

Strategic Business Innovator



ANNUAL REPORT 2007

SBI Holdings

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Forward-Looking Statements

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

	FY2004	FY2005	Previous accounting standard 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.

The SBI Group At a Glance

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

As of March 2007, the SBI Group consisted of SBI Holdings, 48 consolidated subsidiaries (including 12 partnerships) and 13 equity-method affiliates.

In FY2006, the SBI Group had three core businesses, all in fields involving finance. The Asset Management Business primarily involves the management of funds—both private and listed equities, the Brokerage and Investment Banking

Business Segments

Ratio of Operating Revenues to
Total Consolidated Operating Revenues
(Share of consolidated revenues in FY2005 and 2006, %)

Operating Revenues by Segments

(Share of consolidated revenues in FY2005 and 2006,
(unit: billion yen)

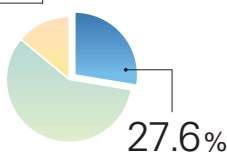
Operating Results

(unit: billion yen)

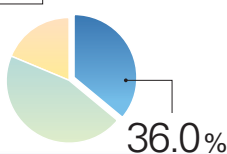
Highlights of FY2006

Asset Management Business

FY2005



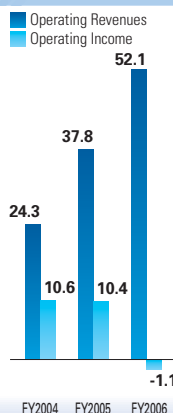
FY2006



FY2005



FY2006



Japan's leading venture capital firm based on

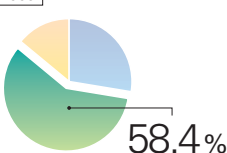
● Earned substantial success fees and capital gains due to the redemption of the SOFTBANK INTERNET TECHNOLOGY FUND. Operating income was recorded at ¥29.1 billion, but after inclusion of

Greater diversity and scale in asset management

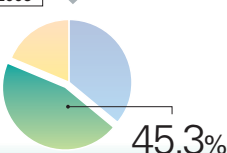
● SBI Capital redeemed three corporate revitalization funds with final Internal Rate of Returns (IRR) of approximately 20%. Given its favorable track record, SBI Capital established a ¥23.1 billion "Value-Up" turn-around fund that has already made investments in two companies.

Brokerage and Investment Banking Business

FY2005



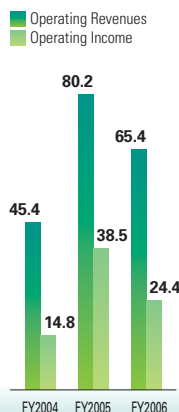
FY2006



FY2005



FY2006

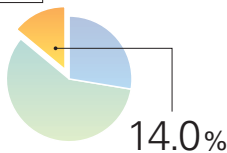


Online market leader SBI E*TRADE SECURITIES

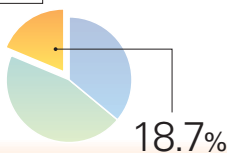
● SBI E*TRADE SECURITIES ranks first among Japan's securities companies specializing in online services in terms of the number of accounts, brokerage trading value and customer assets. Consolidated operating revenues for the year decreased 4.7% to ¥57.4 billion and ordinary income was down 18.3% to ¥24.5 billion, but performance is recovering, as quarter-to-quarter increases in revenues and earnings in the fiscal year's third and fourth quarters have shown.

Financial Services Business

FY2005



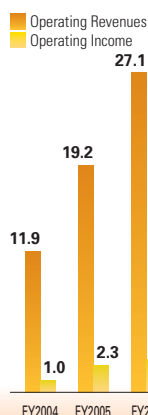
FY2006



FY2005



FY2006



Publicly owned subsidiaries continued to grow

● Morningstar Japan, whose primary business is providing mutual fund ratings, posted year-on-year growth of more than 90% in consolidated revenues and

Companies offering highly distinctive financial

● The SBI Group operates Japan's largest financial comparison website business, primarily through E-LOAN and InsWeb where strong growth in transactions by mobile phone users was experienced. Overall, the number of transactions was up 30% to 800,000, supporting steady growth in revenues and earnings.

● SBI Equal Credit is targeting opportunities created by the maximum lending rate issue. Through

Business primarily represents the securities business, and the Financial Services Business offers a variety of innovative services in other financial market sectors. In FY2007, the Housing and Real Estate Business became the SBI Group's fourth core business. In addition, the group continues to develop the Lifestyle Networks Business into a fifth core business, creating a platform that combines financial and non-financial activities together to support group-wide synergies.

reputation and results

capital gains, income before income taxes was ¥66.7 billion (using the previous accounting standard, in which funds are not consolidated).

- Outperformed other major competitor venture capital firms in Japan.

- The SBI Group's equity interest was greater than 10% in 6 of 10 portfolio companies which

conducted initial public offerings (IPOs) . For FY2007, 22 portfolio companies are currently expecting to undergo IPOs.

activities

- The SBI Group's assets under management increased to ¥630.3 billion (March 31, 2007, including some planned investments). The breakdown is as follows: IT, Life Sciences, Buyouts/Mezzanine, overseas and direct investments including private equity of ¥295.3

billion, in the investment trust and investment advisory sector of ¥287.7 billion, and real estate of ¥47.3 billion.

- The balance of housing loans originated by SBI Mortgage, which was transferred to the Housing and Real Estate Business in the fourth quarter of

FY2006, increased 42% to ¥292.8 billion as of March 31, 2007. SBI Mortgage utilized its expertise in securitization to develop the novel Real Estate Investment Loan product, which has produced steady growth in loans outstanding since its introduction.

continues to grow and firmly establish a leading position in the securities industry

- The number of customer accounts totaled 1,405,897 at the end of March 2007, with 238,119 accounts added during the year.

- SBI E*TRADE SECURITIES raised its share of individual brokerage trading value from 23.1% in FY2005 to 29.4% in FY2006. In March 2007, the company's share rose to a record-high 36.3%.

- Owing to its overwhelming lead in brokerage trading value, SBI E*TRADE SECURITIES participated in the underwriting of 121 IPOs during FY2006, including three as lead underwriter.

- Net financial income increased 43.5% to ¥13.3 billion. Additionally, fourth quarter commissions from futures and options transactions were seen at a record-high ¥418 million, as SBI E*TRADE SECURITIES continued to diversify its profit sources.

- Subsidiary E*TRADE Korea was listed its shares on the KOSDAQ on February 21, 2007.

- Announced merger of SBI E*TRADE SECURITIES and SBI Securities to streamline the SBI Group's online and bricks-and-mortar securities operations.

by accurately targeting market trends

operating income in the first quarter of FY2007, reflecting the growth in asset management needs among individual investors.

- Gomez Consulting achieved year-on-year growth of 30% in revenues and operating income in the first quarter of FY2007, setting new records for quarterly revenues and earnings.

- SBI VeriTrans continues to grow in proportion to the overall increases in volume of e-commerce, credit card and electronic transactions in Japan. Non-consolidated revenues and earnings were recorded at all-time highs.

services continue to post steady growth

loan purchases and other actions, this company significantly increased the balance of loans and the number of active customers. Owing to this growth, SBI Equal Credit became profitable on a single-year basis only two and a half years after commencement of operations.

- SBI Card continues to increase the number of credit cards issued by utilizing its expertise in offering cards with benefits and functions that are among the most

competitive in the industry. Only six months after commencement of operations, this company had already issued more than 9,000 cards (March 31, 2007).

- At SBI Technology, there was an increase to more than 570,000 users of "MoneyLook," an account integration software product that permits centralized management of accounts across various financial institutions.

*SBI Mortgage was transferred from the Financial Services Business to the Housing and Real Estate Business in the fourth quarter of FY2006.

- The Lifestyle Networks business continues to achieve consistent growth. Both the comparison and search website business and the brokerage and E-commerce business became profitable in FY2006.

The SBI Group (Principal Group Companies)

SBI Holdings, Inc.

TSE 1st section

Asset Management Business

Fund management, investment advisory services, others

① SBI Investment Co., Ltd.

Venture capital fund management **100.0%**

① SBI CAPITAL Co., Ltd.

Buyout and revitalization fund management **60.0%**

① SBI Capital Solutions Co., Ltd.

Mezzanine fund management **100.0%**

① SBI Asset Management Co., Ltd.

Investment advisory services, investment trust management **100.0%**

① SBI Arsnova Research, Co., Ltd

Arrangement and management of alternative investments **99.0%**

④ SBI VEN CAPITAL PTE. LTD.

Overseas investments **(100.0%)**

Management of IT, Life Sciences, Buyout and other funds, primarily through SBI Investment; establishment of investment products, primarily at SBI Asset Management; establishment of venture capital funds that invest in China, India and other countries offering excellent growth prospects

Brokerage & Investment Banking Business

Securities, investment banking, commodity futures, others

JASDAQ

① SBI E*TRADE SECURITIES Co., Ltd.

Comprehensive online securities company **52.4%**

KOSDAQ

① E*TRADE Korea Co., Ltd.

Online securities company in Korea **(73.4%)**

① SBI Benefit Systems Co., Ltd.

Services for defined-benefit pension plans **(87.0%)**

① SBI Securities Co., Ltd.

Traditional face-to-face securities business **100.0%**

Plans to merge with SBI E*TRADE SECURITIES in October 2007

OSE Hercules

① SBI Futures Co., Ltd.

Online commodity futures broker **61.3%(79.0%)**

② SBI Japannext Co., Ltd.

Operation of PTS (Proprietary trading system) **50.0%**

④ SBI Fund Bank Co., Ltd.

Planning services associated with investment trusts **100.0%**

A comprehensive securities business centered on the operations of SBI E*TRADE SECURITIES and SBI Securities, thereby combining online and traditional "brick and mortar" (face-to-face) environments

Financial Services Business

Financial Services Business Division (SBI Holdings)

Operation of financial product comparison, search and estimate websites

OSE Hercules

① SBI VeriTrans Co., Ltd.

Provision of electric settlement services **41.6%**

① SBI Lease Co., Ltd.

Comprehensive leasing business **100.0%**

① SBI Equal Credit Co., Ltd.

Loans to individuals and business owners **100.0%**

① SBI Card Co., Ltd.

Credit card business **100.0%**

① SBI Card Processing Co., Ltd.

Credit card transaction processing **75.0%**

④ SBI Servicer Co., Ltd.

Management, purchase and recovery of receivables **60.0%**

④ SBI artfolio Co., Ltd.

