# Notes to Consolidated Financial Statements

SBI Holdings, Inc. and Consolidated Subsidiaries
Years Ended 31st March, 2006 and 2007

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

SBI Holdings, Inc. (the "Company") was incorporated in Tokyo, Japan in 1999 as a venture capital business principally for Internet–related companies, and has since expanded its line of business through mergers and acquisitions as well as expanding its asset management business to investments in certain non–Internet–related companies.

The Company and its consolidated subsidiaries (together, "SBI") are currently 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. However SBI is expanding additional two core businesses of real estate and life related network and engaging in provision of a wide range of financial and non–financial area in five core businesses.

SBI's asset management business is principally carried out by the Company, SBI Investment Co., Ltd. ("SBINV") and SBI CAPITAL Co., Ltd. ("SBI–CAPITAL"), 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, SBI 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, and SBI Securities Co., Ltd. ("SBI–SEC"). 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, Morningstar Japan K.K. ("MSJ") and SBI VeriTrans Co., Ltd. ("SBIVT"). Financial services include the provisions of 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 ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

On 27th December, 2005, the Accounting Standards Board of Japan (the "ASBJ") published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after 1st May, 2006. The consolidated statement of shareholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under Japanese GAAP and has been renamed "the consolidated statement of changes in equity" in the current fiscal year.

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 2006 financial statements to conform to the classifications used in 2007.

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 ¥118.09 to $1, the approximate rate of exchange at 30th March, 2007. 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, 2007 include the accounts of the Company and its 48 significant (37 in 2006) 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 5 (1 in 2006) unconsolidated subsidiaries and 8 (7 in 2006) affiliated companies are accounted for by the equity method. Investments in the remaining unconsolidated subsidiaries and 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 being amortised by the straight–line method over the appropriate period which fit reality of acquisition. 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.

On 8th September, 2006, the ASBJ issued Practical Issues Task Force ("PITF") No. 20, "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations" which is effective for fiscal years ending on or after 8th September, 2006. The practical solution clarifies how the control and influence concept should be practically applied to the consolidation scope of collective investment vehicles, such as limited partnerships, dormant partnerships and other entities with similar characteristics.

The Company applied this task force in the year ended 31st March, 2007, which resulted in 9 collective investment vehicles being newly consolidated in 2007. On the other hand, SBI BROADBAND CAPITAL K.K. ("SBI–BC") dormant partnerships and other 6 partnerships are determined not to be consolidated on the grounds that the inclusion would mislead stakeholders as the share interests in such partnership investments belonging to SBI are so negligible even though there exist controls under PITF No. 20. The effect of this adoption was to increase total assets by ¥34,657 million ($293,477 thousand) and decrease operating revenues, operating income and income before income taxes and minority interests for the year ended 31st March, 2007 by ¥7,749 million ($65,621 thousand), ¥30,620 million ($259,295 thousand) and ¥26,322 million ($222,902 thousand), respectively.

Investments in 33 (8 in 2006) companies and 1 (1 in 2006) corporate type investment trust with over 20 percent ownership are included in operational investment securities as the investments in these companies were made as part of the Company's operating activities.

Prior to the adoption of PITF No. 20, operational investments in funds included in operational investment securities on the consolidated balance sheet were accounted for by using 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.

After the adoption of PITF No. 20, the operating investments in funds that are classified as subsidiaries under PITF No. 20, but determined not to be consolidated are included in investments in unconsolidated subsidiaries and affiliated companies on the consolidated balance sheet while those not classified as subsidiaries under PITF No. 20 are included in operating investment securities in the consistent manner with the prior year. In either case, they are accounted for by using the equity method based on SBI's percentage share in the contributed capital and the revenue and expenses recognition and presentation practices discussed in the previous paragraph are consistently followed.

Non–operational investments in funds included in investment securities on the consolidated balance sheet are accounted for using the equity method based on SBI's percentage share in the contributed capital as these funds are investment partnerships. Upon the adoption of PITF No. 20, some of the non–operational investments in funds are classified as subsidiaries and decided to be consolidated.

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, SBINV, SBI–CAPITAL and SBI–BC in 2006, 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 1st July, 2005, the Company spun off its fund management business to subsidiary of SBI VENTURES, Inc. (currently known as SBINV) and changed its trade name to SBI Holdings, Inc.

Upon resolution and approval of the Board of Directors on 3rd August, 2005, Ace Securities Co., Ltd. ("ASCL") issued 31,000,000 new shares of common stock through private allocation with issue price of ¥7,440 million (¥240 per share) on 25th August, 2005. Due to this transaction, ASCL became an affiliated company of the Company.

On 26th August, 2005, the Company acquired 516,700 shares of common stock of SBI Partners Co., Inc. ("SBIP," currently merged with the Company) from individual shareholders in the aggregate amount of ¥1,093 million additionally. As a result, SBIP became a consolidated subsidiary of the Company from August 2005.

In addition, on 2nd September, 2005, the Company sold all of its 20,603,700 shares of ASCL for an aggregate amount of ¥4,945 million. As a result, ASCL was no longer an affiliated company from September 2005.

On 29th September, 2005, the Company accepted new shares of ZEPHYR CO., LTD. ("ZPYR") and acquired 63,622 shares of common stock in the aggregate amount of ¥15,386 million. As a result, ZPYR became an affiliated company accounted for by the equity method from September 2005.

On 30th December, 2005, the Company acquired 12,000 shares of common stock of AUTOBYTEL–JAPAN K.K. ("ABTL") previously held by the Company as operational investment securities, for an additional investment amount of ¥600 million. As a result, ABTL became an affiliated company accounted for by the equity method from December 2005.

Upon approval of extraordinary shareholders meeting held on 27th January, 2006, the Company merged with SBIP on 1st March, 2006. Due to this merger, the Company issued 842,392 new shares of its common stock to SBIP's shareholders at an exchange ratio of 0.05 share for each outstanding share of SBIP's common stock.

Upon approval of extraordinary shareholders meeting held on 27th January, 2006, the Company merged with FINANCE ALL CORPORATION ("FAC," currently merged with the Company) on 1st March, 2006. Due to this merger, the Company issued 1,234,860 new shares of its common stock to FAC's shareholders at an exchange ratio of 2.5 shares for each outstanding share of FAC's common stock.

Upon approval of extraordinary shareholders meeting held on 27th January, 2006, the Company issued 483,338 new shares of its common stock to SBI–SEC's shareholders at an exchange ratio of 1.15 shares for each outstanding share of SBI–SEC's common stock. As a result of this share exchange, SBI–SEC became wholly owned by the Company.

Upon resolution and approval of the Board of Directors on 12th May, 2006, the Company accepted new shares of NEXUS CO., LTD. ("NEXUS") and acquired 30,500 shares of common stock in the aggregate amount of ¥3,498 million ($29,624 thousand). As a result, NEXUS became an affiliated company accounted for by the equity method from June 2006.

Upon resolution and approval of the Board of Directors on 30th January, 2007, the Company acquired 505 shares of common stock of CEM Corporation ("CEM") in the aggregate amount of ¥2,967 million ($25,129 thousand) on 16th February, 2007. In addition, the Company's consolidated subsidiary, SBI Value Up Fund No. 1 Limited partnership acquired 1,276 shares of common stock of CEM in the aggregate amount of ¥7,498 million ($63,498 thousand) on the same day. As a result, CEM became a consolidated subsidiary of the Company from February 2007.

**b. *Business Combination* —** In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations," and on 27th December, 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Separations" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Separations." These new accounting pronouncements are effective for fiscal years beginning on or after 1st April, 2006.

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting–of–interests.

For business combinations that do not meet the uniting–of–interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

**c. *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.

**d. *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, with 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 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.

Prior to the adoption of PITF No. 20, investments in funds were accounted for as either operational investment securities or investment securities on the consolidated balance sheet according to SBI's percentage shares in the contributed capital.

Upon the adoption of PITF No. 20, the investments in funds, which are determined as subsidiaries under PITF No. 20 but are decided not to be consolidated, are accounted for as investments in unconsolidated subsidiaries and affiliated companies on the consolidated balance sheet. Those not classified as subsidiaries under PITF No. 20 are treated in the same manner followed prior to the adoption of PITF No. 20 as discussed in the previous paragraph.

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 |

**e. *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.

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

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

**h. *Property and Equipment* —** Property and equipment are stated at cost less accumulated depreciation. Depreciation of property and equipment of the Company and its consolidated domestic subsidiaries is computed by using the declining–balance method over the estimated useful lives of assets, while the straight–line method is applied to buildings acquired after 1st April, 1998 and the property and equipment of consolidated foreign subsidiaries. The range of useful lives is principally from 3 to 50 years for buildings and leasehold improvements and from 2 to 20 years for furniture and equipment.

**i. *Long–lived Assets* —** In August 2002, the BAC issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the ASBJ issued ASBJ Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements were 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 Company and domestic subsidiaries (together, the "Group") adopted the new accounting standard for impairment of fixed assets as of 1st April, 2005.

The Group reviews its long–lived assets for impairment whenever events or changes in circumstance indicate 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.

**j. *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 as lessor accounting treatment. 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 as lessor accounting treatment. Amortisation is computed by using the straight–line method over the lease term.

**k. *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.

**l. *Other Assets* —** Stock issuance costs are amortised by the straight–line method over 3 years. Bond issuance costs which were incurred prior to 1st May, 2006 are amortised by the straight–line method over 3 years. Bond issuance costs which were incurred on or after 1st May, 2006 are amortised by the straight–line method over the bond term in accordance with ASBJ PITF No. 19, "Tentative Solution on Accounting for Deferred Assets," which was issued by the ASBJ on 11th August, 2006 and is effective for fiscal years ending on or after 1st May, 2006. Intangible assets are amortised by using straight–line method.

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

**n. *Allowance for Compensation for Completed Construction Projects* —** The allowance for compensation for completed construction projects included in other current liabilities is provided at an estimated amount of possible compensation for the contract amount of the Company's certain subsidiary's construction project completed in each fiscal year.

**o. *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.

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

**q. *Stock Options —*** On 27th December, 2005, the ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after 1st May, 2006. This standard requires companies to recognise compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non–employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity–settled, share–based payment transactions, but does not cover cash–settled, share–based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.
SBI applied the new accounting standard for stock options to those granted on and after 1st May, 2006. The effect of adoption of this accounting standard for the year ended 31st March, 2007 was immaterial.

**r. *Presentation of Equity —*** On 9th December, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after 1st May, 2006. The consolidated balance sheet as of 31st March, 2007 is presented in line with this new accounting standard.

**s. *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, 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 construction projects —*** Revenue from long–term construction projects whose contract amounts are not less than ¥300 million ($2,540 thousand) and whose contract periods are beyond 1 year are recorded on percentage–of–completion method while construction projects other than aforementioned are recorded on completed–contract method.
***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 on the trading date.
***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. During the development project, interest expense related to long–term and large–scale real estate developments are included in the acquisition cost of the real estate inventory.

**t. *Bonuses to Directors and Corporate Auditors —*** Prior to the fiscal year ended 31st March, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general shareholders meeting. The ASBJ issued ASBJ PITF No. 13, "Accounting Treatment for Bonuses to Directors and Corporate Auditors," which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on 29th November, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after 1st May, 2006. The companies must accrue bonuses to directors and corporate auditors at the year end to which such bonuses are attributable.

The Company adopted the new accounting standard for bonuses to directors and corporate auditors in the year ended 31st March, 2007. The effect of adoption of this accounting standard was to decrease income before income taxes and minority interests for the year ended 31st March, 2007 by ¥865 million ($7,329 thousand).

**u. *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.

**v. *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.

**w. *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.

**x. *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 equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of equity, except for the portion pertaining to minority shareholders, which is included in "Minority interests." Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

**y. *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, with gains or losses 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 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.

**z. *Appropriation of Retained Earnings —*** Appropriations of retained earnings are reflected in the accompanying consolidated statements of changes in equity for the following year upon shareholders' approval.

**aa. *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.

**ab. *New Accounting Pronouncements***

***Measurement of Inventories —*** Under Japanese GAAP, inventories are currently measured either by the cost method, or at the lower of cost or market. On 5th July, 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories,"which is effective for fiscal years beginning on or after 1st April, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

***Lease Accounting —*** On 30th March, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the existing accounting standard for lease transactions issued on 17th June, 1993.

*Lessee*

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalised, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalised" information is disclosed in the note to the lessee's financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalised as lease assets and lease obligations.

*Lessor*

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalised, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalised" information is disclosed in the note to the lessor's financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalised as lease receivables or investments in lease.

The revised accounting standard for lease transactions is effective for fiscal years beginning on or after 1st April, 2008 with early adoption permitted for fiscal years beginning on or after 1st April, 2007.

***Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements —*** Under Japanese GAAP, a company currently can use the financial statements of foreign subsidiaries which are prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On 17th May, 2006, the ASBJ issued ASBJ PITF No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." The new task force prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material;

(1) Amortisation of goodwill
(2) Actuarial gains and losses of defined benefit plans recognised outside profit or loss
(3) Capitalisation of intangible assets arising from development phases
(4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
(5) Retrospective application when accounting policies are changed
(6) Accounting for net income attributable to a minority interest

The new task force is effective for fiscal years beginning on or after 1st April, 2008 with early adoption permitted.

