides our alliance with The Sumitomo Trust & Banking Co., Ltd., we are in preparations for establishing an Internet non-life insurance business jointly with Aioi Insurance Co., Ltd. and an online life insurance business in cooperation with AXA



Japan Holding Co., Ltd. In this way, we will pursue an assortment of ties-ups with companies involved in brick-and-mortar businesses while increasing our presence in online business domains. We will do our utmost to develop our banking, non-life insurance and life insurance operations to a scale as large as that of SBI E*TRADE SECURITIES. By undertaking these initiatives and developing them to such a level of success, the SBI Group will fulfill its ultimate objective of becoming Japan's foremost financial services organization.

While utilizing the Internet as a powerful tool, we remain committed to our "customer-centric" principle, as we will continuously provide new products and concepts in our quest to become Japan's largest distributor of high-quality financial products in all financial product categories.

2) Housing and Real Estate Ecosystem

Building a Powerful Business Ecosystem in Housing and Real Estate Fields to Create Numerous Synergies with Existing Ecosystems

In August 2005, we converted SBI Partners Co., Ltd. into a subsidiary that will serve as a core company to undertake the real estate business, as we address such current trends as the growing prevalence of real estate-based financial products, including securitized real estate products. In a subsequent move to further expand our housing and real estate ecosystem, ZEPHYR Co., Ltd., a comprehensive real estate business, and Tozai Asset Management Co., Ltd., with experience in real

estate securitization, were made into equity-method affiliates, and in March 2006, SBI Partners merged with SBI Holdings. We plan to further expand our housing and real estate business backed by the Group's outstanding creditworthiness and fundraising capabilities, both inside and outside Japan.

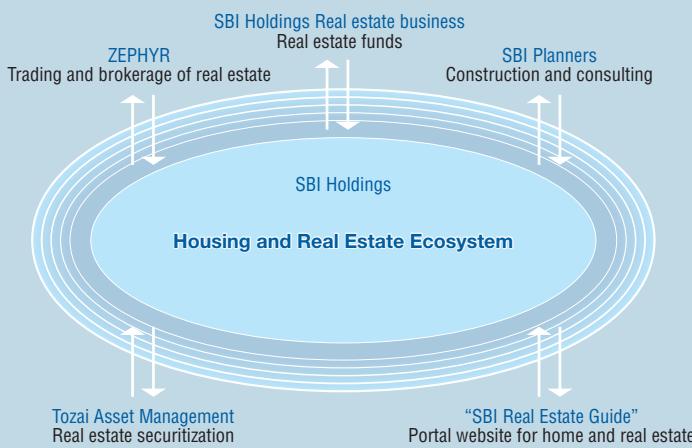
In July 2006, we established "SBI Real Estate Guide" (<http://www.re-guide.jp/>), a comprehensive portal website for home and real estate information that provides various information tailored to user needs. This site allows buyers seeking to purchase real estate, as well as real estate property owners, to choose from a range of categories such as Select, Build, Invest, Sell, Manage, Investigate and Remodel. The site also provides a platform for auctions, primarily for residential real estate transactions. For essential ancillary financial products or management services related to housing and real estate transactions, "SBI Real Estate Guide" utilizes the SBI Group's strengths and introduces users to housing loan products, non-life insurance products and rent guarantees through collaboration with various SBI Group companies.

3) Information Systems Ecosystem

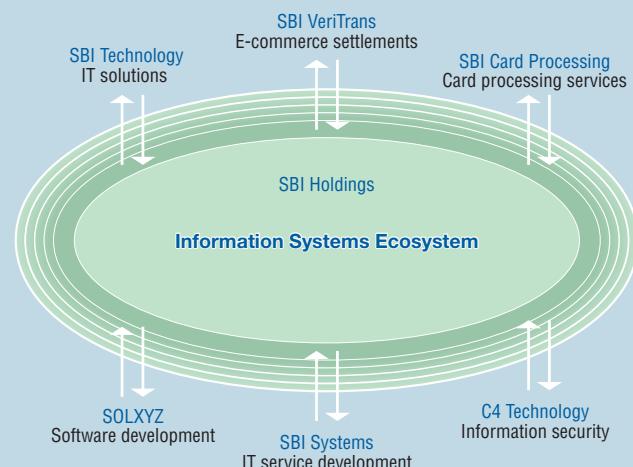
Creating a Business Ecosystem in Systems Development Fields that Will Contribute Significantly to Building and Managing Systems at SBI Group Companies

With the Internet as a medium, the SBI Group carries out wide-ranging business activities in financial and non-financial fields. As such, we regard the building of systems within the SBI

Build a Strong Business Ecosystem for the Real Estate Business



Build an Information Systems Ecosystem



Group as a crucial issue and are creating an information systems ecosystem that contributes significantly to building and managing systems at SBI Group companies. In line with these efforts, we established business and capital alliances with C4 Technology LLC, which possesses technologies in information security, and with SOLXYZ Co., Ltd., which mainly engages in the development of software. To facilitate our entry into the credit card processing services business, we established a joint venture with the Silverlake Group of Malaysia and commenced joint operation of this business in Japan.

As we move beyond the framework of finance, the SBI Group will strive to build a business ecosystem in housing and real estate and information systems fields. By doing so, we intend to continue developing into a corporate group that consistently provides diverse services that benefit consumers in all aspects and stages of their lives.

Question | 3

SBI Holdings has eliminated its capital ties with SOFTBANK. What impact will this have on the SBI Group?

As part of our financial strategy, on July 31, 2006 we announced an approximately ¥50.0 billion share buyback aimed at executing a more-flexible capital policy in response to changes in the management environment. Subsequently, SOFTBANK CORP. ("SOFTBANK") sold all its shares in SBI Holdings through its wholly owned subsidiary SOFTBANK AM CORPORATION (currently SOFTBANK TELECOM SALES Corporation).

SBI Holdings has accumulated a healthy level of net assets by generating profits in its businesses. Following the announcement of our share buyback, Japanese rating agency R&I announced its evaluation of SBI Holdings. This analysis included such assessments as "building a stable management foundation," "has consolidated net assets of ¥350.7 billion at the end of June 2006," "there will be no impact on its rating," and "rating direction: stable."

Although capital ties between SOFTBANK and SBI Holdings have been eliminated, both companies have agreed to maintain and develop even stronger relations in pertinent business areas. In keeping with this agreement, we intend to maintain friendly business relations, and in August 2006, SOFTBANK and SBI Holdings began deliberation on the establishment of a joint venture to plan and operate a financial portal business with investments from both companies.

Percentage of shares in SBI Holdings held indirectly by SOFTBANK through subsidiary SOFTBANK AM CORPORATION

Month and year	Percentage held	Remarks
End of September 2004	46.9%	Consolidated subsidiary
End of March 2005	38.3%	Equity-method affiliate (public offering capital increase and third-party allotment capital increase)
End of March 2006	26.5%	Equity-method affiliate (through share exchange and merger on March 1, 2006)
August 1, 2006	19.1%	Removed as equity-method affiliate (sale of shares in SBI Holdings through ToSTNet-2)
August 2, 2006	0%	Elimination of capital tie-up (sale of all shares in SBI Holdings)
August 18, 2006	0%	Announcement of deliberation for establishing a joint venture with SOFTBANK to operate a financial portal business