Purchase and sale of works of art **100.0%**

The operation of insurance and loan products comparison websites, a diverse line of services including financial services such as leasing, loans for individuals and business owners, and credit cards; payment settlement services; development of financial software; investment trust evaluations; and many other activities

As of June 30, 2007 Note: Percentages in parentheses are including indirect holdings

① Consolidated subsidiary

③ Equity-method company/affiliated company

② Equity-method company/non-consolidated subsidiary

④ Non-consolidated subsidiary

A diversified line of financial services

OSE Hercules	
① Morningstar Japan K.K.	
Investment trust evaluations	49.8%

OSE Hercules	
① Gomez Consulting Co., Ltd.	
Evaluation of e-commerce websites and other services	(74.6%)

① KABUSHIKISHINBUN, INC	
Distribution of information involving securities	(52.3%)

① Agent ALL Co., Ltd.	
Advertising agency	(93.0%)

① SBI Nonlife Insurances Planning Co., LTD.	
Preparations to start online Nonlife insurance company	61.6%

② SBI Life Insurance Planning Co., LTD.	
Preparations to start online life insurance company	55.0%

③ Sumishin SBI Net Bank Research Co., Ltd.	
Preparations to start Internet bank	50.0%

JASDAQ	
③ NEXUS CO., LTD.	
IT infrastructure solutions for companies	23.4%

JASDAQ	
③ SOLXYZ Co., Ltd.	
Software development	22.0%

④ SBI Point Union Co., Ltd.	
Rewards points system for SBI Group and other companies	90.0%

④ SBI Robo Co., Ltd.	
Development of next-generation financial services	84.0%

④ SBI System Co., Ltd.	
IT Systems development	100.0%

Housing and Real Estate Business**Housing loans, real estate investments, real estate developments, others**

Real Estate Business Division (SBI Holdings)	
Real estate investments, real estate developments, and operation of real estate investment funds	

① SBI Mortgage Co., Ltd.	
Long-term, fixed-rate housing loans	81.8% (93.8%)

① SBI Planners Co., Ltd.	
Architectural construction and consulting services	100.0%

① CEM Corporation	
Real estate-secured loans	22.6% (79.7%)

TSE 1st section	
③ ZEPHYR Co., Ltd.	
Comprehensive real estate company	21.4%

④ SBI ArchiQuality Co., Ltd.	
Residential structure inspections and evaluations	(49.9%)

④ SBI Guarantee Co., Ltd.	
Loan guarantees	100.0%

Housing loans and housing loan brokerage; real estate investments and property development; establishment and operation of funds, mainly to invest in real estate; venture capital investments in companies associated with real estate

Lifestyle Networks Business**A broad range of consumer services**

Lifestyle Networks Business Division (SBI Holdings)	
Operation of a diverse line of products and services comparison, search and estimate websites	

① E*GOLF Corporation	
Operation of golf course information website	67.2%

① HOMEOSTYLE Inc.	
Beauty and health services and sale of accessories	(95.8%)

③ autobytel Japan K. K.	
Online automobile purchase support service	24.6%

④ SBI Wellness Bank Co., Ltd.	
Healthcare services for members	100.0%

Establishment of networks to meet lifestyle needs of individuals, primarily through operation of the "HikakuALL," comparison and estimate portal site, the "SeikatsuGuide.com," community and lifestyle information website, and the "Ticket Ryutsu Center" concert and sports ticket brokerage website; providing efficient support for purchasing activities of consumers

To Our Shareholders



北尾吉孝

Yoshitaka Kitao
Representative Director & CEO

Profile

- 1951 : Born in Hyogo prefecture
- 1974 : Graduated Keio University with degree in Economics
Joined Nomura Securities Co., Ltd.
- 1978 : Received Economics degree from Cambridge University (England)
- 1989 : Named Managing Director of Wasserstein Perella & Co. International, Limited (London)
- 1991 : Named Director of Nomura Wasserstein Perella Co., Ltd.
(concurrent with Wasserstein Perella International position)
- 1992 : Named General Manager of Corporate Finance & Services Dept. III, Nomura Securities Co., Ltd.
- 1995 : Joined SOFTBANK CORP. at invitation of founder Masayoshi Son (named Executive Vice President and Chief Financial Officer)
- Present : Representative Director and CEO of SBI Holdings, Inc.

Selected books authored by Mr. Kitao

- **The SBI Group Vision and Strategy : Continuously Evolving Management**
(English language translation published by John Wiley & Sons, Inc.)
 - **Challenges of E-Finance I**
(Chinese translation published by The Commercial Press, Korean translation published by Dongbang Media Co., Ltd.)
 - **Challenges of E-Finance II**
(Korean translation published by Dongbang Media Co., Ltd.)
 - **"Value-Creation" Management**
(Chinese translation published by The Commercial Press, Korean translation published by Dongbang Media Co., Ltd.)
- (All of the above books are published in Japan by Toyo Keizai Inc.)
- **Why Do We Work?**
(published in Japan by Chichi Publication.)
 - **"Mysterious Powers" Gained from Chinese Classics**
(published in Japan by Mikasa Shobo Co., Ltd.)
(Chinese translation published by Peking University Press)
 - **Universal Management, Growth Management**
(Korean translation published by Dongbang Media Co., Ltd.)
 - **Developing Character**
(The above three books are published in Japan by PHP Research Institute)



SBI Holdings, Inc. continued to post strong revenues and earnings in the fiscal year ended March 31, 2007. This performance was supported by balanced growth across all business units. The result was our fourth consecutive year of growth in consolidated operating revenues and earnings (ordinary income, previous accounting standard). Under the new accounting standard, which includes newly consolidated funds, consolidated operating revenues increased 5.3% to ¥144.6 billion and ordinary income was up 76.6% to ¥90.7 billion, both of which are new records for us. In Japan, many companies with businesses involving the Internet saw revenues and earnings decline in the previous fiscal year. However, all of our core businesses generated broad-based profitability, and our venture capital and online securities operations maintained market leader positions. We also made steady progress during the fiscal year towards the launch of an Internet bank and other strategic businesses to help complete our financial services ecosystem.

Given our strong consolidated performance and our commitment to distribute earnings to our shareholders, we paid our first interim dividend during the previous fiscal year. Dividend payments applicable to the fiscal year totaled ¥13.5 billion, 80% more than in the previous fiscal year as we doubled the annual dividend to ¥1,200 per share, with a resulting payout ratio of 29.7% (consolidated basis).

From the first half of the past fiscal year, we began consolidating certain funds operated by the SBI Group to comply with the new accounting standard. Owing to this change, fund establishment, management, success

and other fees, the primary source of revenues for the Asset Management Business under the previous accounting standard, are now included in net income through an adjustment for minority interests. Although these fees are no longer included in operating income and ordinary income, the new accounting standard in theory has no impact on net income. However, the new accounting standard does influence the equity ratio, return on assets (ROA) and other ratios because total assets and operating revenues now include the interests of external investors.

Our equity ratio, an important indicator of financial soundness, was 18.1% at the end of March 2007. One reason for the decline was the consolidation of our funds, as well as the growth in balance sheet assets associated with our securities operations as the scale of these operations grew. Current assets include about ¥800 billion of margin transaction assets, loans secured by securities and other items involving the securities business. Of course, there are also corresponding liability items. The end-result was a very large volume of assets and liabilities in relation to the scale of our operations. After excluding securities-related current assets and consolidated funds (excluding the interests of external investors), our equity ratio rises to 48.6%, which indicates that the SBI Group is in a sound financial position.

The Asset Management Business made a significant contribution to consolidated earnings. Operating income in this segment was up about 180% as the approaching redemption of IT funds generated substantial success fees and capital gains. This performance clearly distinguished our asset management operations from those of our

competitors. In the Brokerage & Investment Banking Business, group companies faced severe competitive challenges as securities companies cut commissions to attract customers. Despite these difficulties, we captured a dominant market share and completed a foundation from which to compete as one of Japan's leading full-service securities companies. In the Financial Services Business, group companies achieved further growth in revenues and earnings as Internet utilization continued to both deepen and widen. Furthermore, strategic plans advanced toward the launch of an Internet bank, Internet nonlife insurance company and Internet life insurance company, which we plan to develop into core businesses in this market segment.

Our goal is to make this fiscal year ending March 31, 2008 a time when all of our businesses take significant steps to set the stage for future growth. For instance, we established a subsidiary in Singapore to start full-scale investing activities outside Japan, and in this regard we are also moving faster to form alliances with leading overseas partners in the investment business. In our securities operations, we are launching a Proprietary Trading System (PTS) venture and expanding activities involving investment trusts for retail investors. Furthermore, the upcoming merger of SBI E*TRADE SECURITIES Co., Ltd. and SBI Securities Co., Ltd. will give us a securities company that combines Internet and "brick and mortar" (face-to-face) infrastructures. One of the goals of the new company will be to establish a nationwide network of branch offices, as all of our initiatives will be guided by our customer-centric principle.

Furthermore, for this fiscal year we expect to launch our benchmark Internet bank, Internet nonlife insurance company and Internet life insurance company. With the launch of these businesses we will be much closer to our goal of establishing a truly-integrated financial ecosystem. Since its inception in 1999, the SBI Group has established many subsidiaries with operations that involve finance, and our financial ecosystem grew along with the number of these subsidiaries. Starting from ground zero only eight years ago, the SBI Group has developed into an organization with 48 consolidated subsidiaries and 13 equity-method affiliates, and during this period our workforce grew from 55 to 1,680 employees (March 31, 2007).

In August 2006, when our capital relationship with SOFTBANK CORP. was dissolved, we gained further independence and latitude to enter into non-financial business fields. Since then, the SBI Group has used the resources and expertise acquired from its financial businesses to start operations in many new fields. This includes business fields closely related to financial services as well as non-financial activities that are closely related to SBI Group companies. In every case, our ultimate objective is to expand and reinforce our financial ecosystem.

Today, our policy is "to utilize the finance as the nucleus to go beyond the sector," so that the SBI Group may develop into a diversified organization with a "nucleus" in fields other than the finance business. We envision the establishment of two more ecosystems: a housing and real estate ecosystem and an information systems ecosystem. We will then

pursue mutual synergies among these ecosystems, which will set the stage for transforming the SBI Group into a single multifaceted and self-reinforcing business ecosystem.

Another objective is to return to our origins as the most innovative Internet business group and roll-out a portfolio of "Finance 2.0" products and services – a concept for the coming age where real-time knowledge-based financial services will overtake the traditional by offering greater ease of use, trustworthiness, quality of service, and a lower cost. We expect to accomplish this vision by building-out a business ecosystem in the field of information systems, together unifying both finance and Internet; this ecosystem will provide the platform to sustain our future growth.

The SBI Group is determined to become "Japan's largest distributor of financial services," supplying customers with the best products in all categories of financial services. We will take full advantage of the extremely powerful vehicle known as the Internet, while retaining our commitment to the customer-centric principle. Having created a blueprint for taking the necessary actions to reach our goal, we will continue our endeavors to make the necessary progress.

The SBI Group will continue to create more innovative services and businesses that can produce benefits for our customers and investors. Our ultimate objective is to maximize corporate value, which we believe to be the aggregate of "customer value," "shareholder value" and "human capital value."

SBI Group's Management Philosophy

Sound Ethical Values

We shall undertake judgments on actions based not only whether they conform to the law or profit the company, but also whether they are socially equitable.

Financial Innovator

We will transcend traditional methods and bring financial innovations to the forefront of the financial industry, utilizing opportunities provided by the powerful price-destruction forces of the Internet and developing financial services that further enhance benefits for customers.

New Industry Creator

We will work to become the leader in creating and cultivating leading industries of the 21st century.

Self-Evolution

We will continue to be a company that evolves of its own volition by forming an organization that flexibly adapts to changes in the operating environment and incorporates corporate "Ingenuity" and "Self-transformation" as part of its organizational DNA.

Social Responsibility

We will ensure that each company in the SBI Group recognizes its social responsibilities as a member of society and carries out its social and economic responsibilities to all stakeholders, while contributing to the betterment of society.

SBI Group's Corporate Vision

(Formulated in July 2005)

1

Maximize corporate value by the synergistic effect of creating value to our shareholders, employees and customers, which are the primary components of our corporate value.

2

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

3

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

The SBI Group makes a clear distinction between its "management philosophy" and "corporate vision." We regard our management philosophy as long-term and universal values to which we aspire and that this philosophy should not be easily altered because of a change in top management or shifts in the market. On the other hand, our "corporate vision" concretely describes how the Company sees its desired corporate organization in the future and therefore must be realistic and attainable. In the current age of rapid change, a corporate vision is of a medium-term nature.

Toward a New Evolutionary Process



Strategic Business Innovator

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

Yoshitaka Kitao

Representative Director & CEO



Please discuss your strategy for growth outside Japan.