## 3. SEGREGATED ASSETS

At 31st March, 2006 and 2007, assets required to be segregated in certain financial institutions according to the Commodities Exchange Law were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 31st March | | 31st March, 2007 |
| | 2006 | 2007 | |
| Cash required to be segregated under regulations | ¥ 300 | ¥ 200 | $ 1,694 |

At 31st March, 2006 and 2007, assets which belonged to assignors of customers' deposits as collateral for commodity futures and were segregated in conformity with the Commodities Exchange Law were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 31st March | | 31st March, 2007 |
| | 2006 | 2007 | |
| Cash required to be segregated under regulations | ¥ 6,519 | ¥ 7,518 | $ 63,667 |

## 4. REAL ESTATE INVENTORY

Real estate inventory at 31st March, 2006 and 2007 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 31st March | | 31st March, 2007 |
| | 2006 | 2007 | |
| Real estate for sale | ¥ 7,062 | ¥ 7,151 | $ 60,556 |
| Real estate for sale in progress | | 4,532 | 38,376 |
| Real estate for developing | 2,275 | 17,572 | 148,800 |
| Beneficial interest of real estate investment trust | 16,996 | 6,617 | 56,040 |
| Total | ¥ 26,333 | ¥ 35,872 | $ 303,772 |

## 5. OPERATIONAL INVESTMENT SECURITIES AND INVESTMENT SECURITIES

Operational investment securities and investment securities at 31st March, 2006 and 2007 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 31st March | | 31st March, 2007 |
| | 2006 | 2007 | |
| Current (operational investment securities): | | | |
| Marketable equity securities | ¥ 1,820 | ¥ 8,460 | $ 71,646 |
| Non–marketable equity securities | 6,552 | 77,647 | 657,524 |
| Corporate bonds | 336 | | |
| Investment in funds | 52,960 | 13,807 | 116,918 |
| Others | | 689 | 5,833 |
| Total | ¥ 61,668 | ¥ 100,603 | $ 851,921 |
| Non–current (investment securities): | | | |
| Marketable equity securities | ¥ 17,682 | ¥ 14,832 | $ 125,598 |
| Non–marketable equity securities | 2,142 | 1,785 | 15,114 |
| Investment in funds | 5,667 | 6,009 | 50,884 |
| Government bonds | 15 | 15 | 124 |
| Corporate bonds | 2,000 | 2,000 | 16,936 |
| Trust fund investment | 621 | 622 | 5,269 |
| Others | | 136 | 1,154 |
| Total | ¥ 28,127 | ¥ 25,399 | $ 215,079 |

The carrying amounts and aggregate fair values of operational investment securities and investment securities at 31st March, 2006 and 2007 were as follows:

| | Millions of Yen | | | |
|---|---|---|---|---|
| | Cost | Unrealised Gains | Unrealised Losses | Fair Value |
| 31st March, 2006 | | | | |
| Securities classified as available–for–sale: | | | | |
| Equity securities | ¥ 14,568 | ¥ 5,248 | ¥ 314 | ¥ 19,502 |
| Government bonds | 10 | | 1 | 9 |
| Trust funds investments | 605 | 17 | 1 | 621 |
| 31st March, 2007 | | | | |
| Securities classified as available-for-sale: | | | | |
| Equity securities | ¥ 16,678 | ¥ 7,246 | ¥ 632 | ¥ 23,292 |
| Government bonds | 10 | | | 10 |
| Trust funds investments | 606 | 22 | 6 | 622 |
| Others | 1,317 | 28 | 555 | 790 |

| | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|
| | Cost | Unrealised Gains | Unrealised Losses | Fair Value |
| 31st March, 2007 | | | | |
| Securities classified as available–for–sale: | | | | |
| Equity securities | $ 141,230 | $ 61,365 | $ 5,351 | $ 197,244 |
| Government bonds | 84 | | 1 | 83 |
| Trust funds investments | 5,132 | 184 | 47 | 5,269 |
| Others | 11,154 | 234 | 4,704 | 6,684 |

Available–for–sale securities whose fair value is not readily determinable as at 31st March, 2006 and 2007 were as follows:

| | Carrying Amount | | |
|---|---|---|---|
| | Millions of Yen | | Thousands of U.S. Dollars |
| | 31st March | | 31st March, 2007 |
| | 2006 | 2007 | |
| Available–for–sale: | | | |
| Equity securities | ¥ 8,694 | ¥ 79,432 | $ 672,638 |
| Investment in funds | 58,627 | 19,816 | 167,802 |
| Debt securities and other | 2,342 | 2,040 | 17,280 |
| Total | ¥ 69,663 | ¥ 101,288 | $ 857,720 |

Proceeds from sales of available–for–sale securities for the years ended 31st March, 2006 and 2007 were ¥22,822 million and ¥24,747 million ($209,563 thousand), respectively. Gross realised gains and losses on these sales, computed on the moving average cost basis, were ¥6,489 million and ¥192 million, respectively, for the year ended 31st March, 2006 and ¥8,024 million ($67,946 thousand) and ¥6,358 million ($53,838 thousand), respectively, for the year ended 31st March, 2007.

The carrying values of debt securities by contractual maturities for securities classified as available–for–sale at 31st March, 2007 are as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Due after one year through five years | ¥ 2,005 | $ 16,977 |
| Due after five years through ten years | 10 | 85 |

Due to the change in the purpose of holding securities, available–for–sale equity securities in the aggregate amount of ¥5,298 million were reclassified from operational investment securities into investments in subsidiaries and affiliated companies for the year ended 31st March, 2006. In addition, investments securities in subsidiaries and affiliated companies were reclassified into available–for–sale equity securities in the aggregate amount of ¥139 million for the year ended 31st March, 2006.

Securities whose fair value declines below 50 percent of the acquisition cost are deemed to be other than temporary declines and are reduced to net realisable value by a charge to income. In the case where the fair value of securities declines by 30 to 50 percent, impairment losses will be recognised, if necessary, considering the possibility of market value recovery or other factors. For the years ended 31st March, 2006 and 2007, the impairment losses were recorded in the aggregate amount of ¥1 million and ¥8,812 million ($74,625 thousand), respectively. The impairment losses for operating investments are included in operating costs. Please refer to Note 22, "Operating Costs" of these consolidated financial statements.

At 31st March, 2006 and 2007, investments in funds consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 31st March | | 31st March, 2007 |
| | 2006 | 2007 | |
| SOFTBANK INTERNET TECHNOLOGY FUND No. 1 | ¥ 13,930 | | |
| SOFTBANK INTERNET TECHNOLOGY FUND No. 2 | 13,141 | | |
| SOFTBANK INTERNET TECHNOLOGY FUND No. 3 | 1,787 | ¥ 747 | $ 6,322 |
| SOFTBANK INTERNET FUND | 1,123 | | |
| SBI·LBO·FUND No. 1 | 2,434 | | |
| RESTRUCTURING Fund No. 1 | 3,488 | | |
| SBI Mezzanine Fund No. 1 | 2,485 | | |
| SBI BB Media Fund | 1,898 | 1,855 | 15,707 |
| BIOVISION Life Science Fund I | 2,232 | | |
| NEW HORIZON FUND, L.P. | | 8,771 | 74,273 |
| Other funds | 16,109 | 8,443 | 71,500 |
| Total | ¥ 58,627 | ¥ 19,816 | $ 167,802 |

## 6. TRADING ASSETS AND LIABILITIES

At 31st March, 2006 and 2007, trading assets and liabilities consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 31st March | | 31st March, 2007 |
| | 2006 | 2007 | |
| Trading assets: | | | |
| Equity securities | ¥ 93 | ¥ 30 | $ 250 |
| Debt securities | 2,888 | 4,167 | 35,288 |
| Derivatives | 4 | 27 | 232 |
| Others | 108 | 105 | 888 |
| Total | ¥ 3,093 | ¥ 4,329 | $ 36,658 |
| Trading liabilities: | | | |
| Equity securities | ¥ 7 | | |
| Derivatives | 19 | ¥ 3 | $ 21 |
| Total | ¥ 26 | ¥ 3 | $ 21 |

## 7. SECURITIES DEPOSITED AND RECEIVED

Fair value of the securities deposited by SBI in securities–related businesses at 31st March, 2006 and 2007 was as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 31st March | | 31st March, 2007 |
| | 2006 | 2007 | |
| Securities loaned on margin transactions | ¥ 68,596 | ¥ 65,389 | $ 553,719 |
| Securities pledged for loans payable for margin transactions | 313,451 | 229,877 | 1,946,624 |
| Securities sold in resell agreement transactions | 1,211 | | |
| Substitute securities for guarantee money paid | 161,916 | 101,018 | 855,436 |
| Securities loaned under agreement | 53,796 | 54,747 | 463,602 |
| Others | 907 | 1,681 | 14,235 |

Fair value of the securities received by SBI in securities–related businesses at 31st March, 2006 and 2007 was as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 31st March | | 31st March, 2007 |
| | 2006 | 2007 | |
| Securities pledged for loans receivable for margin transactions | ¥ 551,701 | ¥ 458,785 | $ 3,885,041 |
| Securities borrowed on margin transactions | 18,746 | 11,250 | 95,268 |
| Securities purchased on repurchase agreement transactions | | 15,976 | 135,285 |
| Substitute securities for guarantee money received, which were agreed on using as collateral for other transactions | 313,503 | 278,205 | 2,355,871 |
| Substitute securities for guarantee money received on futures | 213 | 360 | 3,045 |
| Others | 154 | 39 | 333 |

## 8. DEPOSITARY ASSETS

In substitution for transactional margin deposits, SBI sets aside to Japan Commodity Clearing House Co., Ltd. in custody securities in the aggregate amount of ¥625 million and ¥448 million ($3,976 thousand) as at 31st March, 2006 and 2007, respectively, and to fiduciary agents securities in custody in the aggregate amount of ¥4 million and ¥4 million ($35 thousand) as at 31st March, 2006 and 2007, 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.

## 9. PROPERTY AND EQUIPMENT

Property and equipment at 31st March, 2006 and 2007 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 31st March | | 31st March, 2007 |
| | 2006 | 2007 | |
| Land | ¥ 1,403 | ¥ 887 | $ 7,510 |
| Buildings and leasehold improvements | 3,567 | 3,871 | 32,777 |
| Furniture and equipment | 3,954 | 4,716 | 39,941 |
| Others | 21 | 46 | 389 |
| Total | 8,945 | 9,520 | 80,617 |
| Less accumulated depreciation | (4,801) | (4,918) | (41,644) |
| Property and equipment–net | ¥ 4,144 | ¥ 4,602 | $ 38,973 |

## 10. LONG–LIVED ASSETS

SBI recognised an impairment loss of ¥273 million for the year ended 31st March, 2006 which consists of the following assets held by the Company's certain consolidated subsidiary.

The certain subsidiary has grouped its long–lived assets depending on sales branches which are the minimum unit for management accounting. Corporate dormitory and welfare provisions are classified as common use assets while head office is grouped separately as it was determined to be moved.

The carrying amounts of the assets of head office in Tokyo were reduced to recoverable amounts, which were determined based on the net selling price as it was to be moved. As a result, the reduced amount of ¥261 million was recorded as an impairment loss for the year ended 31st March, 2006. The abovementioned impairment loss consisted of the following:

| | Millions of Yen |
|---|---|
| Buildings | ¥ 136 |
| Furniture and equipment | 11 |
| Leasehold | 114 |
| Total | ¥ 261 |

The carrying amounts of the assets of sales branch in Hiratsuka were reduced to recoverable amounts, which were appraised at zero as it was determined to be moved and scrapped. As a result, the reduced amount of ¥7 million was recorded as an impairment loss for the year ended 31st March, 2006. The abovementioned impairment loss consisted of the following:

| | Millions of Yen |
|---|---|
| Buildings | ¥ 6 |
| Furniture and equipment | 1 |
| Total | ¥ 7 |

The carrying amounts of the assets of sales branch in Nagoya were reduced to recoverable amounts, which were determined based on value in use, the sum of the net projected future cash flows discounted at a rate of 9.3 percent due to decrease of operating revenues. As a result, the reduced amount of ¥5 million is recorded as an impairment loss for the year ended 31st March, 2006. The abovementioned impairment loss consisted of the following:

| | Millions of Yen |
|---|---|
| Buildings | ¥ 4 |
| Furniture and equipment | 1 |
| Total | ¥ 5 |

SBI recognised an impairment loss of ¥53 million ($445 thousand) for the year ended 31st March, 2007 which consists of the assets held by ETS and its consolidated subsidiaries and those held by SBI–SEC.

ETS and its subsidiaries have identified five groups of assets for their periodic review purposes, which are (1) fixed assets owned for securities business run by the head office and Kumagai branch, (2) lease properties in Hanyu city, (3) fixed assets held by ETS's consolidated subsidiaries for their operation of asset management service for corporate defined contribution pension plan for corporations, (4) fixed assets held by ETS's consolidated subsidiaries for their operation of asset management service for individual defined contribution pension plan, and (5) fixed assets owned for securities business run by ETS's subsidiaries in Korea.

