SBI Holdings

## Contents



### Forward-Looking Statements

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

# Consolidated Financial Highlights

SBI Holdings, Inc. and Consolidated Subsidiaries

## Consolidated Performance Comparisons

Fiscal Year ("FY") ends March 31 of the following year

**Table 1** **With funds consolidated**

(Millions of yen)

| | Prior to fund consolidation | | After fund consolidation | |
|---|---|---|---|---|
| | FY2004 | FY2005 | FY2006 | YoY change (%) |
| Operating revenues | 81,512 | 137,247 | 144,581 | + 5.3 |
| Operating income | 24,870 | 49,595 | 23,095 | ▲ 53.4 |
| Ordinary income *1 | 27,291 | 51,366 | 90,697 | + 76.6 |
| Net income *2 | 25,631 | 45,884 | 46,441 | + 1.2 |

Direct comparisons are not possible between figures before and after the consolidation of funds.

**Table 2** **Results using the previous accounting standard**

(Millions of yen)

| | | | Previous accounting standard | |
|---|---|---|---|---|
| | FY2004 | FY2005 | FY2006 | YoY change (%) |
| Operating revenues | 81,512 | 137,247 | 152,331 | + 11.0 |
| Operating income | 24,870 | 49,595 | 53,716 | + 8.3 |
| Ordinary income *1 | 27,291 | 51,366 | 52,927 | + 3.0 |
| Net income*2 | 25,631 | 45,884 | 42,700 | ▲ 6.9 |
| Includes dilution gain from changes in equity interest (other income) | 10,569 | 25,367 | 668 | |

**Table 3** **Previous accounting standard with dilution gains deducted from net income**

Percentages in parentheses are YoY changes (Millions of yen)

| | FY2004 | FY2005 | FY2006 |
|---|---|---|---|
| Operating revenues | 81,512 | 137,247 (+68.4) | 152,331 (+11.0) |
| Operating income | 24,870 | 49,595 (+99.4) | 53,716 (+8.3) |
| Ordinary income *1 | 27,366 | 51,366 (+88.2) | 52,927 (+3.0) |
| Net income | 15,062 | 20,517 (+36.2) | 42,032 (+104.9) |

*1 Ordinary income represents periodic accounting profit/ loss attributable to the nominal and recurring business operations of the entity. Ordinary income is calculated by adjusting operating income for gains on management of surplus funds (interest income, etc.) and the cost of raising funds (interest expense, etc.).
*2 Net income in tables 1 and 2 includes dilution gain from changes in equity interest associated with SBI E*TRADE SECURITIES, and other subsidiaries (other income).

**The SBI Group recorded its fourth consecutive year of growth in revenues and earnings in FY2006, (using the previous accounting standard for ordinary income (Table 2)) backed by steady performances by all businesses. Moreover, we achieved this growth even as many Japanese companies with businesses involving the Internet reported lower earnings.**

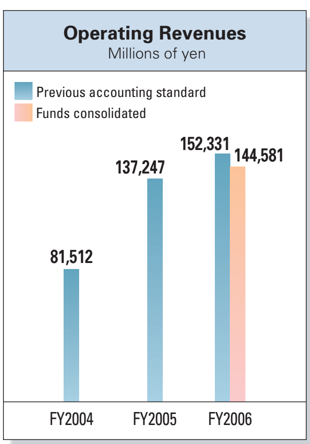
## 《 Explanation of new accounting standard for funds 》

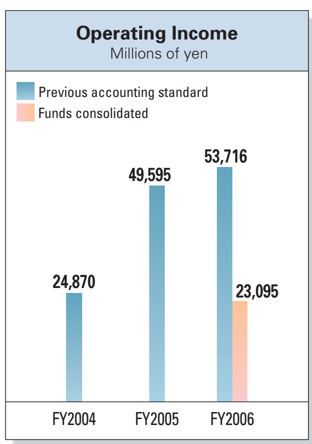
SBI Holdings began consolidating some investment funds in FY2006, complying with Practical Issues Task Force No.20 ("PITF No.20) issued by the Accounting Standards Board of Japan (ASBJ) on September 8th, 2006 "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations."