(1) Established a subsidiary in Singapore for the launch of full-scale overseas investment activities

The SBI Group has established concrete targets for its international expansion. In the Asset Management Business, we are targeting overseas operations to account for one-third of profits within three years and one-half of profits within five years. Realizing these targets will provide us with a highly productive asset management structure that does not rely solely on emerging markets in Japan.

In May 2007, we established SBI VEN CAPITAL PTE. LTD. as a registered investment base in Singapore to reach out to accredited investors outside of Japan, where the current tax regime has deterred foreign institutions from investing into Japanese-managed venture capital funds. This dynamic has prevented the country from reaching its true potential as a major

financial investment center. Therefore, we shall establish a fund in Singapore between 30-50 billion yen, which will invest primarily in companies domiciled in China, India, Vietnam, and Thailand, as well as in other fast growing Asian countries. Domestically, we had concentrated our investments in knowledge-driven areas like Internet, Mobile and Life Sciences, but in terms of our overseas investments, we will be opportunistic in our approach, rather than to be too narrowly focused on IT or any other specific market segment. SBI's Singapore office serves as a preferred, tax favorable destination serving foreign investors who might otherwise be levied a 20% withholding tax in Japan.

We are particularly focused on India and Vietnam. India has a growing middle class, and owing to its historical ties with Great Britain there is a large English-speaking population. The country's strong legal and accounting systems offer advantages that make India an attractive place for foreign companies to set up operations. Vietnam, much like Japan, has a diligent and industrious workforce, and this workforce is characterized by a younger demographic, owing primarily to the effects of the prolonged war. It is estimated that over 60% of the population of Vietnam is accounted for by people under the age of 30. Just as Japan experienced in its recent history, Vietnam will probably experience rapid growth in its Internet use, as the country's younger demographic will drive the utilization of the Internet. We believe that this natural progression will create many significant investment opportunities.

(2) Moving faster to form strategic alliances with best-of-breed overseas partners

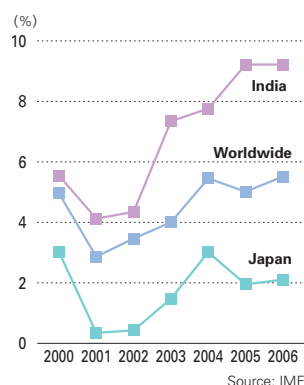
The SBI Group is approaching leading partners in various countries to form strategic alliances in areas such as venture capital and turn-key financial application service providers (ASP). We are pursuing these alliances for the ultimate goal of establishing an integrated global financial ecosystem.

a) Venture capital alliances with financial institutions, universities and corporate entities

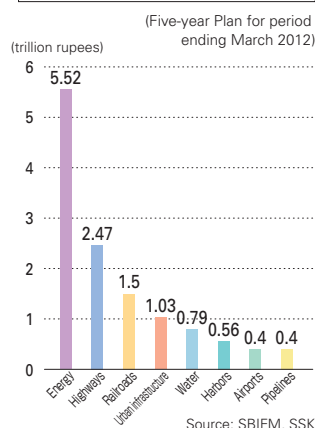
Strategic alliances with local companies and personal relationships with local businesspeople are of paramount importance to the success of overseas investment ventures.

In India, we have forged an alliance with The State Bank of India, which is the nation's largest commercial bank. We also formed a venture capital fund that will invest in unlisted companies with promising growth prospects, and this venture is now at the stage of conducting due diligence to select suitable companies. Relationships formed with businesspeople through this alliance are providing us with an enormous source of valuable information and proprietary deal flow.

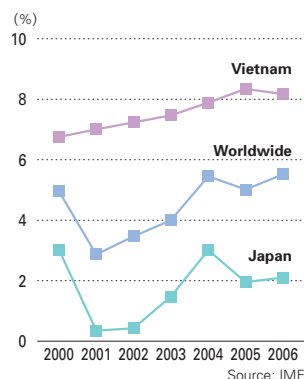
Real GDP Growth Rate



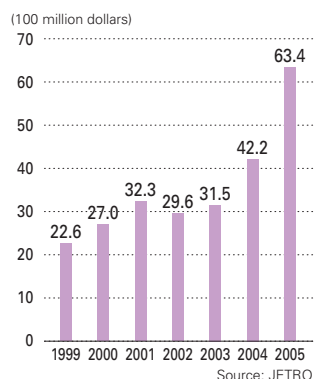
India's Planned Infrastructure Investments



Real GDP Growth Rate



Direct Foreign Investments in Vietnam

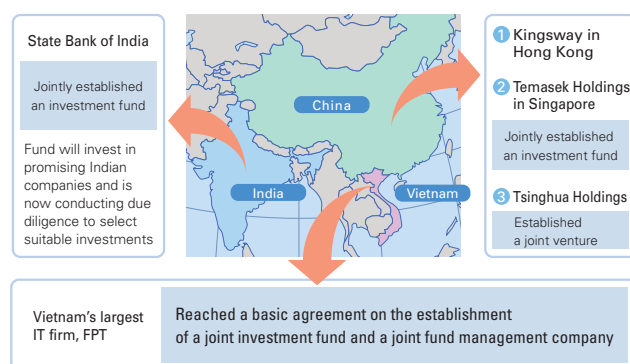


In China, we established funds with the Kingsway Group of Hong Kong and with Temasek Holdings, the principal investment arm of the Singapore government, to make investments in promising Chinese companies. Both of these funds have excellent prospects for generating high returns. We also have an alliance with Tsinghua Holdings, which is affiliated with Tsinghua University, one of China's most prestigious universities. With Tsinghua Holdings, we formed a joint venture that will establish a Renminbi (RMB) based fund in China, as there are many highly promising small companies in China that originate from universities. Furthermore, collaboration with Tsinghua University provides a means for establishing personal relationships with the many graduates of this university who go on to positions of prominence in their chosen fields.

In Vietnam, we have begun working with The Corporation for Financing and Promoting Technology (FPT), Vietnam's largest information technology group. We have reached an agreement in principle to jointly establish a fund management company for a fund denominated in the Vietnamese Dong (VND). This alliance will enable us to capitalize on opportunities in Vietnam, which is expected to sustain a high economic growth rate for many years to come. Furthermore, through this alliance we plan to contribute to the development of Vietnam's information economy.

It is through alliances such as these and primarily through venture capital funds that we plan to accelerate our overseas expansion.

Accelerate overseas business focusing on venture capital by working with local financial institutions, universities and operating companies

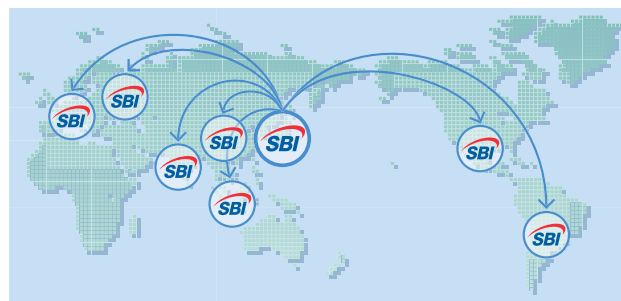


b) Using an ASP model to transplant our financial ecosystem to Asian countries

Having constructed a financial ecosystem in Japan, we now plan to transplant our financial ecosystem through a fee-based ASP model. We believe that this can be realized by providing the know-how and business model that we accumulated in our Japanese financial ecosystem. To this end, we are currently negotiating with a major Thai bank to start building a financial ecosystem in Thailand. Ultimately,

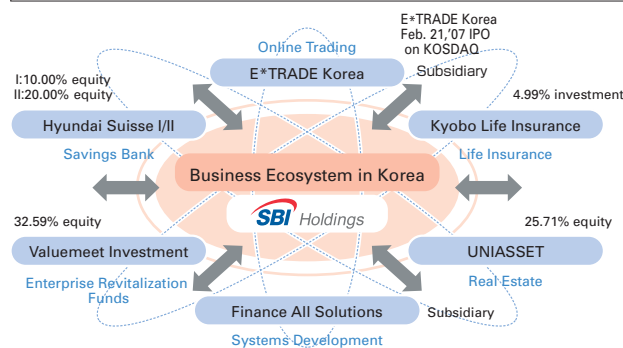
we expect to export sophisticated financial ecosystems in other Asian countries.

As a first step, now negotiating with a major local bank to begin operations in Thailand



The SBI Group has been successful in unifying several ecosystems into a single network business ecosystem that produces significant synergies. This business ecosystem will allow the SBI Group to sustain growth at a level that is not possible in a single company structure, and it is this business ecosystem that we ultimately would like to share with other countries.

Positioned to capture specific synergies from the business ecosystem already in place in South Korea



In South Korea, we have assembled a group of financial companies by investing in existing companies as well as starting up others ourselves. Today, our portfolio in this country extends across banking, insurance, online securities, real estate and IT systems development. Our subsidiary, E*TRADE Korea conducted an IPO in February 2007, listing its shares on the KOSDAQ market. In the same month, we purchased a 4.99% equity stake in Kyobo Life Insurance, one of South Korea's big-three life insurers. The following June, in response to the company's request for assistance in asset management activities, I accepted a seat on their board of directors. Investing in companies and establishing others has given us a presence in

many business fields in South Korea, but unlike our Japanese business ecosystem, our Korean companies are not fully-benefiting from meaningful synergies between themselves. Going forward, generating such synergies will be among the highest priorities for our Korean business operations.

(3) New Horizon Fund's unrealized gains exceeds the original fund contributions

The SBI Group and Temasek Holdings, an investment organization controlled by the government of Singapore, jointly established the New Horizon Fund in May 2005. With an initial fund investment of US\$100 million, the fund has made investments in 10 promising companies in China. Of these, four companies are now publicly owned, resulting in unrealized capital

gains of US\$153 million (as of June 2007), exceeding the original fund contributions.

Whereas I fully appreciate the risks associated with emerging market investments, not investing in these markets may pose an even greater risk. I sincerely believe that we will do well by investing in promising markets and companies. The economies of many Asian countries are growing faster than that of Japan, and the currencies of these countries are likely to strengthen as well. All in all, overseas investments are extremely attractive for many reasons. We will capitalize on these opportunities by utilizing various approaches to conduct joint operations with the overseas companies that are best suited to be our business partners.

Unrealized Gains Already Exceed the Original Fund Contributions at New Horizon Fund (started May 2005)

Four of the 10 companies in the New Horizon Fund portfolio are now publicly owned and one more company is planning an IPO in September 2007. Unrealized capital gains at the four publicly owned companies alone already total more than 150% of the fund's initial principal. SBI Holdings expects to receive distributions of US\$36.6 million from this fund (initial fund investment was US\$50 million). SBI Holdings plans to record these distributions in the fourth quarter since the fund ends its fiscal year in December.

(Unit : US\$ million)

Portfolio company	Investment	Category	IPO (planned)	Status	
				March '07	June '07
Sinchuan MeiFeng Chemical Industry	14.8	A-Class Shares		Unrealized gain 30.5	42.0
Changsha Zoomlion Heavy Industry Science & Technology Development	13.3	A-Class Shares		Unrealized gain 35.6	110.7
China Printing & Dyeing Pet (Jiang Long)	3.5	Post-IPO		Unrealized gain 1.0	2.2
Yingli Green Energy Holding	2.5	Post-IPO		Pre-IPO	3.5
Kingsoft	7.2	Pre-IPO	2007		Projected IRR : 72%
Cathy Industrial Biotech	12.2	Pre-IPO	2007		Projected IRR : 148%
China Stem Cells Holdings	4.1	Pre-IPO	2007		Projected IRR : 57%
Goldwind Science and Technology Co., Ltd	4.1	Pre-IPO	2007		Projected IRR : 77%
Jiangsu Ealong Biotech	2.5	Pre-IPO	2007		Projected IRR : 84%
Shineway Group	20.0	Pre-IPO	2009		Projected IRR : 34%
Total	84.3				

SBI Holdings will invest US\$50 million in a second fund with principal of US\$500 million.