The value of the aforementioned lease properties in Hanyu city was found significantly impaired reflecting the continuously falling land prices. Accordingly, the carrying amounts of these leased properties were reduced to recoverable amounts, which were determined based on the assessment value for property tax. As a result, the reduced amount of ¥43 million ($357 thousand) was recorded as an impairment loss for the relevant land for the year ended 31st March, 2007.

SBI–SEC has grouped its long–lived assets depending on sales branches which are the minimum unit for management accounting with its head office, corporate dormitory and welfare facilities being classified as common use assets.

The carrying amounts of the assets of sales branch in Itami city were reduced to recoverable amounts as the branch had been determined to be relocated. The recoverable amounts were determined based on net realisable values, which were nil as the relevant assets were to be scrapped. As a result, the reduced amount of ¥7 million ($61 thousand) was recorded as an impairment loss for the year ended 31st March, 2007. The abovementioned impairment loss consisted of the following:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Buildings | ¥ 7 | $ 60 |
| Furniture and equipment | | 1 |
| Total | ¥ 7 | $ 61 |

Similarly, the carrying amounts of sales branch in Tama city were reduced to recoverable amounts which were nil as the branch was determined to be relocated and the relevant assets were to be scrapped. As a result, the reduced amount of ¥3 million ($27 thousand) was recorded as an impairment loss for the year ended 31st March, 2007.

The abovementioned impairment loss consisted of the following:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Buildings | ¥ 2 | $ 16 |
| Furniture and equipment | 1 | 11 |
| Total | ¥ 3 | $ 27 |

## 11. LEASED ASSETS

Leased assets at 31st March, 2006 and 2007 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 31st March | | 31st March, 2007 |
| | 2006 | 2007 | |
| Furniture and equipment | ¥ 21,932 | ¥ 22,494 | $ 190,484 |
| Software | 1,853 | 1,867 | 15,807 |
| Total | 23,785 | 24,361 | 206,291 |
| Less accumulated depreciation | (12,560) | (14,325) | (121,305) |
| Leased assets—net | ¥ 11,225 | ¥ 10,036 | $ 84,986 |

Rental income and depreciation expense were ¥4,792 million and ¥4,183 million, respectively, for the year ended 31st March, 2006 and ¥4,698 million ($39,782 thousand) and ¥4,103 million ($34,742 thousand), respectively, for the year ended 31st March, 2007.

The minimum future rentals on noncancellable operating lease contracts at 31st March, 2006 and 2007 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 31st March | | 31st March, 2007 |
| | 2006 | 2007 | |
| Due within one year | ¥ 137 | ¥ 82 | $ 697 |
| Due after one year | 93 | 79 | 669 |
| Total | ¥ 230 | ¥ 161 | $ 1,366 |

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, 2006 and 2007 were 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, 2007 |
| | 2006 | 2007 | |
| Due within one year | ¥ 5,037 | ¥ 3,313 | $ 28,056 |
| Due after one year | 15,628 | 15,198 | 128,697 |
| Total | ¥ 20,665 | ¥ 18,511 | $ 156,753 |

Interest income under finance leases:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 31st March | | 31st March, 2007 |
| | 2006 | 2007 | |
| Interest income | ¥ 592 | ¥ 517 | $ 4,382 |

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

## 12. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATED COMPANIES

Investments in unconsolidated subsidiaries and affiliated companies consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 31st March | | 31st March, 2007 |
| | 2006 | 2007 | |
| Common stock of unconsolidated subsidiaries | ¥ 3,688 | ¥ 10,230 | $ 86,626 |
| Common stock of affiliated companies | 19,846 | 23,919 | 202,551 |
| Unconsolidated investments in fund | | 20,262 | 171,583 |
| Total | ¥ 23,534 | ¥ 54,411 | $ 460,760 |

## 13. SHORT–TERM BORROWINGS AND LONG–TERM DEBT

Short–term borrowings at 31st March, 2006 and 2007 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 31st March | | 31st March, 2007 |
| | 2006 | 2007 | |
| Short-term borrowings: | | | |
| From banks, 1.11 to 1.69 percent in 2006 and 1.38 to 2.21 percent in 2007 | ¥ 7,100 | ¥ 51,580 | $ 436,785 |
| From other, 0.20 to 5.25 percent in 2006 and 0.80 to 5.7 percent in 2007 | 4,298 | 4,562 | 38,632 |
| Total | ¥ 11,398 | ¥ 56,142 | $ 475,417 |

Weighted average interest rates of loans payable for margin transactions and loans payable for repurchase agreement transactions were 0.63 percent and 0.60 percent, respectively, for the year ended 31st March, 2006. Weighted average interest rate of loans payable for margin transactions was 1.03 percent for the year ended 31st March, 2007.

Long–term debt at 31st March, 2006 and 2007 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 31st March | | 31st March, 2007 |
| | 2006 | 2007 | |
| Zero coupon unsecured Japanese yen convertible bonds with warrants due November 2008 | ¥ 5,940 | ¥ 5,940 | $ 50,301 |
| Zero coupon unsecured Japanese yen convertible bonds with warrants due April 2009 | 12,770 | 12,770 | 108,138 |
| Unsecured Japanese yen bonds with a fixed interest rate of 1.23 percent | 50,000 | 50,000 | 423,406 |
| Unsecured Japanese yen bonds with a fixed interest rate of 1.24 percent | 50,000 | 50,000 | 423,406 |
| Unsecured Japanese yen bonds with a fixed interest rate of 2 percent | 1,400 | 1,400 | 11,855 |
| Unsecured Japanese yen bonds with a fixed interest rate of 2.08 percent | | 30,000 | 254,044 |
| Secured Japanese yen bonds with a fixed interest rate of 2.08 percent | | 300 | 2,540 |
| Unsecured loans from financial institutions, due serially through March 2012 with aweighted average floating interest rate of 0.40 percent in 2006 and 1.28 percent in 2007 and a weighted average fixed interest rate of 1.83 percent in 2006 and 2.15 percent in 2007 | 33,200 | 34,365 | 291,006 |
| Total | 153,310 | 184,775 | 1,564,696 |
| Less current portion | (900) | (25,172) | (213,162) |
| Long–term debt, less current portion | ¥ 152,410 | ¥ 159,603 | $ 1,351,534 |

Annual maturities of long–term debt as at 31st March, 2007 for the next five years were as follows:

| Year Ending 31st March | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| 2008 | ¥ 25,172 | $ 213,162 |
| 2009 | 111,582 | 944,886 |
| 2010 | 43,845 | 371,282 |
| 2011 | 2,026 | 17,160 |
| 2012 | 2,150 | 18,206 |
| Total | ¥ 184,775 | $ 1,564,696 |

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 ($325.90) per share as at 31st March, 2007. 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 remaining number of the warrants and number of shares to be issued upon exercise of the warrants are 594 warrants and 154,350 shares, respectively, as at 31st March, 2007.

On 8th April, 2004, the Company issued ¥20,000 million 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 ¥39,438.50 ($333.97) per share as at 31st March, 2007. 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 remaining number of the warrants and number of shares to be issued upon exercise of the warrants are 1,277 warrants and 323,803 shares, respectively, as at 31st March, 2007.

On 13th September, 2005, the Company issued ¥42,000 million of unsecured Japanese yen straight bonds with a fixed rate of 1.23 percent. The bonds are due 29th September, 2008.

On 11th October, 2005, the Company issued ¥8,000 million of unsecured Japanese yen straight bonds with a fixed rate of 1.23 percent. The bonds are due 29th September, 2008.

On 10th March, 2006, ETS, the Company's subsidiary, issued ¥50,000 million of unsecured Japanese yen straight bonds with a fixed rate of 1.24 percent. The bonds are due 10th March, 2009.

On 25th September, 2006, the Company issued ¥30,000 million ($254,044 thousand) of unsecured Japanese yen straight bonds with a fixed rate of 2.08 percent. The bonds are due 25th September, 2009.

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 stockbased incentive compensation. At 31st March, 2007, these warrants were included in other current liabilities.

Exercise prices and exercise periods of warrants outstanding at 31st March, 2007 were as follows:

| Exercise Period | | Per Share Exercise Price | | Number of Common Stock to Purchase |
|---|---|---|---|---|
| From | To | Yen | U.S. Dollars | |
| 1st April, 2003 | 31st March, 2008 | ¥ 2,083.30 | $ 17.64 | 18,792.25 |
| 1st April, 2003 | 31st March, 2008 | 25,464.90 | 215.64 | 3,952.02 |
| 1st October, 2003 | 30th September, 2008 | 25,464.90 | 215.64 | 581.10 |
| | | | | 23,325.37 |

The Company took over the warrants issued by E*TRADE Japan K.K. ("ETJ") due to the merger on 2nd June, 2003. Exercise prices and exercise periods of these warrants outstanding at 31st March, 2007 were as follows:

| Exercise Period | | Per Share Exercise Price | | Number of Common Stock to Purchase |
|---|---|---|---|---|
| From | To | Yen | U.S. Dollars | |
| 1st April, 2003 | 28th March, 2008 | ¥ 1,910.70 | $ 16.18 | 10,953.82 |
| 12th June, 2003 | 28th March, 2008 | 2,116.40 | 17.92 | 2,959.74 |
| | | | | 13,913.56 |

The Company took over the warrants issued by FAC due to the merger on 1st March, 2006. Exercise prices and exercise periods of these warrants outstanding at 31st March, 2007 were as follows:

| Exercise Period | | Per Share Exercise Price | | Number of Common Stock to Purchase |
|---|---|---|---|---|
| From | To | Yen | U.S. Dollars | |
| 1st April, 2002 | 28th March, 2009 | ¥ 4,464.00 | $ 37.80 | 6,331 |

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 ¥138,600 million ($1,173,685 thousand) available for working capital use, ¥91,014 million ($770,721 thousand) of which was unused at 31st March, 2007.

## 14. PLEDGED ASSETS

The carrying amounts of assets pledged as collateral for short–term borrowings of ¥2,140 million and ¥10,827 million ($91,684 thousand) at 31st March, 2006 and 2007 and for long–term debt, including bonds of ¥11,700 million and ¥9,385 million ($79,473 thousand) at 31st March, 2006 and 2007 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 31st March | | 31st March, 2007 |
| | 2006 | 2007 | |
| Cash and cash equivalents | ¥ 40 | ¥ 94 | $ 793 |
| Real estate inventory | 19,266 | 8,504 | 72,017 |
| Operational loans receivable | | 15,326 | 129,781 |
| Notes and accounts receivable–trade | | 1,581 | 13,391 |
| Total | ¥ 19,306 | ¥ 25,505 | $ 215,982 |

Securities received as collateral for financing from broker's own capital of ¥801 million and ¥792 million ($6,705 thousand) were pledged as collateral for short–term bank loans at 31st March, 2006 and 2007, respectively.

Securities received as collateral for financing from broker's own capital of ¥19,392 million and ¥19,709 million ($166,899 thousand) were pledged as collateral for loans payable for margin transactions at 31st March, 2006 and 2007, respectively. Substitute securities for guarantee money received from customers of ¥17,487 million and ¥12,019 million ($101,782 thousand) were also pledged as collateral for loans payable for margin transactions at 31st March, 2006 and 2007, respectively.

Substitute securities for guarantee money received from customers of ¥213 million and ¥360 million ($3,045 thousand) and securities received as collateral for financing from broker's own capital of ¥18 million and ¥21 million ($175 thousand) were pledged as collateral for substitute securities for trade margin on futures at 31st March, 2006 and 2007, respectively.

Securities received as collateral for financing from broker's own capital of ¥25 million and nil were pledged as collateral for substitute securities for guarantee money for when–issued transactions at 31st March, 2006 and 2007, respectively.

## 15. UNEARNED INCOME

Unearned income at 31st March, 2006 and 2007 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 31st March | | 31st March, 2007 |
| | 2006 | 2007 | |
| SOFTBANK INTERNET TECHNOLOGY FUND No. 1 | ¥ 71 | | |
| SOFTBANK INTERNET TECHNOLOGY FUND No. 2 | 684 | | |
| SOFTBANK INTERNET TECHNOLOGY FUND No. 3 | 34 | ¥ 14 | $ 120 |
| SOFTBANK INTERNET FUND | 291 | | |
| SBI·LBO·FUND No. 1 | 12 | | |
| RESTRUCTURING Fund No. 1 | 36 | | |
| SBI BB Media Fund | 472 | 473 | 4,001 |
| SBI Broadband Fund No. 1 | 258 | 258 | 2,181 |
| BIOVISION Life Science Fund I | 88 | 88 | 749 |
| SBI BB Mobile Fund | | 759 | 6,431 |
| SOFTBANK CONTENTS FUND | 212 | | |
| SBI Bio Life Science Investment LPS. | 133 | 133 | 1,123 |
| SBI BROADBAND CAPITAL K.K. | 262 | 247 | 2,093 |
| Advance received from customer for lease | 211 | | |
| Others | 907 | 1,058 | 8,959 |
| Total | ¥ 3,671 | ¥ 3,030 | $ 25,657 |

## 16. 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.

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 the rate of pay at the time of termination, years 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, 2006 and 2007, fair value of plan assets under the contributory funded defined benefit pension plan managed by Kanto IT Software Health Insurance Society was ¥721 million and ¥1,038 million ($8,792 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, 2006 and 2007, 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 ¥319 million and ¥381 million ($3,222 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, 2006 and 2007 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 31st March | | 31st March, 2007 |
| | 2006 | 2007 | |
| Projected benefit obligation | ¥ 139 | ¥ 150 | $ 1,272 |
| Fair value of plan assets | (143) | (135) | (1,139) |
| Prepaid pension costs | 4 | | |
| Net liability | | ¥ 15 | $ 133 |

Other than the liability mentioned above, the liability for employees' retirement benefit of a foreign consolidated subsidiary in the aggregate amount of ¥26 million was included in the SBI's liability for employee's retirement benefit at 31st March, 2006.