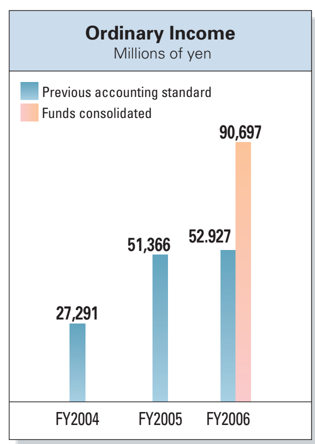
Consolidation means that the establishment, management and success fees from the consolidated funds are no longer included in operating revenues of the Asset Management Business. These fees had been the primary source of revenues in this business. As a result, the fees are no longer reflected in operating income and ordinary income in this business. However, in principle, the new accounting standard causes no difference in net income. Furthermore, our assets and operating revenues associated with the consolidated funds include the interests of external investors. The resulting increases in assets and revenues cause declines in financial indicators like our equity ratio and return on assets. This is mainly why operating income declined by 53.4%, compared with the previous fiscal year when funds were not consolidated (Table 1). The decline in earnings is not a true reflection of our actual performance. As Table 2 shows, operating income would have increased 8.3% under the previous accounting standard.

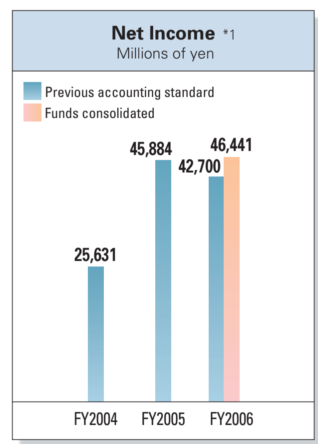
Furthermore, net income was down 6.9% when using the previous accounting standard. But this decline was caused by a large drop in the dilution gain from changes in equity interest (other income) at SBI E*TRADE SECURITIES. This gain was ¥10,569 million, ¥25,367 million, and ¥668 million in FY2004, 2005 and 2006, respectively (Table 2).

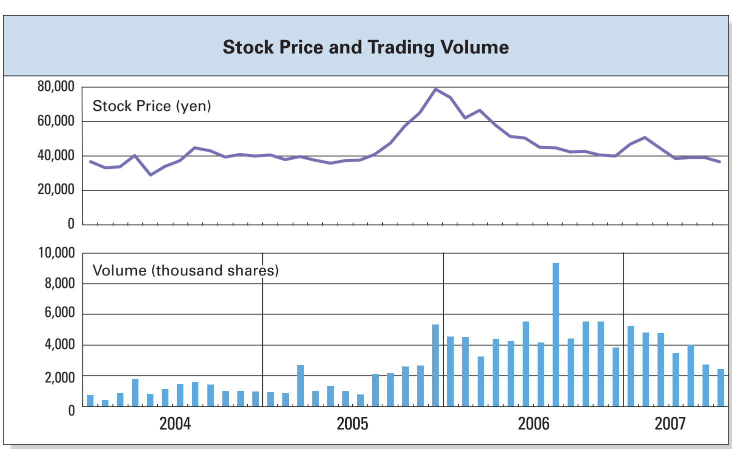
Therefore, revenues and earnings under the previous accounting standard, with these dilution gains deducted from net income, are the most accurate indicator of the performance of our businesses (Table 3).

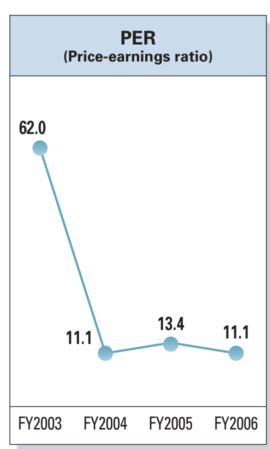


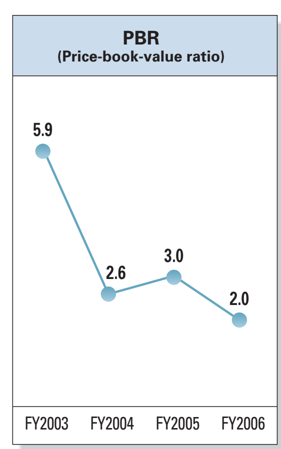




Note: Share price and trading volume figures are monthly averages (adjusted for stock splits).
*1 Includes dilution gain from changes in equity interest (other income) associated with SBI E*TRADE SECURITIES and other subsidiaries.
*2 Uses net assets prior to application of the new accounting standard for FY2003, FY2004 FY2005.

PER =
FY end TSE closing price / Earnings per share

PBR =
FY end TSE closing price / Net assets per share *2
*The closing price for FY2006 was ¥44,700.