Total of US\$152.9 million

Question

Q2

SBI E*TRADE SECURITIES and SBI Securities are to merge later this year. How is SBI E*TRADE SECURITIES performing and what is your strategy for achieving more growth at this company? Will you also explain your strategy for SBI Fund Bank, which the SBI Group recently established?

(1) Merger of SBI E*TRADE SECURITIES and SBI Securities

At the SBI Group, adherence to the customer-centric principle is of paramount importance. Therefore, this principle is at the center of the merger of these two companies, which will fully integrate online and conventional (face-to-face) securities operations. We will create Japan's first truly integrated online and offline securities company model. This model will incorporate the strengths of the online securities business, such as a low cost structure, the ability to attract many customers and a very high trading volume, along with the strengths of conventional off-line

securities operations, including strong regional roots and the ability to combine sales activities with consulting services. Through the combination of these resources, we will position ourselves to better serve the needs of our customers.

With the creation of this unprecedented business model, our business scope will expand significantly in our securities operations. The post-merger company will become a full-service securities company with activities that go far beyond the online securities business alone. The new company will thus be positioned to reinforce its status among the leaders of Japan's

securities industry. Following the merger, the equity stake of SBI Holdings in SBI E*TRADE SECURITIES, the surviving company, will rise from 52.4% to an estimated 56.0%.

SBI E*TRADE SECURITIES holds a prominent position in Japan's equity markets as the country's largest online securities company. At the end of June 2007, the company had more than 1.45 million customer accounts and accounted for 29.4% of retail stock brokerage trading value in Japan (year ended March 2007). SBI E*TRADE SECURITIES has also forged strong relationships with corporate clients, as the company has rapidly expanded its investment banking operations, including IPO underwriting and M&A advisory services. Such services and operations allow the company to function as a bridge between individual investors and corporate clients. SBI Securities, which provide its services on a face to face basis, has a customer base made up primarily of high-net-worth individuals over the age of 50. To serve these customers, the company has a nationwide network of 27 offices and a sales force of about 250 employees.

To summarize, I believe that integrating the two securities companies will enable us to achieve the following goals.

Objectives of the Merger

1. Through the integration of online and conventional securities company resources, further enhance the customer-centric principle
2. Build a more commanding position in all sectors of the securities market, in addition to the number-one position in online securities
3. Cut costs, mainly for IT systems and back office operations, and boost operating efficiency
4. Launch a full-fledged private banking business
5. Increase our presence in the public placement market by reinforcing underwriting operations

Objective 1: Through the integration of online and conventional securities company resources, further enhance the customer-centric principle

More than half of the customers of SBI E*TRADE SECURITIES are younger than 40, but at SBI Securities 54.8% of customers are at least 60 years old.

As I mentioned earlier, the SBI Group's philosophy is to adhere to the customer-centric principle. This means providing customers of all ages with our full line of products and services, either using the Internet or through other channels. In keeping with this principle, our services must be readily available even to those customers who do not use the Internet. Furthermore, some products require a higher degree of customer care and explanation of risk information. These types of financial products are best suited for face-to-face sales channels, where account executives may directly answer customers' questions. This is one of the major reasons why we are combining our online and conventional sales channels into a single company. I firmly believe that both the Internet and conventional sales channels together are essential in order to truly adhere to our customer-centric principle.

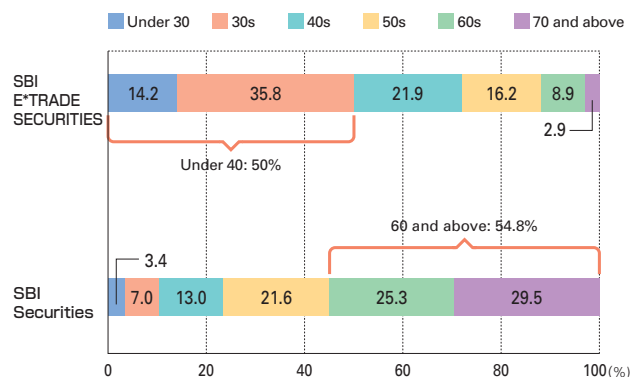
Profiles of SBI E*TRADE SECURITIES and SBI Securities

Providing growth by using a new business model based on online securities services, a first in Japan

	SBI E*TRADE SECURITIES	SBI Securities
Customers	Mainly salaried employees between ages of 30 and 50, extending from individuals building wealth to high-net-worth individuals	Mainly high-net-worth individuals and companies in all areas of Japan
Service format	Serves customers using the Internet and call centers	Serves customers using face-to-face contact at 27 offices nationwide and a sales force of about 250
Paid-in capital (As of March 31, 2007)	¥47,864 million	¥12,118 million
Shares issued	3,188,493	1,018,563.87
Employees (As of March 31, 2007)	140	370
High-net-worth customers (accounts with at least ¥50 million as of March 31, 2007)	6,448 accounts	1,219 accounts

Integrating Internet and Brick-and-Mortar Customer Bases Complements Mutual Customer Base by Age Bracket

(At the end of March 2007)



Objective 2: Build a more commanding position in all sectors of the securities market, in addition to the number-one position in online securities

Taken together, SBI E*TRADE SECURITIES and SBI Securities rank among Japan's 10 largest securities companies, both publicly and privately owned, in terms of customers and performance for fiscal 2006. With about 1.47 million customer accounts, the combined companies rank fourth in customer accounts, tenth in customer assets (¥4,573.2 billion), ninth in operating revenues (¥65.4 billion), and seventh in ordinary income (¥25.8 billion).

SBI E*TRADE in the Securities Industry (Customer Base FY2006)

Ranking by customer accounts

	(Accounts)
1	NOMURA *1 3,953,000
2	DAIWA Gr. 2,819,000
3	NIKKO Gr. 2,239,000
4	SBI E*TRADE+SBI 1,468,155
5	MITSUBISHI UFJ *1 1,186,000
6	SHINKO 1,036,000
7	MONEX 750,364
8	RAKUTEN 675,548
9	MATSUI 668,073
10	KABU.COM 562,606

Source: Compiled by SBI Holdings from information disclosed by each company

*1 Outstanding balance, Number of accounts

Ranking by assets in customer accounts

	(100 million yen)
1	NOMURA 851,875
2	DAIWA Gr. 592,335
3	NIKKO Gr. 406,351
4	MITSUBISHI UFJ 277,507
5	MIZUHO 188,203
6	SHINKO 147,811
7	MIZUHO INVESTORS 75,979
8	SMBC FRIEND 48,074
9	TOKAI TOKYO 47,844
10	SBI E*TRADE+SBI 45,732
11	OKASAN HD 43,025
12	MONEX 21,276
13	MARUSAN 21,154
14	COSMO 20,680
15	ICHIYOSHI 19,665
16	MATSUI 17,384
17	TOYO 14,842
18	RAKUTEN 13,494
19	KABU.COM 12,451
20	MITO 11,735

Source: Compiled by SBI Holdings from The Nikkei

SBI E*TRADE in the Securities Industry (Performance FY2006)

Ranking by operating revenues

	(Million yen)
1	NOMURA 2,049,101
2	DAIWA Gr. 917,307
3	MIZUHO 647,292
4	NIKKO Gr. 516,642
5	MITSUBISHI UFJ 435,508
6	SHINKO 146,794
7	MIZUHO INVESTORS 73,866
8	OKASANHD 70,050
9	SBI E*TRADE+SBI 65,425
10	TOKAI TOKYO 63,765
11	SMBC FRIEND 58,747
12	MATSUI 43,691
13	RAKUTEN 33,994
14	MONEX 33,244
15	ICHIYOSHI 25,482
16	COSMO 24,705
17	MARUSAN 22,208
18	KABU.COM 20,946

*Kabu.com data is on a non-consolidated basis

Nomura: Current revenue is a simple total of the current revenues of Nomura Group firms. Current income represents income before income taxes.

Ranking by ordinary income

	(Million yen)
1	NOMURA 321,758
2	DAIWA Gr. 195,415
3	NIKKO Gr. 100,443
4	MITSUBISHI UFJ 73,671
5	MIZUHO 46,315
6	SHINKO 29,056
7	SBI E*TRADE+SBI 25,808
8	MATSUI 22,720
9	SMBC FRIEND 21,835
10	TOKAI TOKYO 18,723
11	MIZUHO INVESTORS 18,529
12	MONEX 16,688
13	RAKUTEN 14,446
14	OKASAN HD 14,234
15	KABU.COM 11,017
16	ICHIYOSHI 6,498
17	MARUSAN 5,748

Source: Compiled by SBI Holdings from The Nikkei Financial Daily (May 1, 2007) data

In the IPO underwriting sector, SBI E*TRADE SECURITIES participated in the underwriting of 121 of the 187 IPOs in Japan during fiscal 2006 for a participation ratio of 64.7%, ranking second only to Mitsubishi UFJ Securities. The combined

company expects to enhance its position in the underwriting market by serving as lead underwriter for more offerings during the current fiscal year.

Objective 3: Cut costs, mainly for IT systems and back office operations, and boost operating efficiency

We expect to achieve significant cost savings by integrating the disparate securities back office systems of SBI E*TRADE SECURITIES and SBI Securities.

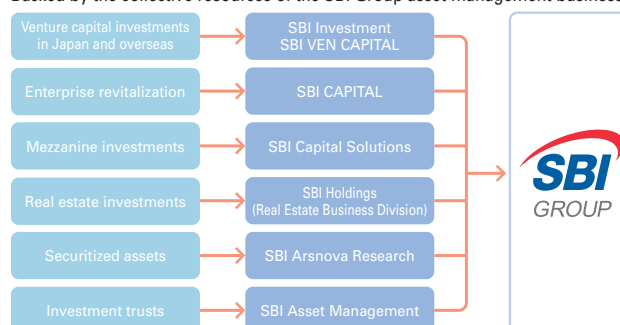
Objective 4: Launch a full-fledged private banking business

SBI E*TRADE SECURITIES and SBI Securities combined have 7,667 high-net-worth individual accounts*, which we define as an account of more than ¥50 million. These accounts reflect in part the ability of online securities operations to attract a large number of high-net-worth individuals. Furthermore, our venture capital business is building solid relationships with new high-net-worth individuals. For instance, of the 258 companies in which our venture capital funds have invested, 99 have completed an IPO*, providing their shareholders with new-found wealth. We are targeting the investment needs of these individuals, who already have existing relationships with the SBI Group, and our goal is to offer services that are even more sophisticated and diverse. As an example, private banking specialists will create plans that match the assets and goals of each customer and offer the products needed to execute those plans. Moreover, as of March 31, 2007, SBI E*TRADE SECURITIES had underwritten a total of 451 IPOs since it began Internet based operations. Overall, venture capital and underwriting activities provide many opportunities for assisting company owners and other such high-net-worth individuals in managing their personal assets. We plan to develop specific products for this market as well as to take other actions in order to build a sound infrastructure for a private banking business.

*Fiscal year ended March 31, 2007

Use of group resources to develop products for high-net-worth market in order to reinforce private banking operations

Backed by the collective resources of the SBI Group asset management business



Objective 5: Increase our presence in the public placement market by reinforcing underwriting operations

Utilizing the face-to-face distribution channels of SBI Securities will make it possible to distribute securities that require greater sales capabilities than possessed by online securities companies. For example, public placements require the relative quick sale of underwritten shares. The post-merger SBI E*TRADE SECURITIES will thus gain the ability to increase its volume of public placements by listed companies. We believe this will make a significant contribution to growth in earnings from wholesale securities services.