The components of net periodic benefit costs for the years ended 31st March, 2006 and 2007 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | Year Ended 31st March | | Year Ended 31st March, 2007 |
| | 2006 | 2007 | |
| Service cost | ¥ 123 | ¥ 155 | $ 1,309 |
| Interest cost | 18 | | |
| Expected return on plan assets | (12) | | |
| Recognised actuarial loss | 14 | | |
| Net periodic benefit costs | 143 | 155 | 1,309 |
| Contributions to the defined contribution pension plan and advance retirement payments | 178 | 208 | 1,763 |
| Total | ¥ 321 | ¥ 363 | $ 3,072 |

The service cost mentioned above included contributions to the contributory funded defined benefit pension plan managed by Kanto IT Software Health Insurance Society in the aggregate amount of ¥70 million and ¥90 million ($759 thousand) for the years ended 31st March, 2006 and 2007, 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 ¥10 million and ¥8 million ($72 thousand) for the years ended 31st March, 2006 and 2007, respectively.

Other than the costs mentioned above, SBI accounted for the benefit costs in the aggregate amount of ¥40 million which was incurred by a foreign consolidated subsidiary for the year ended 31st March, 2006.

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.

A certain domestic consolidated subsidiary which had applied the principal accounting treatment for computation of projected benefit obligation under Japanese GAAP ("the principal method") was excluded from consolidation scope at the end of August 2005. Consequently all consolidated subsidiaries have applied the simplified method for computation of projected benefit obligation from September 2005. The net periodic benefit costs under the principal method were included in service cost from April 2005 to August 2005.

## 17. RETIREMENT ALLOWANCE FOR DIRECTORS

Retirement allowance for directors is paid subject to approval of the shareholders in accordance with a new corporate law of Japan (the "Corporate Law").

A certain subsidiary recorded liabilities of ¥7 million and ¥0 million ($6 thousand) for its unfunded retirement allowance plan covering all of their directors at 31st March, 2006 and 2007, respectively, which was included in other longterm liabilities.

## 18. STATUTORY RESERVES

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

## 19. EQUITY

On and after 1st May, 2006, Japanese companies are subject to the Corporate Law, which reformed and replaced the Commercial Code of Japan with various revisions that are, for the most part, applicable to events or transactions which occur on or after 1st May, 2006 and for the fiscal years ending on or after 1st May, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarised below:

**a. Dividends**

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year–end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Corporate Law permits companies to distribute dividends–in–kind (non–cash assets) to shareholders subject to a certain limitation and additional requirements.

Semi–annual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

**b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus**

The Corporate Law requires that an amount equal to 10 percent of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid–in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid–in capital equals 25 percent of the common stock. Under the Corporate Law, the total amount of additional paid–in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid–in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

**c. Treasury Stock and Treasury Stock Acquisition Rights**

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

Upon resolution and approval of the Board of Directors on 2nd September, 2005, the Company issued 347,861 new shares of common stock through private placement on 29th September, 2005. The Company's common stock and capital surplus each increased by ¥6,448 million.

Upon resolution and approval of the Board of Directors on 25th October, 2005, the Company issued 134,000 new shares of common stock through private placement on 16th November, 2005. The Company's common stock and capital surplus each increased by ¥3,479 million.

Upon resolution and approval of the Board of Directors meeting held on 13th October, 2005, to own SBI–CAPITAL wholly, the Company issued 49,259 shares of its common stock to SBI–CAPITAL's shareholders listed in shareholder list as at 30th November, 2005 at an exchange ratio of 3.01 shares for each outstanding share of SBI–CAPITAL's common stock on 1st December, 2005. Dividends for newly issued shares in relation to this exchange of shares were computed from 1st October, 2005. As a result, the Company's capital surplus increased by ¥2,267 million.

Upon resolution and approval of the extraordinary shareholders meeting held on 27th January, 2006, to merge with SBIP, the Company issued 842,392 shares of its common stock to SBIP's shareholders listed in shareholder list as at 28th February, 2006 at an exchange ratio of 0.05 share for each outstanding share of SBIP's common stock on 1st March, 2006. Dividends for newly issued shares in relation to this merger were computed from 1st October, 2005. As a result, the Company's capital surplus increased by ¥8,544 million.

Upon resolution and approval of the extraordinary shareholders meeting held on 27th January, 2006, to merge with FAC, the Company issued 1,234,860 shares of its common stock to FAC's shareholders listed in shareholder list as at 28th February, 2006 at an exchange ratio of 2.5 shares for each outstanding share of FAC's common stock on 1st March, 2006. Dividends for newly issued shares in relation to this merger were computed from 1st October, 2005. There was no effect on the Company's capital surplus.

Upon resolution and approval of the extraordinary shareholders meeting held on 27th January, 2006, to own SBI–SEC wholly, the Company issued 483,338 shares of its common stock to SBI–SEC's shareholders listed in shareholder list as at 28th February, 2006 at an exchange ratio of 1.15 shares for each outstanding share of SBI–SEC's common stock on 1st March, 2006. Dividends for newly issued shares in relation to this exchange of shares were computed from 1st October, 2005. As a result, the Company's capital surplus increased by ¥31,842 million.

During the year ended 31st March, 2006, the Company issued 289,889 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, the Company's common stock and capital surplus each increased by ¥2,392 million.

During the year ended 31st March, 2006, the Company issued 366,749 shares of its common stock pursuant to the exercise of warrants attached to zero coupon unsecured Japanese yen convertible bonds. As a result, the Company's common stock and capital surplus each increased by ¥7,145 million.

During the year ended 31st March, 2007, the Company issued 108,479 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, the Company's common stock and capital surplus increased by ¥685 million ($5,801 thousand) and ¥687 million ($5,813 thousand), respectively.

## 20. STOCK OPTION PLAN

Stock options outstanding as of 31st March, 2007 are as follows:

### The Company

| Stock Option | Persons Granted | Number of Options Granted | Date of Grant | Exercise Price | Exercise Period |
|---|---|---|---|---|---|
| 2001 Warrant | 118 employees | 24,120 shares | 2002.2.1 | ¥ 20,796<br>($ 176.10) | From 20th December, 2003<br>to 19th December, 2011 |
| 2002 Stock Option (1) | 9 directors<br>109 employees | 200,025 shares | 2002.12.20 | ¥ 5,984<br>($ 50.67) | From 20th December, 2004<br>to 19th December, 2012 |
| 2003 Stock Option (1) | 2 directors<br>4 employees<br>3 directors of subsidiary | 69,975 shares | 2003.9.25 | ¥ 17,879<br>($ 151.40) | From 20th December, 2004<br>to 19th December, 2012 |
| 2003 Stock Option (2) | 2 directors<br>110 employees<br>6 directors of subsidiary<br>86 employees of subsidiary | 312,750 shares | 2003.9.25 | ¥ 17,879<br>($ 151.40) | From 24th June, 2005<br>to 23rd June, 2013 |
| 2003 Stock Option (3) | 17 directors of subsidiary | 61,650 shares | 2003.10.23 | ¥ 27,655<br>($ 234.19) | From 24th June, 2005<br>to 23rd June, 2013 |
| 2005 Stock Option (1) | 7 directors<br>89 employees<br>14 directors of subsidiary<br>36 employees of subsidiary | 40,000 shares | 2005.7.28 | ¥ 35,078<br>($ 297.04) | From 28th July, 2005<br>to 29th June, 2013 |

### The Stock Option Which Was Taken Over by the Company Due to the M&A

| Stock Option | Persons Granted | Number of Options Granted | Date of Grant | Exercise Price | Exercise Period |
|---|---|---|---|---|---|
| E*TRADE Japan K.K.<br>Stock Option | 3 directors<br>20 employees<br>11 directors of its subsidiary<br>64 employees of its subsidiary | 172,481.40 shares | 2002.7.1 | ¥ 12,079<br>($ 102.29) | From 21st June, 2004<br>to 20th June, 2012 |
| Digit Brain, Inc<br>Stock Option | 5 directors<br>55 employees | 8,968 shares | 2003.7.8 | ¥ 13,000<br>($ 110.09) | From 1st January, 2004<br>to 31st December, 2006 |
| SBI HOME Planner Co., LTD.<br>2003 Stock Option | 76 employees<br>1 employee of its subsidiary | 1,130 shares | 2004.4.15 | ¥ 23,200<br>($ 196.46) | From 28th June, 2005<br>to 27th June, 2013 |
| SBI HOME Planner Co., LTD.<br>2004 Stock Option | 7 directors<br>2 employees | 1,000 shares | 2004.9.27 | ¥ 25,600<br>($ 216.78) | From 1st April, 2005<br>to 30th March, 2007 |
| SBI HOME Planner Co., LTD.<br>2004 Stock Option | 61 employees<br>2 employees of its subsidiary | 950 shares | 2004.9.29 | ¥ 25,600<br>($ 216.78) | From 2nd October, 2006<br>to 30th September, 2010 |
| SBI HOME Planner Co., LTD.<br>2004 Stock Option | 2 employees | 60 shares | 2004.10.29 | ¥ 25,600<br>($ 216.78) | From 2nd October, 2006<br>to 30th September, 2010 |
| SBI Partners Co., Inc.<br>2005 Stock Option | 5 directors<br>23 employees | 2,320 shares | 2005.11.29 | ¥ 37,060<br>($ 313.83) | From 1st December, 2005<br>to 31st October, 2013 |

| Stock Option | Persons Granted | Number of Options Granted | Date of Grant | Exercise Price | Exercise Period |
|---|---|---|---|---|---|
| FINANCE ALL CORPORATION 2002 Stock Option | 4 directors<br>6 employees<br>5 directors of its subsidiary<br>31 employees of its subsidiary | 44,880 shares | 2002.9.25 | ¥ 4,465<br>($ 37.81) | From 25th September, 2004 to 24th September, 2012 |
| FINANCE ALL CORPORATION 2003 Stock Option | 4 directors<br>24 employees<br>4 directors of its subsidiary<br>18 employees of its subsidiary | 55,040 shares | 2003.8.2 | ¥ 4,465<br>($ 37.81) | From 2nd August, 2005 to 1st August, 2013 |
| SOFTBANK FRONTIER SECURITIES CO., LTD. 2002 Stock Option | 4 directors<br>10 employees | 8,216.00 shares | 2003.1.29 | ¥ 7,740<br>($ 65.54) | From 19th June, 2004 to 18th June, 2008 |
| WORLD NICHIEI Securities Co., LTD. 2003 Stock Option | 5 directors<br>6 employees | 4,933.50 shares | 2003.7.15 | ¥ 17,392<br>($ 147.28) | From 1st July, 2005 to 26th June, 2013 |
| WORLD NICHIEI FRONTIER Securities Co., LTD. 2004 Stock Option | 7 directors<br>350 employees | 34,105.55 shares | 2004.6.29 | ¥ 50,174<br>($ 424.88) | From 30th June, 2006 to 29th June, 2014 |
| WORLD NICHIEI FRONTIER Securities Co., LTD. 2004 Stock Option | 25 employees | 143.75 shares | 2004.12.22 | ¥ 31,914<br>($ 270.25) | From 30th June, 2006 to 29th June, 2014 |
| SBI Securities Co., Ltd. 2005 Stock Option | 6 directors<br>340 employees | 39,817.60 shares | 2005.7.4 | ¥ 46,957<br>($ 397.64) | From 30th June, 2007 to 29th June, 2015 |
| SOFTBANK INVESTMENT CORPORATION Warrant (3) | 8 directors<br>3 employees<br>7 directors of its subsidiary<br>2 employees of its subsidiary | 56,808.90 shares | 2000.3.7 | ¥ 2,083.30<br>($ 17.64) | From 1st April, 2002 to 31st March, 2007 |
| SOFTBANK INVESTMENT CORPORATION Warrant (4) | 8 directors<br>19 employees<br>8 directors of its subsidiary<br>6 employees of its subsidiary | 62,857.00 shares | 2000.3.7 | ¥ 2,083.30<br>($ 17.64) | From 1st April, 2003 to 31st March, 2008 |
| SOFTBANK INVESTMENT CORPORATION Warrant (7) | 2 directors<br>30 employees<br>1 director of its subsidiary | 6,916.18 shares | 2000.9.4 | ¥ 25,464.90<br>($ 215.64) | From 1st April, 2002 to 31st March, 2007 |
| SOFTBANK INVESTMENT CORPORATION Warrant (8) | 2 directors<br>42 employees<br>1 director of its subsidiary | 7,206.78 shares | 2000.9.4 | ¥ 25,464.90<br>($ 215.64) | From 1st April, 2003 to 31st March, 2008 |
| SOFTBANK INVESTMENT CORPORATION Warrant (9) | 21 employees | 1,220.50 shares | 2000.9.4 | ¥ 25,464.90<br>($ 215.64) | From 1st October, 2003 to 30th September, 2008 |

| Stock Option | Persons Granted | Number of Options Granted | Date of Grant | Exercise Price | Exercise Period |
|---|---|---|---|---|---|
| E*TRADE Japan K.K. Warrant (7)~(9) | 5 directors<br>19 employees<br>6 directors of its subsidiary<br>103 employees of its subsidiary | 51,640.75 shares | 2000.3.30 | ¥ 1,910.70<br>($ 16.18) | From 1st April, 2002<br>to 28th March, 2007 |
| E*TRADE Japan K.K. Warrant (10)~(12) | 5 directors<br>20 employees<br>6 directors of its subsidiary<br>109 employees of its subsidiary | 53,511.79 shares | 2000.3.30 | ¥ 1,910.70<br>($ 16.18) | From 1st April, 2003<br>to 28th March, 2008 |
| E*TRADE Japan K.K. Warrant (15) | 1 director<br>6 employees<br>1 director of its subsidiary<br>16 employees of its subsidiary | 4,014.36 shares | 2000.6.8 | ¥ 2,116.40<br>($ 17.92) | From 12th June, 2002<br>to 28th March, 2007 |
| E*TRADE Japan K.K. Warrant (16) | 1 director<br>7 employees<br>1 director of its subsidiary<br>16 employees of its subsidiary | 4,014.36 shares | 2000.6.8 | ¥ 2,116.40<br>($ 17.92) | From 12th June, 2003<br>to 28th March, 2008 |
| FINANCE ALL CORPORATION Warrant (1)~(6) | 5 directors<br>4 employees<br>9 directors of its subsidiary<br>20 employees of its subsidiary | 114,012 shares | 2002.3.28 | ¥ 4,464<br>($ 37.80) | From 1st April, 2002<br>to 28th March, 2009 |

**Consolidated Subsidiaries**

| Stock Option | Persons Granted | Number of Options Granted | Date of Grant | Exercise Price | Exercise Period |
|---|---|---|---|---|---|
| SBI CAPITAL Co., Ltd. | | | | | |
| 2006 Stock Option (3) | 3 employees | 188 shares | 2006.9.26 | ¥ 67,000<br>($ 567.36) | From 1st October, 2008<br>to 25th September, 2016 |
| SBI Planners Co., Ltd. | | | | | |
| Stock Option (5) | 7 directors<br>81 employees<br>1 director of its subsidiary<br>1 employee of its subsidiary | 4,000,000 shares | 2007.3.30 | ¥ 65<br>($ 0.55) | From 2nd April, 2007<br>to 31st March, 2013 |
| SBI Mortgage Co., Ltd. | | | | | |
| Stock Option (1) | 23 employees | 65 shares | 2005.5.25 | ¥ 750,000<br>($ 6,351.09) | From 26th May, 2007<br>to 25th May, 2015 |
| SBI E*TRADE SECURITIES Co., Ltd. | | | | | |
| Stock Option (1) | 7 directors<br>88 employees<br>6 employees of the Company | 116,190 shares | 2004.7.8 | ¥ 44,290<br>($ 375.05) | From 22nd December, 2004<br>to 21st June, 2010 |
| Stock Option (2) | 1 director | 4,500 shares | 2004.7.21 | ¥ 44,290<br>($ 375.05) | From 22nd December, 2004<br>to 21st June, 2010 |
| Stock Option (3) | 2 employees | 90 shares | 2004.8.3 | ¥ 44,290<br>($ 375.05) | From 22nd December, 2004<br>to 21st June, 2010 |

| Stock Option | Persons Granted | Number of Options Granted | Date of Grant | Exercise Price | Exercise Period |
|---|---|---|---|---|---|
| Stock Option (4) | 40 employees | 5,610 shares | 2005.11.29 | ¥ 171,417<br>($ 1,451.58) | From 1st January, 2006<br>to 23rd June, 2013 |
| Stock Option (5) | 12 employees | 750 shares | 2005.12.30 | ¥ 200,638<br>($ 1,699.03) | From 1st January, 2006<br>to 23rd June, 2013 |
| E*TRADE Korea Co., Ltd. | | | | | |
| Stock Option (1) | 3 directors<br>63 employees | 121,500 shares | 2000.9.15 | KRW 5,000<br>($ 5.32) | From 16th September, 2003<br>to 15th September, 2010 |
| Stock Option (2) | 9 employees | 10,500 shares | 2001.5.11 | KRW 5,000<br>($ 5.32) | From 12th May, 2004<br>to 11th May, 2011 |
| Stock Option (3) | 5 directors<br>55 employees | 236,500 shares | 2004.10.5 | KRW 5,000<br>($ 5.32) | From 6th October, 2007<br>to 5th October, 2014 |
| Stock Option (4) | 5 directors<br>10 employees | 228,000 shares | 2006.3.3 | KRW 7,000<br>($ 7.45) | From 4th March, 2008<br>to 3rd March, 2015 |
| SBI Futures Co., Ltd. | | | | | |
| Warrant (1) | 3 directors<br>21 employees | 466 shares | 2001.8.15 | ¥ 64,516<br>($ 546.33) | From 1st September, 2001<br>to 15th August, 2007 |
| Warrant (2) | 3 directors<br>11 employees | 346 shares | 2001.8.15 | ¥ 64,516<br>($ 546.33) | From 1st September, 2001<br>to 15th August, 2008 |
| Warrant (3) | 3 directors<br>21 employees | 471 shares | 2001.8.15 | ¥ 64,516<br>($ 546.33) | From 1st September, 2001<br>to 15th August, 2009 |
| Warrant (4) | 3 directors<br>11 employees | 347 shares | 2001.8.15 | ¥ 64,516<br>($ 546.33) | From 1st September, 2001<br>to 15th August, 2010 |
| Stock Option (1) | 8 directors<br>14 employees<br>1 corporate auditor | 702 shares | 2002.8.9 | ¥ 67,952<br>($ 575.43) | From 24th July, 2004<br>to 23rd July, 2008 |
| Stock Option (2) | 9 employees | 145 shares | 2003.3.31 | ¥ 69,641<br>($ 589.73) | From 1st April, 2005<br>to 23rd July, 2008 |
| Stock Option (3) | 3 directors<br>49 employees | 1,158 shares | 2005.7.6 | ¥ 98,598<br>($ 834.94) | From 17th June, 2007<br>to 17th June, 2011 |
| SBI VeriTrans Co., Ltd. | | | | | |
| 2001 Warrant | 18 directors and employees | 7,608 shares | 2001.10.10 | ¥ 5,580.1<br>($ 47.25) | From 5th October, 2004<br>to 10th October, 2008 |
| 2004 Stock Option | 20 directors and employees | 9,462 shares | 2004.2.13 | ¥ 5,741<br>($ 48.62) | From 13th February, 2006<br>to 12th February, 2014 |
| Morningstar Japan K.K. | | | | | |
| 2001 Warrant | 1 director<br>1 corporate auditor | 256 shares | 2001.5.18 | ¥ 320,375<br>($ 2,712.97) | From 16th March, 2003<br>to 15th March, 2011 |

| Stock Option | Persons Granted | Number of Options Granted | Date of Grant | Exercise Price | Exercise Period |
|---|---|---|---|---|---|
| 2003 Stock Option (1) | 6 directors | 2,908 shares | 2003.11.5 | ¥ 57,500 | From 20th March, 2005 |
| | 6 employees | | | ($ 486.92) | to 19th March, 2013 |
| | 3 directors of its subsidiary | | | | |
| | 1 corporate auditor of its subsidiary | | | | |
| | 6 employees of its subsidiary | | | | |
| | 2 others | | | | |
| 2006 Stock Option (2) | 1 director | 510 shares | 2006.4.21 | ¥ 133,500 | From 24th March, 2008 |
| | 7 employees | | | ($ 1,130.49) | to 23rd March, 2016 |
| 2000 Warrant (4) | 3 others | 336 shares | 2000.3.7 | ¥ 6,250 | From 1st April, 2002 |
| | | | | ($ 52.93) | to 31st March, 2007 |
| 2000 Warrant (5) | 4 others | 512 shares | 2000.3.7 | ¥ 6,250 | From 1st April, 2003 |
| | | | | ($ 52.93) | to 31st March, 2008 |
| Gomez Consulting Co., Ltd. | | | | | |
| 2003 Stock Option | 5 directors | 400 shares | 2003.3.15 | ¥ 88,500 | From 15th March, 2005 |
| | 5 employees | | | ($ 749.43) | to 14th March, 2013 |
| 2005 Stock Option | 3 directors | 220 shares | 2005.6.15 | ¥ 200,000 | From 3rd June, 2007 |
| | 5 employees | | | ($ 1,693.62) | to 2nd June, 2015 |
| E*GOLF CORPORATION | | | | | |
| Warrant (2) | 2 directors | 45 shares | 2001.10.4 | ¥ 100,000 | From 4th October, 2001 |
| | 8 employees | | | ($ 846.81) | to 3rd October, 2007 |
| HOMEOSTYLE, Inc. | | | | | |
| Warrant (1) | 6 directors | 7,091 shares | 2002.4.5 | ¥ 9,636 | From 1st June, 2002 |
| | 17 employees | | | ($ 81.60) | to 30th March, 2007 |
| Warrant (2) | 7 directors | 5,477 shares | 2002.4.5 | ¥ 9,636 | From 1st June, 2002 |
| | 397 employees | | 2004.8.24 | ($ 81.60) | to 30th March, 2008 |
| Stock Option (3) | 25 employees | 490 shares | 2005.2.28 | ¥ 16,000 | From 1st March, 2007 |
| | | | | ($ 135.49) | to 24th February, 2015 |
| Stock Option (4) | 8 directors | 9,057 shares | 2006.3.31 | ¥ 19,000 | From 1st April, 2008 |
| | 235 employees | | | ($ 160.89) | to 25th March, 2016 |

### The Stock Option Which Was Taken Over by HOMEOSTYLE, Inc. Due to the M&A

| Stock Option | Persons Granted | Number of Options Granted | Date of Grant | Exercise Price | Exercise Period |
|---|---|---|---|---|---|
| TK International Co., Ltd | 2 directors | 4,081 shares | 2004.7.1 | ¥ 11,903 | From 6th July, 2006 |
| Stock Option | 1 employee | | | ($ 100.80) | to 30th June, 2014 |

The stock option activity for the year ended 31st March, 2007 is as follows:

**The Company**

| | 2001 Warrant | 2002 Stock Option (1) | 2003 Stock Option (1) | 2003 Stock Option (2) | 2003 Stock Option (3) | 2005 Stock Option (1) |
|---|---|---|---|---|---|---|
| | | | (Shares) | | | |
| **For the Year Ended 31st March, 2007** | | | | | | |
| Non-vested: | | | | | | |
| 31st March, 2006—outstanding | | | | | | |
| Granted | | | | | | |
| Cancelled | | | | | | |
| Vested | | | | | | |
| 31st March, 2007—outstanding | | | | | | |
| Vested: | | | | | | |
| 31st March, 2006—outstanding | 12,382 | 53,748 | 22,428 | 191,646 | 25,227 | 35,057 |
| Vested | | | | | | |
| Exercised | 600 | 7,569 | 1,152 | 37,863 | 4,203 | 2,490 |
| Cancelled | | 29,151 | 1,800 | 76,869 | | 3,749 |
| 31st March, 2007—outstanding | 11,782 | 17,028 | 19,476 | 76,914 | 21,024 | 28,818 |
| Exercise price | ¥ 20,796 | ¥ 5,984 | ¥ 17,879 | ¥ 17,879 | ¥ 27,655 | ¥ 35,078 |
| | ($ 176.10) | ($ 50.67) | ($ 151.40) | ($ 151.40) | ($ 234.19) | ($ 297.04) |
| Average stock price at exercise | ¥ 41,891 | ¥ 49,988 | ¥ 52,670 | ¥ 45,379 | ¥ 54,343 | ¥ 44,833 |
| | ($ 354.74) | ($ 423.30) | ($ 446.02) | ($ 384.27) | ($ 460.18) | ($ 379.65) |
| Fair value price at grant date | | | | | | |