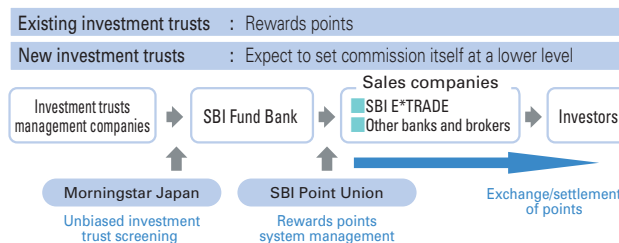
(2) Established SBI Fund Bank to start a “fee revolution” in the investment trust business

Throughout its existence, SBI E*TRADE SECURITIES has played a leading role in drastically reducing stock brokerage commissions in Japan. Today, the company charges a commission of less than one-tenth as much as most conventional securities companies. Cutting brokerage commissions has meant that investors now keep the proceeds which previously went to securities companies, which is the essence of our commitment to the adherence of the customer-centric principle. To take the next step, we have established SBI Fund Bank, where the company’s mission is to achieve a similar revolution in investment trust sales commissions and other fees in the investment trust business.

As individuals in Japan shift their money from savings to investments, assets in equity investment trusts have climbed rapidly. One result is the growth in the influence of individuals as indirect buyers in Japan’s stock markets. A similar a shift

Establishment of SBI Fund Bank

The rewards point system aims at starting a “Fee Revolution” by introducing a system of rewards points that can be offset against sales commissions and custodian fees paid by the investor



Function of SBI Fund Bank

Investment trusts management companies:
Consulting service for the establishment of attractive investment trusts
Sales companies:
Reduction of investors’ cost through rewards points

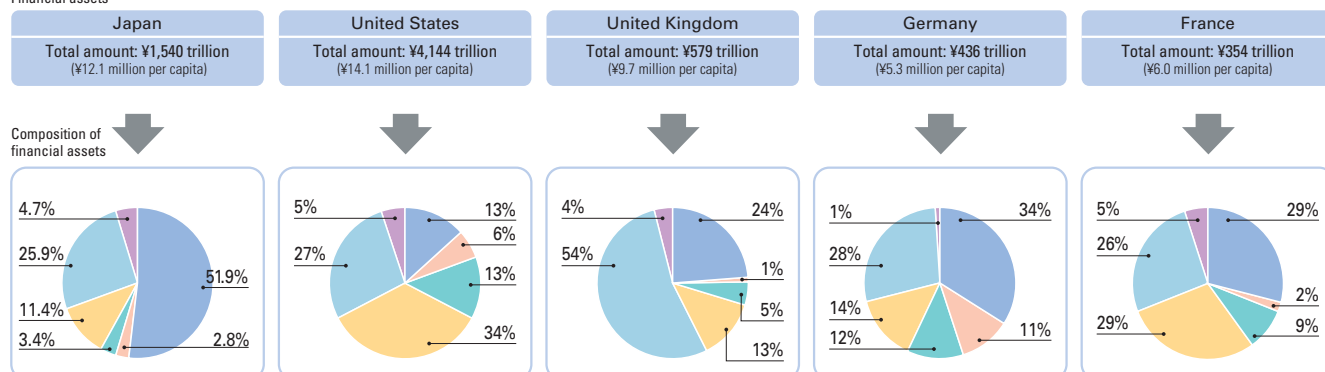
* Subject to approval by competent authorities

occurred in Germany during the 1990s, whereupon investment trusts rose from 4.1% of household savings in 1991 to 12.1% as of December 31, 2005. During the same period, individuals in Germany reduced their money in cash and bank deposits by 11.6%. In Japan, investment trusts accounted for only 4.3% of individuals’ savings as of December 31, 2006, but cash and bank deposits accounted for more than one half of these savings. We believe that the time has come for Japan to experience a similar shift to investment trusts as experienced in Germany in the 1990s. This is why we established SBI Fund Bank. By lowering sales commissions and trust fees paid by investors, we intend to start a “fee revolution” in the investment trust industry.

The Shift from Savings to Investments
Financial assets of individuals in Japan will gradually become similar to those in U.S. and Europe

- Japanese individuals hold financial assets totaling ¥1,540 trillion, more than the combined total for the UK, Germany and France (¥1,369 trillion).
- Financial assets per capita in Japan is ¥12.1 million.

Financial assets



Source: Bank of Japan; Japan as of December 31, 2006, U.S. as of June 30, 2005; others as of December 31, 2001



**The SBI Group will soon launch an Internet bank, Internet nonlife insurance company, Internet life insurance company and other new ventures.
What is your strategy for making these companies profitable?**

We have formed partnerships with highly respected companies to start Internet banking and Internet insurance businesses during the fiscal year ending in March 2008, and establishing these companies will finally complete our financial ecosystem. By returning to our roots as an Internet based organization, we plan to conduct marketing activities that extensively utilize Web 2.0 tools such as blogs and Social Networking Services (SNS). At the same time, we will focus on making our new bank and the two insurance companies profitable as quickly as possible by building a framework for supporting the growth of these companies.

Launching these three major businesses will require further strengthening of our compliance system to one that reflects the activities of a financial services conglomerate. To oversee this system, SBI Holdings established the Financial Conglomerate Governance Dept. in June 2007. With the establishment of this new unit, we will be able to further strengthen the oversight of group management activities, and two of their priorities will be to guard for financial soundness and to ensure that all companies properly conduct their business operations.

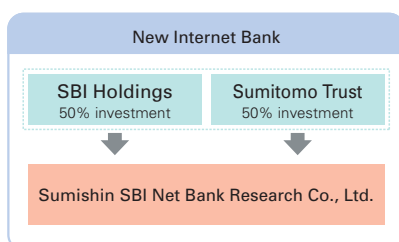
Since the inception of the SBI Group, we have regarded banking as an essential and central component of our efforts to become a comprehensive financial services group. The U.S. experienced a banking system crisis in the 1980s, and Japan's

banks struggled with problem loans during the 1990s. Having witnessed these problems, we feel that we understand and appreciate the challenges of starting and operating a successful bank. Therefore, we carefully considered the timing for starting our bank, and our decision to launch a bank now reflects several factors. One is our financial ecosystem. We have successfully advanced our ecosystem to the current level of operation, and we have determined that we are now in a position to pursue further synergies with other new businesses. Another factor is the removal of many barriers that have separated banks and securities companies in Japan, where the country is clearly approaching the age of universal banking. Owing to these developments, we concluded that the timing was ripe to start an Internet bank. Once barriers separating the banking and securities sectors are gone, we can capture significant synergies across Internet banking and securities operations. Furthermore, if we hesitate to act, we may fall behind our competitors.

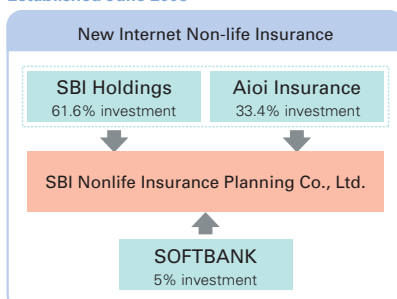
Success at these new Internet companies will require many components to support their operations. Let me explain a few of these components.

Joint Ventures with Prominent Companies

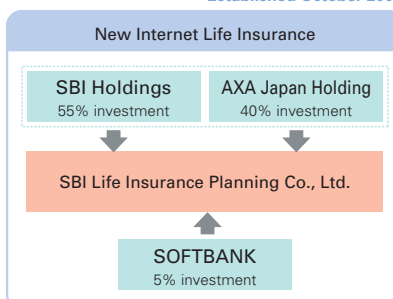
Established April 2006



Established June 2006



Established October 2006



Internet bank

SBI Holdings, Inc. and The Sumitomo Trust & Banking Co., Ltd. hold equal investments in Sumishin SBI Net Bank Research Co., Ltd. Each company has made equity investments of ¥7 billion, including a ¥10 billion shareholder allotment conducted in January 2007.

Preliminary examinations have been completed and, as of the end of June 2007, discussions were proceeding with the Financial Services Agency to prepare for the final approval stage.

Internet nonlife insurance

SBI Nonlife Insurance Planning Co., Ltd. increased its equity in February 2007 through a ¥2.9 billion shareholder allocation. The shareholders are SBI Holdings (62%), Aioi Insurance Co., Ltd. (33%) and SOFTBANK CORP. (5%).

This company completed the preliminary application process in June 2007 for obtaining an insurance business license.

Internet life insurance

SBI Life Insurance Planning Co., Ltd. used a shareholder allocation to increase its equity by ¥1 billion in April 2007. The shareholders are SBI Holdings, Inc. (55%), AXA Japan Holding Co., Ltd. (40%) and SOFTBANK CORP. (5%). The company is now preparing to obtain a life insurance business license.

(1) Support from established SBI Group companies

The SBI Group is already experienced in Internet banking. In April 2000, we launched the Suruga Bank SoftBank Branch, which was a pioneer in the introduction of online banking to Japan. In August 2001, only 16 months later, this branch became profitable on a monthly basis. The next milestone was reached when it became profitable for the fiscal year that ended in March 2002. Since then, the branch has reported a profit every year. At the end of March 2007, the branch reported deposits of ¥18.6 billion and 217,200 customer accounts. We have reached an agreement with Suruga Bank to invite the customers of this branch to set up accounts at our new Internet bank, so that our Internet Bank will have a head start from day one.

Our new Internet bank is building an IT system that will permit full-scale collaboration with SBI E*TRADE SECURITIES. Whereas SBI E*TRADE SECURITIES already has existing synergies with the Suruga Bank Softbank Branch through an immediate deposit and withdrawal service, we plan to offer the same service at our Internet bank as a way to differentiate it from competitor online banks that are already in operations.

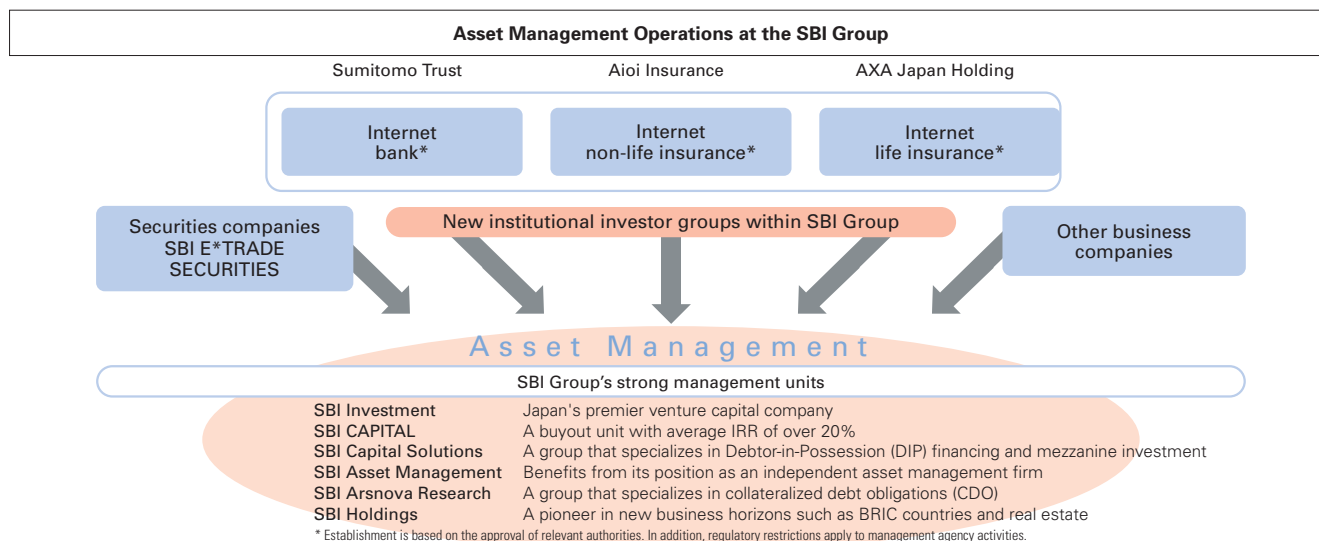
Many Internet banks in Japan have been experiencing operating difficulties. Poor net interest income owing to the lack of an effective asset management framework is the primary cause. The answer is clear, asset management is vital to the success of an Internet bank. The Internet bank, Internet nonlife insurer and Internet life insurer are three large institutional investor groups which will become a part of the SBI Group. We have nurtured a powerful asset management organization that can serve these three companies, and this asset management expertise will enable us to build an infrastructure that can generate consistently strong returns for assets of the new bank and insurance companies.