**The Stock Option Which Was Taken Over by the Company Due to the M&A**

| | E*TRADE Japan K.K. Stock Option | Digit Brain, Inc Stock Option | SBI HOME Planner Co., LTD. 2003 Stock Option | SBI HOME Planner Co., LTD. 2004 Stock Option | SBI HOME Planner Co., LTD. 2004 Stock Option | SBI HOME Planner Co., LTD. 2004 Stock Option |
|---|---|---|---|---|---|---|
| | | | (Shares) | | | |
| **For the Year Ended 31st March, 2007** | | | | | | |
| Non-vested: | | | | | | |
| 31st March, 2006—outstanding | | | | | 934 | 60 |
| Granted | | | | | | |
| Cancelled | | | | | 60 | |
| Vested | | | | | 874 | 60 |
| 31st March, 2007—outstanding | | | | | | |
| Vested: | | | | | | |
| 31st March, 2006—outstanding | 122,324.58 | 8,655 | 786 | 930 | | |
| Vested | | | | | 874 | 60 |
| Exercised | 10,920.42 | | 178 | 920 | 74 | |
| Cancelled | 42,876.54 | 8,655 | 96 | 10 | 76 | |
| 31st March, 2007—outstanding | 68,527.62 | | 512 | | 724 | 60 |
| Exercise price | ¥ 12,079 | ¥ 13,000 | ¥ 23,200 | ¥ 25,600 | ¥ 25,600 | ¥ 25,600 |
| | ($ 102.29) | ($ 110.09) | ($ 196.46) | ($ 216.78) | ($ 216.78) | ($ 216.78) |
| Average stock price at exercise | ¥ 46,025 | | ¥ 45,158 | ¥ 45,627 | ¥ 44,174 | |
| | ($ 389.75) | | ($ 382.40) | ($ 386.37) | ($ 374.07) | |
| Fair value price at grant date | | | | | | |

| | SBI Partners Co., Inc. 2005 Stock Option | FINANCE ALL CORPORATION 2002 Stock Option | FINANCE ALL CORPORATION 2003 Stock Option | SOFTBANK FRONTIER SECURITIES CO., LTD. 2002 Stock Option | WORLD NICHIEI Securities Co., LTD. 2003 Stock Option | WORLD NICHIEI FRONTIER Securities Co., LTD. 2004 Stock Option |
|---|---|---|---|---|---|---|
| | (Shares) | | | | | |
| **For the Year Ended 31st March, 2007** | | | | | | |
| Non-vested: | | | | | | |
| 31st March, 2006—outstanding | | | | | | 32,058.55 |
| Granted | | | | | | |
| Cancelled | | | | | | |
| Vested | | | | | | 32,058.55 |
| 31st March, 2007—outstanding | | | | | | |
| Vested: | | | | | | |
| 31st March, 2006—outstanding | 800 | 6,840 | 38,240 | 985.92 | 2,564.50 | |
| Vested | | | | | | 32,058.55 |
| Exercised | 250 | 1,800 | 13,440 | 581.44 | 1,150.00 | |
| Cancelled | | | 3,480 | | | 3,305.10 |
| 31st March, 2007—outstanding | 550 | 5,040 | 21,320 | 404.48 | 1,414.50 | 28,753.45 |
| Exercise price | ¥ 37,060 | ¥ 4,465 | ¥ 4,465 | ¥ 7,740 | ¥ 17,392 | ¥ 50,174 |
| | ($ 313.83) | ($ 37.81) | ($ 37.81) | ($ 65.54) | ($ 147.28) | ($ 424.88) |
| Average stock price at exercise | ¥ 63,325 | ¥ 43,220 | ¥ 43,603 | ¥ 44,895 | ¥ 44,163 | |
| | ($ 536.24) | ($ 365.99) | ($ 369.24) | ($ 380.18) | ($ 373.98) | |
| Fair value price at grant date | | | | | | |

| | WORLD NICHIEI FRONTIER Securities Co., LTD. 2004 Stock Option | SBI Securities Co., Ltd. 2005 Stock Option | SOFTBANK INVESTMENT CORPORATION Warrant (3) | SOFTBANK INVESTMENT CORPORATION Warrant (4) | SOFTBANK INVESTMENT CORPORATION Warrant (7) | SOFTBANK INVESTMENT CORPORATION Warrant (8) |
|---|---|---|---|---|---|---|
| | (Shares) | | | | | |
| **For the Year Ended 31st March, 2007** | | | | | | |
| Non-vested: | | | | | | |
| 31st March, 2006—outstanding | 97.75 | 39,017.20 | | | | |
| Granted | | | | | | |
| Cancelled | | 6,411.25 | | | | |
| Vested | 97.75 | | | | | |
| 31st March, 2007—outstanding | | 32,605.95 | | | | |
| Vested: | | | | | | |
| 31st March, 2006—outstanding | | | 2,592.02 | 18,792.25 | 3,952.04 | 4,010.13 |
| Vested | 97.75 | | | | | |
| Exercised | 34.50 | | | | 1,336.73 | 58.11 |
| Cancelled | 17.25 | | 2,592.02 | | 2,615.31 | |
| 31st March, 2007—outstanding | 46.00 | | | 18,792.25 | | 3,952.02 |
| Exercise price | ¥ 31,914 | ¥ 46,957 | ¥ 2,083.30 | ¥ 2,083.30 | ¥ 25,464.90 | ¥ 25,464.90 |
| | ($ 270.25) | ($ 397.64) | ($ 17.64) | ($ 17.64) | ($ 215.64) | ($ 215.64) |
| Average stock price at exercise | ¥ 45,496 | | | | ¥ 45,831 | ¥ 45,831 |
| | ($ 385.27) | | | | ($ 388.10) | ($ 388.10) |
| Fair value price at grant date | | | | | | |

| | SOFTBANK INVESTMENT CORPORATION Warrant (9) | E*TRADE Japan K.K. Warrant (7)~(9) | E*TRADE Japan K.K. Warrant (10)~(12) | E*TRADE Japan K.K. Warrant (15) | E*TRADE Japan K.K. Warrant (16) | FINANCE ALL CORPORATION Warrant (1)~(6) |
|---|---|---|---|---|---|---|
| | (Shares) | | | | | |
| **For the Year Ended 31st March, 2007** | | | | | | |
| Non-vested: | | | | | | |
| 31st March, 2006—outstanding | | | | | | |
| Granted | | | | | | |
| Cancelled | | | | | | |
| Vested | | | | | | |
| 31st March, 2007—outstanding | | | | | | |
| Vested: | | | | | | |
| 31st March, 2006—outstanding | 581.10 | 7,960.19 | 10,953.82 | 1,496.88 | 2,959.74 | 30,216 |
| Vested | | | | | | |
| Exercised | | | | | | 23,885 |
| Cancelled | | 7,960.19 | | 1,496.88 | | |
| 31st March, 2007—outstanding | 581.10 | | 10,953.82 | | 2,959.74 | 6,331 |
| Exercise price | ¥25,464.90 | ¥1,910.70 | ¥1,910.70 | ¥2,116.40 | ¥2,116.40 | ¥ 4,464 |
| | ($215.64) | ($16.18) | ($16.18) | ($17.92) | ($ 17.92) | ($ 37.80) |
| Average stock price at exercise | | | | | | ¥43,256 |
| | | | | | | ($366.30) |
| Fair value price at grant date | | | | | | |

**Consolidated Subsidiaries**

**SBI CAPITAL Co., Ltd.**

| | 2006 Stock Option (3) |
|---|---|
| | (Shares) |
| **For the Year Ended 31st March, 2007** | |
| Non-vested: | |
| 31st March, 2006—outstanding | |
| Granted | 188 |
| Cancelled | |
| Vested | |
| 31st March, 2007—outstanding | 188 |
| Vested: | |
| 31st March, 2006—outstanding | |
| Vested | |
| Exercised | |
| Cancelled | |
| 31st March, 2007—outstanding | |
| Exercise price | ¥67,000 |
| | ($567.36) |
| Average stock price at exercise | |
| Fair value price at grant date | ¥20,360 |
| | ($172.41) |

### SBI Planners Co., Ltd

| For the Year Ended 31st March, 2007 | Stock Option (5) (Shares) |
|---|---|
| Non-vested: | |
| 31st March, 2006—outstanding | |
| Granted | 4,000,000 |
| Cancelled | |
| Vested | |
| 31st March, 2007—outstanding | 4,000,000 |
| Vested: | |
| 31st March, 2006—outstanding | |
| Vested | |
| Exercised | |
| Cancelled | |
| 31st March, 2007—outstanding | |
| Exercise price | ¥ 65 |
| | ($ 0.55) |
| Average stock price at exercise | |
| Fair value price at grant date | |

### SBI Mortgage Co., Ltd.

| For the Year Ended 31st March, 2007 | Stock Option (1) (Shares) |
|---|---|
| Non-vested: | |
| 31st March, 2006—outstanding | 60 |
| Granted | |
| Cancelled | 11 |
| Vested | |
| 31st March, 2007—outstanding | 49 |
| Vested: | |
| 31st March, 2006—outstanding | |
| Vested | |
| Exercised | |
| Cancelled | |
| 31st March, 2007—outstanding | |
| Exercise price | ¥ 750,000 |
| | ($ 6,351.09) |
| Average stock price at exercise | |
| Fair value price at grant date | |

### SBI E*TRADE SECURITIES Co., Ltd.

| For the Year Ended 31st March, 2007 | Stock Option (1) | Stock Option (2) | Stock Option (3) | Stock Option (4) | Stock Option (5) |
|---|---|---|---|---|---|
| | | | (Shares) | | |
| Non-vested: | | | | | |
| 31st March, 2006—outstanding | | | | | |
| Granted | | | | | |
| Cancelled | | | | | |
| Vested | | | | | |
| 31st March, 2007—outstanding | | | | | |
| Vested: | | | | | |
| 31st March, 2006—outstanding | 63,351 | 2,250 | 63 | 5,007 | 699 |
| Vested | | | | | |
| Exercised | 44,613 | | 63 | | |
| Cancelled | 747 | | | 960 | |
| 31st March, 2007—outstanding | 17,991 | 2,250 | | 4,047 | 699 |
| Exercise price | ¥ 44,290 | ¥ 44,290 | ¥ 44,290 | ¥ 171,417 | ¥ 200,638 |
| | ($ 375.05) | ($ 375.05) | ($ 375.05) | ($ 1,451.58) | ($ 1,699.03) |
| Average stock price at exercise | ¥ 146,459 | | ¥ 156,571 | | |
| | ($ 1,240.23) | | ($ 1,325.86) | | |
| Fair value price at grant date | | | | | |

### E*TRADE Korea Co., Ltd.

| For the Year Ended 31st March, 2007 | Stock Option (1) | Stock Option (2) | Stock Option (3) | Stock Option (4) |
|---|---|---|---|---|
| | | (Shares) | | |
| Non-vested: | | | | |
| 31st March, 2006—outstanding | | | 224,500 | 228,000 |
| Granted | | | | |
| Cancelled | | | 67,500 | 3,000 |
| Vested | | | | |
| 31st March, 2007—outstanding | | | 157,000 | 225,000 |
| Vested: | | | | |
| 31st March, 2006—outstanding | 89,000 | 4,000 | | |
| Vested | | | | |
| Exercised | 39,000 | | | |
| Cancelled | 7,500 | 2,000 | | |
| 31st March, 2007—outstanding | 42,500 | 2,000 | | |
| Exercise price | KRW 5,000 | KRW 5,000 | KRW 5,000 | KRW 7,000 |
| | ($ 5.32) | ($ 5.32) | ($ 5.32) | ($ 7.45) |
| Average stock price at exercise | KRW 17,150 | | | |
| | ($ 18.24) | | | |
| Fair value price at grant date | | | | |

**SBI Futures Co., Ltd.**

| | Warrant (1) | Warrant (2) | Warrant (3) | Warrant (4) | Stock Option (1) | Stock Option (2) | Stock Option (3) |
|---|---|---|---|---|---|---|---|
| | | | | (Shares) | | | |
| **For the Year Ended 31st March, 2007** | | | | | | | |
| Non-vested: | | | | | | | |
| 31st March, 2006—outstanding | 397 | 149 | 401 | 150 | 92 | 40 | 1,093 |
| Granted | | | | | | | |
| Cancelled | | | | | | 7 | 107 |
| Vested | 397 | 149 | 401 | 150 | 92 | 19 | |
| 31st March, 2007—outstanding | | | | | | 14 | 986 |
| Vested: | | | | | | | |
| 31st March, 2006—outstanding | | | | | 296 | 40 | |
| Vested | 397 | 149 | 401 | 150 | 92 | 19 | |
| Exercised | 239 | 70 | 59 | 35 | 127 | 33 | |
| Cancelled | | 1 | 6 | | | | |
| 31st March, 2007—outstanding | 158 | 78 | 336 | 115 | 261 | 26 | |
| Exercise price | ¥ 64,516 | ¥ 64,516 | ¥ 64,516 | ¥ 64,516 | ¥ 67,952 | ¥ 69,641 | ¥ 98,598 |
| | ($ 546.33) | ($ 546.33) | ($ 546.33) | ($ 546.33) | ($ 575.43) | ($ 589.73) | ($ 834.94) |
| Average stock price at exercise | ¥ 154,289 | ¥ 216,143 | ¥ 205,508 | ¥ 261,714 | ¥ 172,882 | ¥ 190,818 | |
| | ($ 1,306.54) | ($ 1,830.32) | ($ 1,740.27) | ($ 2,216.22) | ($ 1,463.99) | ($ 1,615.87) | |
| Fair value price at grant date | | | | | | | |