(2) Integration of online and conventional (face-to-face) services based on the customer-centric principle

The first SBI Money Plaza opened its doors in Tokyo's Aoyama district in May 2007. Our objective is to create a comprehensive financial product distributor that covers both online and conventional channels. Subject to the applicable laws and regulations, we plan to expand the Plaza's lineup to include the products of our Internet bank and our Internet nonlife and life insurance companies. With such diversity, these plazas will give us access to customer segments such as individuals who have not yet used the Internet for financial services, members of the baby-boom generation who need help in managing assets, high-net-worth individuals, and others.

SBI Mortgage plans to use a housing loan agency system to establish a nationwide network of SBI Housing Loan shops. The first shop opened in Nagoya in February 2007, and four other shops, which are all franchised, were subsequently opened in Fukuoka, Hamamatsu, Kagoshima and Sapporo (as of July 31, 2007). We established SBI Mortgage in 2001 as Japan's first mortgage bank, and since then the company has relied primarily on direct sales via the Internet. However, the company is now shifting its focus to the establishment of a network of housing loan shops to distribute its loans. Eventually, SBI Mortgage plans to distribute a multitude of financial products along with its housing loans.

To review, we foresee enormous synergies between the three new Internet companies and other members of the SBI Group, which possess a large and diverse customer and operating base. Producing these synergies will be vital to making the three new companies profitable quickly, as well as for the three companies to make positive contributions of their own to the SBI Group.



First SBI Money Plaza Opened on May 25, 2007

A comprehensive financial product distributor combining online and face-to-face services

Service lineup

- ◆ Life and nonlife insurance policies
- ◆ Housing loans
- ◆ Information about SBI Card
- ◆ Information about SBI E*TRADE SECURITIES accounts and services
- ◆ Agent for purchase of paintings
- ◆ Consulting for study abroad and living abroad
- ◆ Internet broadcasts of seminars to earn official qualifications
- ◆ Yahoo!BB
- ◆ Softbank Mobile, Others

Services to be added*

Information, agency services and sales for banking, securities and other financial services as permitted by laws and regulations



First Shop (Tokyo Aoyama)

*Assuming that regulatory approval is received

A Network of SBI Mortgage Housing Loan Shops

A place where customers can select the most suitable housing loan



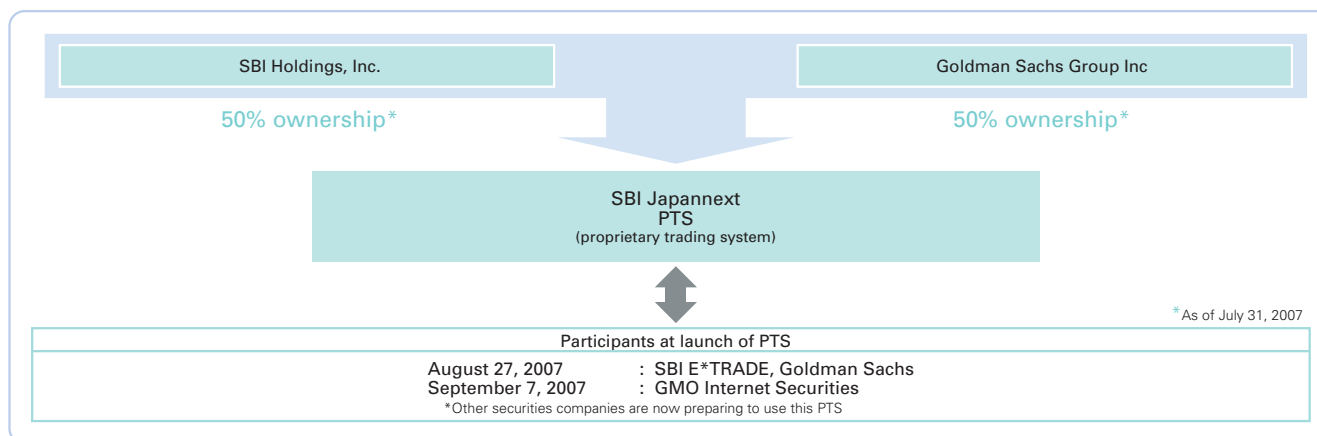
As Japan's pioneer in mortgage specialized banking, SBI Housing Loan plans to open SBI Housing Loan Shops in all major cities in Japan by the end of the current fiscal year.

Japannext Securities Prepares to Launch a Proprietary Trading System (PTS)

There is one more new business that requires a business license for this fiscal year, and that is the PTS of Japannext

Securities, which is owned jointly by SBI Holdings and Goldman Sachs.

SBI Japannext Securities launched its PTS on August 27, 2007
- Approval received from Financial Services Agency on June 27, 2007-



Summary of the Japannext PTS

- Stocks traded: About 4,000 (selected by Japannext Securities from the exchange-listed stocks in Japan)
- Hours: 19:00 to 23:50
- Price determination method: Order Driven Continuous Matching (only limit orders will be accepted)

The Japannext PTS received approval from Japan's Financial Services Agency in June 2007. Rather than making a market by ourselves, we plan to create a market for stocks through the participation of a number of securities

companies. We will seek this participation so that customer convenience may be enhanced, as well as to create greater liquidity and service for the investing public.

Question

Q4

The concept of a “business ecosystem” is a highly distinctive aspect of the SBI Group’s business model. Please describe this concept and explain how you plan to utilize this ecosystem.

The idea of a business ecosystem is attributed to a concept that has been debated in the study of “Complexity Science.” In essence, this ecosystem is an economic entity in which individual units interact and people form the foundation. Within this

ecosystem, each company is not merely a member of a particular industry, but they are integral elements of a single ecosystem that encompasses many industries. In this role, companies can produce mutual benefits and growth.

Idea of an Organization Based on Knowledge of Complexity

The Two Primary Propositions in “Complexity” Science

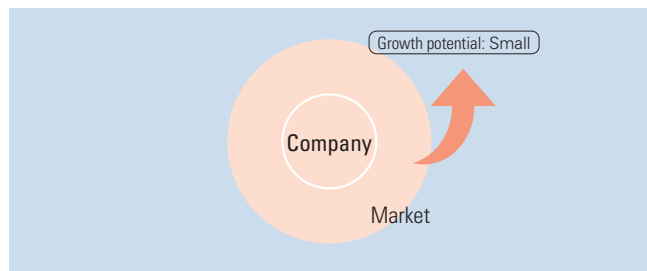
- A mass, which is composed of multiple parts, must be larger than the aggregate of the multiple parts.
- A mass contains new characteristics that cannot be found in the multiple parts that comprise the mass.



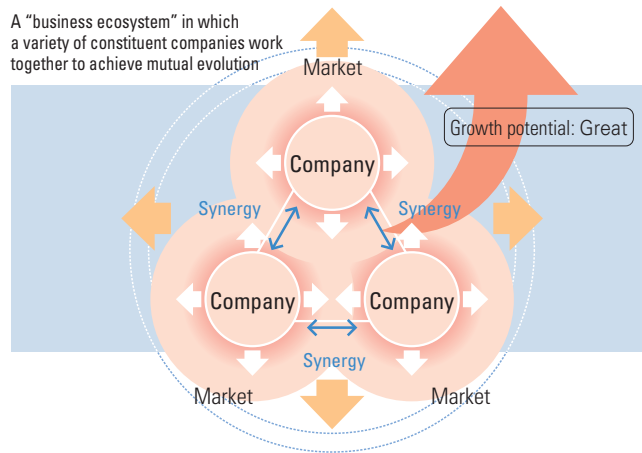
A business ecosystem, a new form of organization, should be developed in order to realize a high growth potential through a synergistic effect and mutual evolution among the various members of the ecosystem that cannot be accomplished by a stand-alone company.

Assembling and expanding the business ecosystem produces positive synergies among the constituent companies. This process also creates a mutual evolution process in each company’s market to support rapid growth.

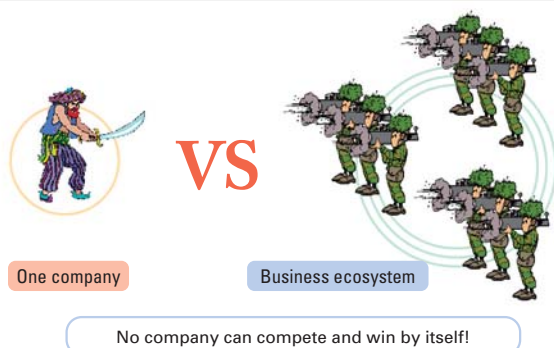
A company as a single economic entity



A “business ecosystem” in which a variety of constituent companies work together to achieve mutual evolution



Assembling a business ecosystem is essential to achieving an overwhelming competitive edge in today’s Internet-driven marketplace.

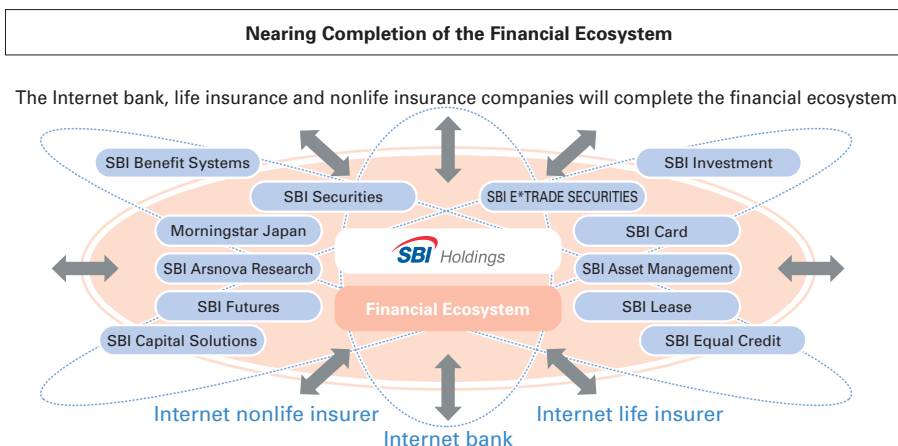


Building a business ecosystem has become a basic prerequisite for achieving a competitive edge in today’s age of Internet-driven businesses and markets. In fact, I believe that it is difficult for any one company to compete on its own in today’s Internet Age.

Since its inception in 1999, the SBI Group has grown through the establishment of many companies, primarily in the financial services sector, and this process created the business ecosystem that now defines our group. Our policy is “to utilize the finance sector as the nucleus to go beyond the sector.” We plan to build business ecosystems in the housing and real estate sector as well as in the information systems sector, which are both closely related to finance. Our ultimate objective is to transform the entire SBI Group into a single business ecosystem by capturing mutual synergies across these three ecosystems.

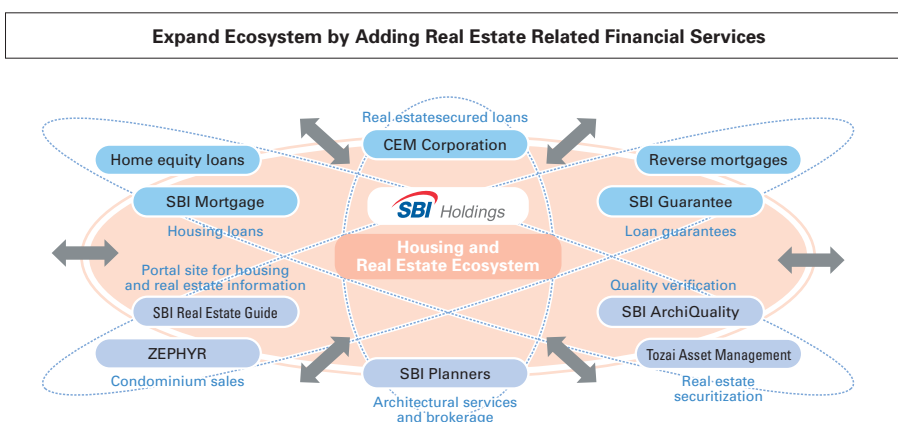
(1) Toward the completion of the financial ecosystem by launching the Internet bank and insurance companies

During the current fiscal year ending in March 2008, we plan to start operations at our Internet bank, nonlife insurance company and life insurance company. We will work to develop each company into an entity with the same scale and market presence as SBI E*TRADE SECURITIES. Achieving this goal will move us closer to our ultimate goal of assembling a formidable finance group.



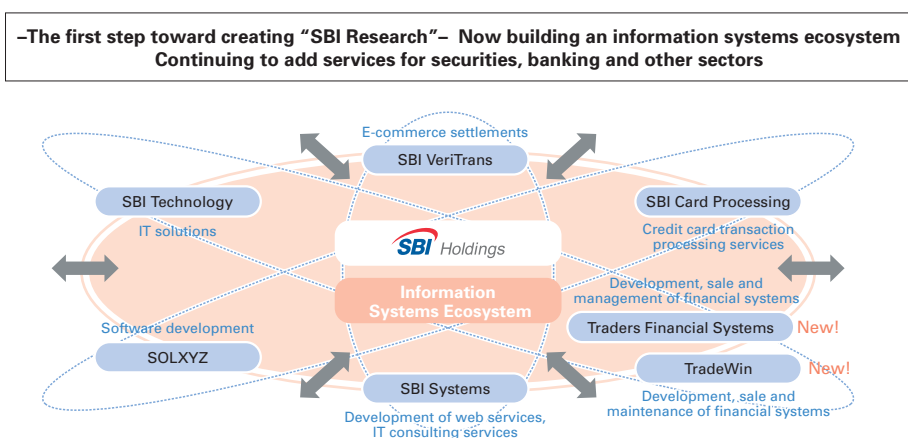
(2) The housing and real estate ecosystem

The housing and real estate sector presents numerous business opportunities that are closely linked to finance, with real estate securitization being a prime example. This means that real estate operations may share many resources with our financial companies. Consequently, we intend to establish a powerful business ecosystem in the housing and real estate sector, which has the potential of generating an immense volume of synergies with our existing ecosystems.



(3) The information systems ecosystem

As an organization with many Internet-based businesses, IT systems and software are vital to our operations. This provides us with an opportunity to create an information systems ecosystem, which we believe will play a major role in building and operating various systems at group companies. Our plans also look ahead to Finance 2.0, a platform for the coming age of knowledge based financial services. We expect to set the stage for future growth at the SBI Group by utilizing our information systems ecosystem to unify both finance and the Internet.



Q5

In the past fiscal year, a change in the accounting policy resulted in the consolidation of several SBI Group funds. Please summarize the effect of this accounting change in simple terms.

Complying with the new accounting standard, we included several funds operated by the SBI Group in our consolidated financial statements starting with the first half of the previous fiscal year. We took this action because of the importance of these funds with regard to our financial statements, and based on the advice of our independent auditor, a total of 12 funds, including four real estate funds, were consolidated as of March 31, 2007.

In the Asset Management Business, fund establishment, management and success fees were the primary sources of

operating revenues prior to this change. However, this fee income is now eliminated during the consolidation process, but are included in net income after an adjustment for minority interests. In principle, net income is the same under both the previous and new accounting standards, but the consolidation of funds has produced significant changes in operating income and income before income taxes.

The best way to understand the differences is to compare our consolidated income statement before and after consolidation of the funds.

<Case 1.> When stocks are not sold by a fund during the fiscal year

Example 1: A ¥100 billion fund (5% management fee) in which the SBI Group has a 10% equity stake

Under the previous accounting standard, the fund management fee of ¥4.5 billion (¥100 billion X (100% - 10%) X 5%) is included in operating revenues, operating income and ordinary income. Under the new standard, with this fund consolidated, management fees

from external parties are eliminated during the consolidation process, lowering operating revenues. But since these management fees are now included in minority interests, net income is, in principle, the same under both accounting standards.

Effect of Fund Consolidation on Income Statement (Case I)

Example

Fund with assets of ¥100 billion (5% management fee) and 10% investment by the SBI Group
No sales of stock during the fiscal year. (SG&A expenses are zero for convenience.)

(100 million yen)	Previous accounting standard	After fund consolidation		(100 million yen)
Operating revenues	45*	0		¥1,000 × (100-10)% × 5%
Sales of stock	0	0		
Fund management fees	45	0	→	Eliminated in consolidation - 45
Operating costs	0	0		
Cost of stock	0	0		
Gross profit	45	0		
SG&A expenses	—	—		
Operating income	45	0		
Ordinary income	45	0		
Income before income taxes	45	0		
Minority interests in net income	0	45	→	Minority interests in net income + 45
Taxes *	▲18	▲18		
Net income	27	27	→	In general, there is no difference ± 0

* Assumes a corporate tax rate of 40% and does not reflect tax-effect accounting.

Cause of big decline in operating income

The entire management fee is deducted from revenues because even the fees corresponding to the investments of external investors are treated as internal transactions and eliminated in consolidation.

→ The management fee is recognized instead as a minority interest in net income

〈Case 2.〉 When a fund conducts a sale of stocks during the fiscal year, with proceeds of ¥10 billion and a cost of ¥4 billion

Example 2: A ¥100 billion fund (0% management fee) in which the SBI Group has a 10% equity stake

Under the previous accounting standard, 10% of the sales proceeds, which is ¥1 billion (¥10 billion X 10%) is included in operating revenues and 10% of the cost, which is ¥400 million (¥4 billion X 10%) is included in operating costs. Under the new accounting standard, with this fund consolidated, operating

revenues and operating costs also include external parties' portions of sales proceeds and the corresponding cost. The additional revenues and cost all drop down to income before income taxes. Again, there is a minority interests adjustment, so net income is, in principle, the same under both accounting standards.

Effect of Fund Consolidation on Income Statement (Case II)

Example

Fund with assets of ¥100 billion (0% management fee) and 10% investment by the SBI Group
One sale of stock during the fiscal year, with a cost basis of ¥4 billion and proceeds of ¥10 billion

(100 million yen)	Previous accounting standard	After fund consolidation		(100 million yen)	
Operating revenues	10*	100		¥100 x 10%	(SG&A expenses are zero for convenience.)
Sales of stock	10	100		Portion corresponding to external investors	+90
Fund management fees	0	0			
Operating costs	▲4	▲40		Portion corresponding to external investors	-36
Cost of stock	▲4	▲40			
Gross profit	6	60		All figures through income before income taxes are higher because operating revenues and operating costs include the portion of stock sale proceeds and cost corresponding to external investors. → The external investors' portion (90%) of the ¥6 billion capital gain is deducted as minority interest in net income	
SG&A expenses	-	-			
Operating income	6	60			
Ordinary income	6	60			
Income before income taxes	6	60			
Minority interests in net income	0	▲54		Minority interests in net income	-54
Taxes *	▲2.4	▲2.4			
Net income	3.6	3.6		In general, there is no difference	±0

*Assumes a corporate tax rate of 40% and does not reflect tax-effect accounting.

When we consolidated the funds, we determined the time that we first included the funds in the scope of consolidation, based on accounting rules. We then calculated the difference between the value of the equity stake held by the parent company and the net asset value (market value) of the fund. We posted the resulting figure, whether positive or negative, on our balance sheet as goodwill.

For example, some of the newly consolidated funds had a high market value (large unrealized capital gain for SBI Holdings) at the time of their consolidation. This resulted in negative goodwill. Afterward, these funds sold stocks to generate capital gains, eliminating the cause of the originally high market value. Due to these sales, accounting principles require us to amortize

all negative goodwill as non-operating income. This amortization of negative goodwill resulted in a large increase in our consolidated ordinary income in the first half of the March 2007 fiscal year.

There is a view among some SBI Group executives that the previous accounting standard which included fees from venture capital operations directly in operating revenues more accurately reflected the performance of our venture capital business. However, we have decided to consolidate the funds to comply with the new accounting standard.

Going forward, we will consider ways to present our financial information in a way that allows comparisons between the previous and current accounting standards.

Asset Management Business

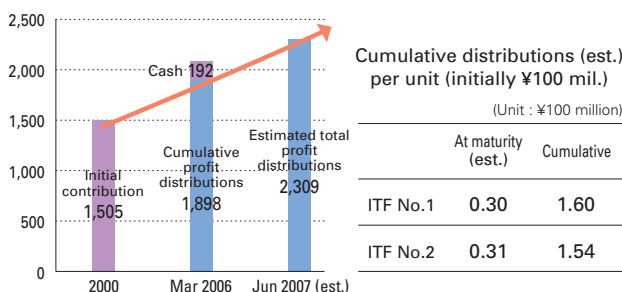
Leadership in Venture Capital Drives Growth in the Breadth and Scale of Investments

Principal Companies in the Asset Management Business

SBI Investment Co., Ltd.	Venture capital fund management
SBI CAPITAL Co., Ltd.	Buyout fund and revitalization fund management
SBI Capital Solutions Co., Ltd.	Mezzanine fund management
SBI Asset Management Co., Ltd.	Investment trust management, investment advisory services
SBI VEN CAPITAL PTE. LTD	Venture capital fund management in Singapore for foreign investors

IT Fund Profit Distribution Projection

(Unit : ¥100 million)



Cumulative distributions (est.) per unit (initially ¥100 mil.)

(Unit : ¥100 million)

	At maturity (est.)	Cumulative
ITF No.1	0.30	1.60
ITF No.2	0.31	1.54

SBI Group plans to receive additional distributions of ¥18.1 billion between now and the final liquidation. This would raise SBI Group cumulative distributions received to ¥99.8 billion.

As Japan's leader in venture capital investments, SBI Holdings is continuously reinforcing its reputation of trust and the power of its brand in the Asset Management Business. Further contributing to its growth is the establishment of various alliances with leading partners inside and outside of Japan. The result is steady progress in terms of the increase in assets, and the diversity and the volume of our investments.

Redemption of the IT Fund

The flagship SOFTBANK INTERNET TECHNOLOGY FUND (IT Fund) was redeemed in June 2007. Owing to this redemption, we expect to receive ¥4.5 billion in success fees and additional distributions of ¥18.1 billion for the final fiscal period ending in June 2008. We estimate that this fund will generate total distributions of ¥99.8 billion for the SBI Group.