**SBI VeriTrans Co., Ltd.**

| | 2001 Warrant | 2004 Stock Option |
|---|---|---|
| | (Shares) | |
| **For the Year Ended 31st March, 2007** | | |
| Non-vested: | | |
| 31st March, 2006—outstanding | 2,868 | 6,780 |
| Granted | | |
| Cancelled | 118 | 612 |
| Vested | 1,404 | 2,160 |
| 31st March, 2007—outstanding | 1,346 | 4,008 |
| Vested: | | |
| 31st March, 2006—outstanding | 345 | 864 |
| Vested | 1,404 | 2,160 |
| Exercised | 702 | 1,092 |
| Cancelled | | |
| 31st March, 2007—outstanding | 1,047 | 1,932 |
| Exercise price | ¥ 5,580.1 | ¥ 5,741 |
| | ($ 47.25) | ($ 48.62) |
| Average stock price at exercise | ¥ 106,299 | ¥ 102,865 |
| | ($ 900.15) | ($ 871.07) |
| Fair value price at grant date | | |

## Morningstar Japan K.K.

| | 2001 Warrant | 2003 Stock Option (1) | 2006 Stock Option (2) | 2000 Warrant (4) | 2000 Warrant (5) |
|---|---|---|---|---|---|
| | | | (Shares) | | |
| **For the Year Ended 31st March, 2007** | | | | | |
| Non-vested: | | | | | |
| 31st March, 2006—outstanding | | | 510 | | |
| Granted | | | | | |
| Cancelled | | | | | |
| Vested | | | | | |
| 31st March, 2007—outstanding | | | 510 | | |
| Vested: | | | | | |
| 31st March, 2006—outstanding | 256 | 3,792 | | 336 | 512 |
| Vested | | | | | |
| Exercised | | 696 | | | |
| Cancelled | | 188 | | 336 | |
| 31st March, 2007—outstanding | 256 | 2,908 | | | 512 |
| Exercise price | ¥320,375 | ¥ 57,500 | ¥133,500 | ¥6,250 | ¥6,250 |
| | ($ 2,712.97) | ($ 486.92) | ($ 1,130.49) | ($ 52.93) | ($ 52.93) |
| Average stock price at exercise | | ¥122,888 | | | |
| | | ($ 1,040.63) | | | |
| Fair value price at grant date | | | | | |

## Gomez Consulting Co., Ltd.

| | 2003 Stock Option | 2005 Stock Option |
|---|---|---|
| | (Shares) | |
| **For the Year Ended 31st March, 2007** | | |
| Non-vested: | | |
| 31st March, 2006—outstanding | 380 | 220 |
| Granted | | |
| Cancelled | | 30 |
| Vested | 380 | |
| 31st March, 2007—outstanding | | 190 |
| Vested: | | |
| 31st March, 2006—outstanding | | |
| Vested | 380 | |
| Exercised | 50 | |
| Cancelled | | |
| 31st March, 2007—outstanding | 330 | |
| Exercise price | ¥ 88,500 | ¥200,000 |
| | ($ 749.43) | ($ 1,693.62) |
| Average stock price at exercise | ¥1,705,000 | |
| | ($ 14,438.14) | |
| Fair value price at grant date | | |

**E*GOLF CORPORATION**

| For the Year Ended 31st March, 2007 | Warrant (2) |
|---|---|
| | (Shares) |
| Non-vested: | |
| 31st March, 2006—outstanding | |
| Granted | |
| Cancelled | |
| Vested | |
| 31st March, 2007—outstanding | |
| Vested: | |
| 31st March, 2006—outstanding | 12 |
| Vested | |
| Exercised | |
| Cancelled | |
| 31st March, 2007—outstanding | 12 |
| Exercise price | ¥ 100,000 |
| | ($ 846.81) |
| Average stock price at exercise | |
| Fair value price at grant date | |

**HOMESTYLE, Inc.**

| For the Year Ended 31st March, 2007 | Warrant (1) | Warrant (2) | Stock Option (3) | Stock Option (4) |
|---|---|---|---|---|
| | (Shares) | | | |
| Non-vested: | | | | |
| 31st March, 2006—outstanding | 2,929 | 3,355 | 477 | 9,052 |
| Granted | | | | |
| Cancelled | 2,929 | 76 | 43 | 184 |
| Vested | | | | |
| 31st March, 2007—outstanding | | 3,279 | 434 | 8,868 |
| Vested: | | | | |
| 31st March, 2006—outstanding | | | | |
| Vested | | | | |
| Exercised | | | | |
| Cancelled | | | | |
| 31st March, 2007—outstanding | | | | |
| Exercise price | ¥ 9,636 | ¥ 9,636 | ¥ 16,000 | ¥ 19,000 |
| | ($81.60) | ($81.60) | ($135.49) | ($160.89) |
| Average stock price at exercise | | | | |
| Fair value price at grant date | | | | |

### The Stock Option Which Was Taken Over by HOMEOSTYLE, Inc. Due to the M&A

| | TK International Co., Ltd Stock Option |
|---|---|
| | (Shares) |
| **For the Year Ended 31st March, 2007** | |
| Non-vested: | |
| 31st March, 2006—outstanding | 4,081 |
| Granted | |
| Cancelled | |
| Vested | |
| 31st March, 2007—outstanding | 4,081 |
| Vested: | |
| 31st March, 2006—outstanding | |
| Vested | |
| Exercised | |
| Cancelled | |
| 31st March, 2007—outstanding | |
| Exercise price | ¥ 11,903 |
| | ($ 100.80) |
| Average stock price at exercise | |
| Fair value price at grant date | |

The assumptions used to measure fair value of stock options granted on or after 1st May, 2006 are as follows:

**SBI CAPITAL Co., Ltd. 2006 Stock Option (3)**
Estimate method: Black-Scholes option pricing model and Binominal model
Valuation of stocks: Central value of range of stock prices calculated based on DCF model and Adjusted book value model
Volatility of stock price: 55 to 60 percent
Estimated remaining outstanding period: 326 weeks (6.25 years)
Interest rate with risk free: 1.27 percent

**SBI Planners Co., Ltd. Stock Option (5)**
Instead of using the fair value, SBI Planners Co., Ltd applies the intrinsic value method. SBI Planners Co., Ltd. also uses the net book value method for the valuation of stocks.
The intrinsic value as of 31st March, 2007 was nil.

## 21. REVENUE FROM TRADING

Gain (loss) on trading included in operating revenues for the years ended 31st March, 2006 and 2007 consisted of the following:

| | Millions of Yen | | | | | | Thousands of U.S. Dollars | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2006 | | | 2007 | | | 2007 | | |
| | Realised Gain | Unrealised Gain (Loss) | Total | Realised Gain | Unrealised Gain (Loss) | Total | Realised Gain | Unrealised Gain (Loss) | Total |
| Equity securities | ¥ 999 | ¥ (8) | ¥ 991 | ¥ 428 | ¥ (2) | ¥ 426 | $ 3,627 | $ (17) | $ 3,610 |
| Debt securities | 2,747 | 7 | 2,754 | 1,462 | 1 | 1,463 | 12,378 | 8 | 12,386 |
| Others | 882 | (2) | 880 | 1,248 | 34 | 1,282 | 10,566 | 287 | 10,853 |
| Total | ¥ 4,628 | ¥ (3) | ¥ 4,625 | ¥ 3,138 | ¥ 33 | ¥ 3,171 | $ 26,571 | $ 278 | $ 26,849 |

Gains on certain businesses other than securities-related business of ¥71 million and ¥50 million ($420 thousand) were included in the gain on trading for the years ended 31st March, 2006 and 2007, respectively.

## 22. OPERATING COSTS

Operating costs for the years ended 31st March, 2006 and 2007 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | Year Ended 31st March | | Year Ended 31st March, |
| | 2006 | 2007 | 2007 |
| Cost of operational investment securities | ¥ 12,467 | ¥ 33,807 | $ 286,286 |
| Provision for valuation allowance for operational investment securities | 450 | 3,142 | 26,608 |
| Financial charges | 4,127 | 4,254 | 36,023 |
| Rental and lease costs | 6,075 | 6,230 | 52,760 |
| Others, including administrative expenses | 14,477 | 21,312 | 180,470 |
| Total | ¥ 37,596 | ¥ 68,745 | $ 582,147 |

The above cost of operational investment securities for the years ended 31st March, 2006 and 2007 included a write–down of operational investment securities and securities held by funds of ¥209 million and ¥8,943 million ($76,133 thousand), respectively.

## 23. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended 31st March, 2006 and 2007 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | Year Ended 31st March | | Year Ended 31st March, |
| | 2006 | 2007 | 2007 |
| Compensation for directors | ¥ 1,280 | ¥ 1,285 | $ 10,880 |
| Provision for allowance for doubtful accounts | 678 | 881 | 7,458 |
| Payroll and bonuses | 7,048 | 7,089 | 60,031 |
| Provision for retirement allowances for directors | 8 | 30 | 249 |
| Retirement benefit costs | 104 | 56 | 478 |
| Provision for accrued bonuses | 818 | 233 | 1,970 |
| Subcontracting fees | 8,432 | 8,072 | 68,354 |
| Others | 31,688 | 35,095 | 297,190 |
| Total | ¥ 50,056 | ¥ 52,741 | $ 446,610 |

## 24. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of 40.69 percent for the years ended 31st March, 2006 and 2007.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at 31st March, 2006 and 2007 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 31st March | | 31st March, 2007 |
| | 2006 | 2007 | |
| **Deferred tax assets:** | | | |
| Current: | | | |
| Write–down of operational investment securities | ¥ 3,216 | ¥ 1,090 | $ 9,230 |
| Valuation allowance for operational investment securities | 854 | 739 | 6,261 |
| Allowance for doubtful accounts | 123 | 217 | 1,834 |
| Accrued bonuses | 274 | 120 | 1,013 |
| Tax loss carryforwards | 998 | 363 | 3,075 |
| Accrued enterprise taxes | 1,381 | 2,265 | 19,184 |
| Other | 406 | 529 | 4,477 |
| Less valuation allowance | (565) | (475) | (4,022) |
| Total | 6,687 | 4,848 | 41,052 |
| Non–current: | | | |
| Tax loss carryforwards | 1,758 | 2,564 | 21,714 |
| Allowance for doubtful accounts | 525 | 501 | 4,243 |
| Write–down of investment securities | 730 | 1,554 | 13,160 |
| Reserve for liability for securities transactions | 2,005 | 2,655 | 22,480 |
| Other | 541 | 973 | 8,234 |
| Less valuation allowance | (3,492) | (4,796) | (40,609) |
| Total | 2,067 | 3,451 | 29,222 |
| Total | ¥ 8,754 | ¥ 8,299 | $ 70,274 |
| **Deferred tax liabilities:** | | | |
| Current: | | | |
| Unrealised gain on available–for–sale securities | ¥ 6,823 | ¥ 2,918 | $ 24,713 |
| Transfer of investment portion within SBI | | 6,860 | 58,086 |
| Total | 6,823 | 9,778 | 82,799 |
| Non–current: | | | |
| Unrealised gain on available–for–sale securities | 2,744 | 2,094 | 17,733 |
| Other | 67 | 190 | 1,605 |
| Total | 2,811 | 2,284 | 19,338 |
| Total | ¥ 9,634 | ¥ 12,062 | $ 102,137 |

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, 2006 and 2007 was as follows:

| | Year Ended 31st March |
|---|---|
| | 2006 |
| Normal effective tax rate | 40.69% |
| Permanent differences | 0.22 |
| Dilution gain from changes in equity interest | (13.21) |
| Amortisation of goodwill | (0.76) |
| Valuation allowance | (4.61) |
| Other–net | 1.18 |
| Actual effective tax rate | 23.51% |

| | Year Ended 31st March |
|---|---|
| | 2007 |
| Normal effective tax rate | 40.69% |
| Permanent differences | 0.72 |
| Amortisation of goodwill | (43.00) |
| Minority interest in fund, etc. | 24.40 |
| Investment loss on the equity method | 0.47 |
| Other—net | 0.62 |
| Actual effective tax rate | 23.90% |

## 25. 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 allocation of new stocks to a third party by ETS for the year ended 31st March, 2006 and by E*TRADE Korea Co., Ltd. and Gomez Consulting Co., Ltd. for the year ended 31st March, 2007.

## 26. LEASES

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

Total rental expenses for the years ended 31st March, 2006 and 2007 were ¥4,130 million and ¥5,605 million ($47,466 thousand), respectively, including ¥1,222 million and ¥2,033 million ($17,220 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, 2006 and 2007 was as follows:

| | Millions of Yen | | | | | | Thousands of U.S. Dollars | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2006 | | | 2007 | | | 2007 | | |
| | Furniture and Equipment | Software | Total | Furniture and Equipment | Software | Total | Furniture and Equipment | Software | Total |
| Acquisition cost | ¥ 6,124 | ¥ 1,317 | ¥ 7,441 | ¥ 9,375 | ¥ 1,538 | ¥ 10,913 | $ 79,384 | $ 13,023 | $ 92,407 |
| Accumulated depreciation | 1,849 | 516 | 2,365 | 3,338 | 797 | 4,135 | 28,264 | 6,748 | 35,012 |
| Net leased property | ¥ 4,275 | ¥ 801 | ¥ 5,076 | ¥ 6,037 | ¥ 741 | ¥ 6,778 | $ 51,120 | $ 6,275 | $ 57,395 |

Obligations under finance leases including interest portion as at 31st March, 2006 and 2007 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 31st March | | 31st March, 2007 |
| | 2006 | 2007 | |
| Due within one year | ¥ 2,547 | ¥ 2,952 | $ 24,994 |
| Due after one year | 12,508 | 12,228 | 103,553 |
| Total | ¥ 15,055 | ¥ 15,180 | $ 128,547 |

Depreciation expense and interest expense under finance leases for the years ended 31st March, 2006 and 2007 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | Year Ended 31st March | | Year Ended 31st March, 2007 |
| | 2006 | 2007 | |
| Depreciation expense | ¥ 1,143 | ¥ 1,932 | $ 16,362 |
| Interest expense | 114 | 131 | 1,110 |
| Total | ¥ 1,257 | ¥ 2,063 | $ 17,472 |

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

The future minimum lease payments under noncancellable operating leases at 31st March, 2006 and 2007 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | 31st March | | 31st March, 2007 |
| | 2006 | 2007 | |
| Due within one year | ¥ 8 | ¥ 15 | $ 130 |
| Due after one year | 7 | 23 | 193 |
| Total | ¥ 15 | ¥ 38 | $ 323 |

## 27. RELATED PARTY TRANSACTIONS

Transactions of SBI with related parties for the years ended 31st March, 2006 and 2007 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|---|---|---|
| | Year Ended 31st March | | Year Ended 31st March, |
| | 2006 | 2007 | 2007 |
| Purchase of common stock | ¥ 759 | | |
| Purchase of investment in securities | 50,500 | | |
| Sales of common stock | | ¥ 104 | $ 880 |

## 28. 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 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, 2006 and 2007 were as follows:

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2006 | | | |
| | Assets | | Liabilities | |
| | Contract Amount | Fair Value | Contract Amount | Fair Value |
| Foreign currency forward contracts | ¥ 222 | ¥ 1 | ¥ 1,027 | ¥ 11 |
| Nikkei average futures transaction | | | 6 | 2 |
| Bond futures | 403 | 3 | | |
| Total | ¥ 625 | ¥ 4 | ¥ 1,033 | ¥ 13 |

| | Millions of Yen | | | |
|---|---|---|---|---|
| | 2007 | | | |
| | Assets | | Liabilities | |
| | Contract Amount | Fair Value | Contract Amount | Fair Value |
| Foreign currency forward contracts | ¥ 1,369 | ¥ 27 | ¥ 281 | ¥ 3 |
| Bond futures | | | 134 | |
| Total | ¥ 1,369 | ¥ 27 | ¥ 415 | ¥ 3 |

| | Thousands of U.S. Dollars | | | |
|---|---|---|---|---|
| | 2007 | | | |
| | Assets | | Liabilities | |
| | Contract Amount | Fair Value | Contract Amount | Fair Value |
| Foreign currency forward contracts | $ 11,594 | $ 232 | $ 2,379 | $ 21 |
| Bond futures | | | 1,136 | |
| Total | $ 11,594 | $ 232 | $ 3,515 | $ 21 |

Gains or losses on deemed settlements are recorded in the "Fair value" above. In addition, the fair value of foreign currency forward contracts, Nikkei average futures transactions and bond futures were stated at the market values using 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 while derivatives used for the hedging purpose are excluded from the above table.

## 29. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended 31st March, 2006 and 2007 was as follows:

| | Millions of Yen | Shares | Yen | U.S. Dollars |
|---|---|---|---|---|
| Year Ended 31st March, 2006 | Net Income | Weighted–average Shares | EPS | |
| Basic EPS—Net income available to common shareholders | ¥ 45,369 | 9,152,365 | ¥ 4,957.08 | |
| Effect of dilutive securities—Warrants | (113) | 628,469 | | |
| Diluted EPS—Net income for computation | ¥ 45,256 | 9,780,834 | ¥ 4,627.04 | |
| **Year Ended 31st March, 2007** | | | | |
| Basic EPS—Net income available to common shareholders | ¥ 46,441 | 11,493,950 | ¥ 4,040.51 | $ 34.22 |
| Effect of dilutive securities—Warrants | (642) | 414,868 | | |
| Diluted EPS—Net income for computation | ¥ 45,799 | 11,908,818 | ¥ 3,845.82 | $ 32.57 |

## 30. SEGMENT INFORMATION

SBI operates in the following business segments:
"Asset Management Business" primarily consists of fund management and investment in Internet technology, broadband, bio and restructuring companies.

"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, and leasing business.

Information about business segments, geographical segments and revenue from foreign customers of SBI for the years ended 31st March, 2006 and 2007 was as follows:

### (1) Business Segments

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| | 2006 | | | | | |
| | Asset Management Business | Brokerage and Investment Banking Businesses | Financial Services Business | Total | Eliminations/ Corporate | Consolidated |
| **a. Revenue and Operating Income** | | | | | | |
| Revenue from customers | ¥ 37,822 | ¥ 80,221 | ¥ 19,204 | ¥ 137,247 | | ¥ 137,247 |
| Intersegment revenue | 2,985 | 595 | 640 | 4,220 | ¥ (4,220) | |
| Total revenue | 40,807 | 80,816 | 19,844 | 141,467 | (4,220) | 137,247 |
| Operating expenses | 30,387 | 42,279 | 17,548 | 90,214 | (2,562) | 87,652 |
| Operating income | ¥ 10,420 | ¥ 38,537 | ¥ 2,296 | ¥ 51,253 | ¥ (1,658) | ¥ 49,595 |
| **b. Total Assets, Depreciation and Capital Expenditures** | | | | | | |
| Total assets | ¥ 156,197 | ¥ 1,085,433 | ¥ 61,075 | ¥ 1,302,705 | ¥ 28,939 | ¥ 1,331,644 |
| Depreciation | 178 | 1,535 | 4,835 | 6,548 | (44) | 6,504 |
| Capital expenditures | 443 | 2,526 | 8,717 | 11,686 | (21) | 11,665 |

| | Millions of Yen | | | | | |
|---|---|---|---|---|---|---|
| | 2007 | | | | | |
| | Asset Management Business | Brokerage and Investment Banking Businesses | Financial Services Business | Total | Eliminations/ Corporate | Consolidated |
| **a. Revenue and Operating Income (Losses)** | | | | | | |
| Revenue from customers | ¥ 52,084 | ¥ 65,426 | ¥ 27,071 | ¥ 144,581 | | ¥ 144,581 |
| Intersegment revenue | 376 | 993 | 589 | 1,958 | ¥ (1,958) | |
| Total revenue | 52,460 | 66,419 | 27,660 | 146,539 | (1,958) | 144,581 |
| Operating expenses | 53,560 | 42,045 | 24,884 | 120,489 | 997 | 121,486 |
| Operating income (losses) | ¥ (1,100) | ¥ 24,374 | ¥ 2,776 | ¥ 26,050 | ¥ (2,955) | ¥ 23,095 |
| **b. Total Assets, Depreciation and Capital Expenditures** | | | | | | |
| Total assets | ¥ 275,833 | ¥ 999,376 | ¥ 80,828 | ¥ 1,302,705 | ¥ 11,185 | ¥ 1,367,222 |
| Depreciation | 291 | 1,712 | 4,856 | 6,548 | (41) | 6,818 |
| Capital expenditures | 893 | 2,623 | 4,392 | 11,686 | (1) | 7,907 |

| | Asset Management Business | Brokerage and Investment Banking Businesses | Financial Services Business | Total | Eliminations/ Corporate | Consolidated |
|---|---|---|---|---|---|---|
| | Thousands of U.S. Dollars | | | | | |
| | 2007 | | | | | |
| **a. Revenue and Operating Income (Losses)** | | | | | | |
| Revenue from customers | $ 441,051 | $ 554,037 | $ 229,244 | $ 1,224,332 | | $ 1,224,332 |
| Intersegment revenue | 3,186 | 8,405 | 4,989 | 16,580 | $ (16,580) | |
| Total revenue | 444,237 | 562,442 | 234,233 | 1,240,912 | (16,580) | 1,224,332 |
| Operating expenses | 453,551 | 356,039 | 210,725 | 1,020,315 | 8,442 | 1,028,757 |
| Operating income (losses) | $ (9,314) | $ 206,403 | $ 23,508 | $ 220,597 | $ (25,022) | $ 195,575 |
| **b. Total Assets, Depreciation and Capital Expenditures** | | | | | | |
| Total assets | $ 2,335,784 | $ 8,462,829 | $ 684,462 | $ 11,483,075 | $ 94,718 | $ 11,577,793 |
| Depreciation | 2,467 | 14,499 | 41,116 | 58,082 | (345) | 57,737 |
| Capital expenditures | 7,561 | 22,210 | 37,198 | 66,969 | (11) | 66,958 |

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 ¥ 1,807 million and ¥ 2,435 million ($ 20,621 thousand) for the years ended 31st March, 2006 and 2007, respectively.

2. Total corporate assets of ¥ 40,904 million and ¥ 37,263 million ($315,547 thousand) included in "Eliminations/corporate" of total assets as at 31st March, 2006 and 2007, respectively, mainly consisted of surplus funds (cash, bank deposits and cash in trust).

3. As mentioned in Note 2, the Company applied the Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations (released by the ASBJ on 8th September, 2006) in fiscal year 2007. As a result, the Compan's revenues (mainly in Asset Management Business) decreased by ¥ 7,952 million ($67,336 thousand) and its total assets increased by ¥ 29,914 million ($253,312 thousand) in fiscal year 2007.

4. SBI Mortgage Co., Ltd. ("SBI Mortgage") used to function as primary entity of SBI's financial services and was included in Financial Services Business segment, whilst, it has started to attach its importance on real estate business for this year through acquisition of relevant companies. In order to reflect the changes, the Company changed segmentation of SBI Mortgage and it is changed to be counted in Asset Management Business segment from the fourth quarter of fiscal year 2007. As a result, revenue from customers and operating expenses in Asset Management Business segment increased by ¥ 958 million($ 8,114 thousand) and ¥ 543 million ($ 4,595 thousand), respectively, and also total assets of the segment increased by ¥ 20,560 million ($ 174,102 thousand) in fiscal year 2007.

### (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

| | North America | Others | Total |
|---|---|---|---|
| | Millions of Yen | | |
| | 2006 | | |
| Sales to foreign customers (A) | ¥ 13,344 | ¥ 7,870 | ¥ 21,214 |
| Consolidated sales (B) | | | 137,247 |
| (A)/(B) | 9.7% | 5.8% | 15.5% |

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

Operating revenue from foreign customers for the year ended 31st March, 2007 is not significant; therefore, foreign revenue information is not presented herein.

## 31. SUBSEQUENT EVENTS

**a. Appropriations of Retained Earnings**

At the Board of Directors meeting held on 29th May, 2007, the following appropriation of retained earnings was approved:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|---|---|
| Cash dividends, ¥600 ($5.08) per share | ¥ 6,774 | $ 57,363 |

**b. Exercise of Stock Options**

Due to the exercise of stock options previously granted (see Note 20), 1,552 shares of the Company's common stock were additionally issued in the period from 1st April to 31st May, 2007. The Company's common stock and capital surplus increased by ¥ 14 million ($ 122 thousand) and ¥ 14 million ($ 122 thousand), respectively.

**c. Merger of the Company's Consolidated Subsidiaries; SBI E*TRADE SECURITIES Co., Ltd. and SBI Securities Co., Ltd.**

On 26th April, 2007, the Company's Board of Directors discussed and reached an agreement of merger between ETS and SBI-SEC; both are the Company's consolidated subsidiaries. Pursuant to the merger agreement, SBI-SEC will be merged into ETS, with ETS being the surviving corporation on 1st October, 2007. The stock exchange ratio was determined as 1 ETS stock for 0.255 SBI-SEC stock; the number of common stocks to be issued by ETS amounted to 259,733.

**d. Transfer of Interests in SBI CAPITAL Co., Ltd.**

On 21st May, 2007, the Company entered into capital and business alliance agreement with Jupiter Investment YK ("Jupiter") – a subsidiary of Goldman Sachs Japan Co., Ltd. Pursuant to the alliance agreement, 18,756 common stocks (40 percent of outstanding number of shares) of SBI-CAPITAL were transferred to Jupiter for ¥ 7,000 million ($ 59,276 thousand) on 23rd May, 2007. SBI will record approximately ¥ 4.9 billion of gain from the transfer in the first quarter of the fiscal year 2008.

**e. LIVING Corporation, Inc.**

Upon resolution and approval of the Board of Directors meeting held on 31st July, 2007, the Company announced a Take Over Bid ("TOB") of the common stock of LIVING Corporation, Inc. ("LIVING"), a listed company on the Tokyo Stock Exchange's Mothers section. The acquisition will provide for the Group's participation in management of LIVING. Upon the successful completion of the TOB, LIVING will become a consolidated subsidiary of the Company.

The TOB will be executed from 1st August, 2007 through 3rd September, 2007 with a maximum of 8,700 shares to be acquired; representing 54.4 percent of LIVING's common equity. The maximum number of shares is set so to avoid LIVING's infringement of the delisting standards set by the Tokyo Stock Exchange. The offer price is ¥ 320 thousand ($ 2,710), which makes the aggregate investment amount including relevant fees approximately ¥ 2,808 million ($ 23,778 thousand).