*These success fees and distributions will be paid during the year ending in June 2008 based on trends in the stock markets. Some of these fees and distributions may be included in the financial statements for the fiscal year ending in March 2009.

The Number of Portfolio Company IPOs and M&A Deals

	From start of operations to March 2006	Year ended March 2007	Year ending March 2008 (forecast)
IPOs and M&A deals	89	10	22
		5% to 10% investment	5% to 10% investment
		2	8
		Investment over 10%	Investment over 10%
		6	0

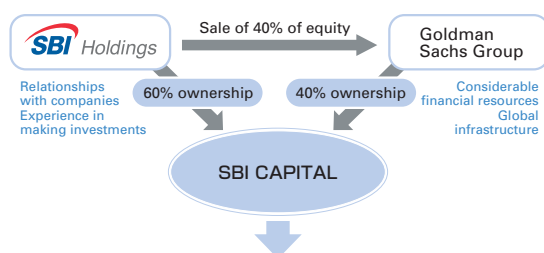
Note: The estimated number of IPOs represents companies in the highest of five categories used to evaluate portfolio companies by SBI's Investment Committee, which meets weekly. The IPO estimate represents the outlook of SBI based on its own evaluations and is not a guarantee of the number of future IPOs. Past performance represents sales that have been completed with regard to IPOs and M&A.

There were 10 IPOs by fund portfolio companies during the fiscal year that ended in March 2007. Six of these IPOs were by companies where the SBI Group had a relatively high equity interest of more than 10%. Twenty-two fund portfolio companies are planning an IPO during the March 2008 fiscal year. By the end of June 2007, five of these companies had already completed their public offerings.

Increasing Buyout Investments Targeting Midsize Companies

At SBI CAPITAL, three corporate revitalization funds were redeemed during the March 2007 fiscal year, with each recording significant net IRR of about 20%. In September 2006, the SBI Value Up Fund No. 1 was established with assets of ¥23.1 billion, and thus far, the fund has made investments in two companies. The first was the purchase of a 29% equity stake in FOODX GLOBE Co., Ltd., operator of the nationwide chain of Tully's Coffee shops. In June 2007, the fund sold the entire investment, generating a capital gain of 67%. This will provide a contribution of about ¥1.7 billion to consolidated operating income for the March 2008 fiscal year. For its second investment, the fund purchased 57% of the shares of CEM Corporation, a growing company that extends real estate-secured loans to individuals and corporate entities. The fund announced a third investment in July 2007. This time, the fund will purchase up to 66.65% of the shares of Narumiya International Co., Ltd., a manufacturer and retailer of children's apparel and other products for children that boasts many of its own powerful brand names. Owing to the solid performance of this fund thus far, we are planning

Equity and Business Alliance with Goldman Sachs Group for Investments in Growing Midsize Companies in Japan



Aim to increase fund assets to ¥100 billion, including contributions from external investors, within three years.

The sale of 40% of SBI CAPITAL will result in an estimated consolidated extraordinary gain of ¥4.9 billion and non-consolidated extraordinary gain of ¥6.3 billion in the fiscal year ending in March 2008.

on starting a second value up fund in the near future.

In May 2007, we established an equity and business alliance with a subsidiary company of the Goldman Sachs Group. Under this alliance, Goldman Sachs purchased 40% of SBI CAPITAL's stock, effectively transforming this company into a joint venture. SBI CAPITAL is now concentrating mainly on the establishment and management of buy-out funds that will acquire quality midsize companies with promising growth prospects.

The alliance combines the SBI Group's broad client base and investment skills with the considerable expertise and financial resources of Goldman Sachs, a leading global investment banking group, in the field of principal investments. This creates a powerful platform for supplying advanced financial solutions for regional companies and other middle-market companies in Japan. SBI CAPITAL will establish and manage buy-out funds that will provide such solutions, and within three years the goal is to raise assets in these funds, including external investments, to ¥100 billion.

Current Scale of Funds Managed by the SBI Group

The SBI Group has established a number of funds that target the core fields of information technology, biotechnology and enterprise revitalization, and we have steadily expanded investments in real estate. Growth in alliances with leading overseas partners has also contributed to the increase in assets in our funds. Owing to these activities, assets in funds managed by the SBI Group totaled ¥689 billion as of June 30, 2007.

COLUMN

Accelerating the Growth of Overseas Activities

To create an investment base for overseas expansion of the Asset Management Business, we established a subsidiary in Singapore in May 2007 that will make investments in this region of the world. Going forward, this subsidiary will solicit investments from overseas investors for its funds, and investments will primarily target promising privately-held companies in China, India, Vietnam, Thailand and other Asian countries, including Japan.

To capitalize on investment opportunities created by China's strong economic growth, we established the New Horizon Fund in May 2005 with a wholly owned subsidiary of TEMASEK Holdings (Private) Limited, the investment arm of the government of Singapore. We then opened an office in Beijing in September 2005 so that we could directly pursue promising Chinese companies. In August 2006, we reached an agreement to collaborate with The State Bank of India, India's largest commercial bank. With SBI Capital Markets Ltd., a wholly owned subsidiary of the bank, we established a fund that will invest US\$100 million in promising emerging companies in India. Further raising our presence in Asia, we established an alliance in June 2007 with The Corporation for Financing and Promoting Technology (FPT), Vietnam's largest information technology group. With FPT, we plan to launch a new fund, where investments will primarily target companies involved in Vietnam's rapidly expanding science and information technology fields.

These alliances provide us with a solid presence in China, India and Vietnam. By increasing and deepening relationships with overseas partners, the SBI Group will be well positioned to continue building its asset management platform on a truly global scale.

SBI Group Assets Under Management

Backed by solid growth in investment trust operations, assets under management at the Asset Management Business and other segments of the SBI Group amounted to ¥689.0 billion on June 30, 2007.

Private Equity Total : ¥280.4 billion

[IT / Biotechnology]	Total 130.5
Internet	10.2
Broadband Media	67.7
Mobile	30.0
Biotechnology, others *1	22.5
[Direct Investment]	52.1

Environment/energy *2 15.0

[Buyout / Mezzanine]	Total 33.6
Value Up	22.2
Mezzanine	11.3

[Overseas]	Total 49.2
China, Hong Kong *3	37.2
India	12.0

Investment Trust Total: ¥366.3 billion

[Investment trusts, others]	
Investment trust *4	82.6
Investment advisory	280.0
Investment companies	3.7

Real Estate Total: ¥42.3 billion

[Real estate, others]	
Development	15.6
Completed properties	26.7

Figures for real estate investments and investment trusts and others are net assets at market value as of June 30, 2007. Figures for other funds are net assets at market value based on the most recent financial report for each fund as of June 30, 2007.

*1 Includes ¥4.5 billion (tentative) for biotechnology fund now being established.

*2 New fund in environment/energy sector that is to be established.

*3 Includes ¥3.6 billion (tentative) for Tsinghua Holdings fund now being established.

*4 Includes ¥20.0 billion for India and Vietnam Fund that began operations on July 25.

Fund Performance by Category

Major Venture Capital Fund Redemptions Since 2000 (SBI Investment)

Fund	IRR	IRR
Softven No. 2		20.4
SOFTBANK Ventures		20.5
SBI LBO Fund No. 1		18.3
Enterprise Restructuring Fund No. 1		25.7
VR Enterprise Restructuring Fund		27.7
Average		22.5

Innovative Investment Trusts that Invest in Private Equity (SBI Asset Management)

reference	Net asset value
Private Equity Fund No. 1	21,742yen
Average annual return	14.7%
Private Equity Fund No. 2	19,660yen
Average annual return	16.7%

Selected best fund in this category in the Lipper Fund Awards Japan 2006

SBI Asset Management has received contributions of ¥21 billion to establish Private Equity Fund No. 3

Mezzanine Funds (SBI Capital Solutions)

Performance
20.4% IRR (based on avg. investments outstanding) (for May 2007)

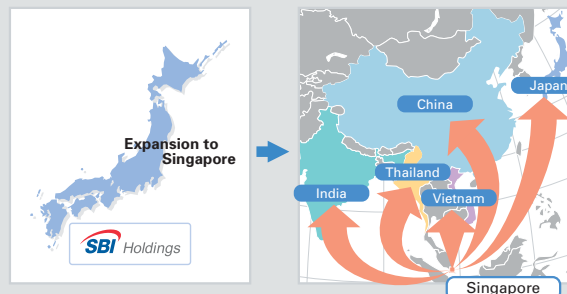
Alternative Investments Arrangement and Management
Nikkei Average Futures and Options
(SBI Arsnova Research)

Performance
24.88% avg. annual return (17.84% after commissions) (as of May 31, 2007)

*Average IRR is the simple average for the IRR of each fund.

Started Operations at Singapore Investment Base in May

Plan to establish a fund with assets of ¥30 billion to ¥50 billion during FY07



To establish an investment business that collects funds in Singapore and makes investments in regions of Asia with fast-growing economies

[Profile of SBI VEN CAPITAL PTE. LTD.]

Established : February 22, 2007

Employees : 6 at first, to be increased to about 20

Address : 2 Shenton Way, #04-03 SGX Centre 1, Singapore 068804

Ownership : Wholly owned by SBI Holdings

Capital : US\$900,001

Brokerage & Investment Banking Business

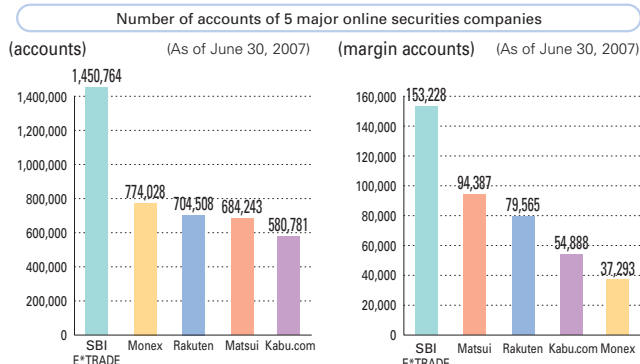
Obtained a Dominant Market Share of Stock Market Transactions by Offering the Lowest Brokerage Commissions Level and the Best Services

Principal Companies in the Brokerage & Investment Banking Business

SBI E*TRADE SECURITIES Co., Ltd.
SBI Securities Co., Ltd.
SBI Futures Co., Ltd.
E*TRADE Korea Co., Ltd.

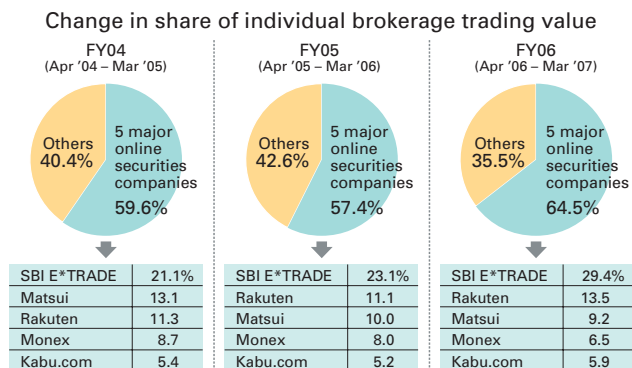
Comprehensive online securities company listed on JASDAQ (code 8701)
Conventional (face-to-face) securities company (will merge with SBI E*TRADE SECURITIES on October 1, 2007)
Online commodity futures broker listed on Hercules Market of Osaka Securities Exchange (code: 8735)
Online securities company in Korea listed on KOSDAQ (code: 078020)

Japan's Leading Online Securities Company by a Wide Margin



Source: Based on data announced by each company

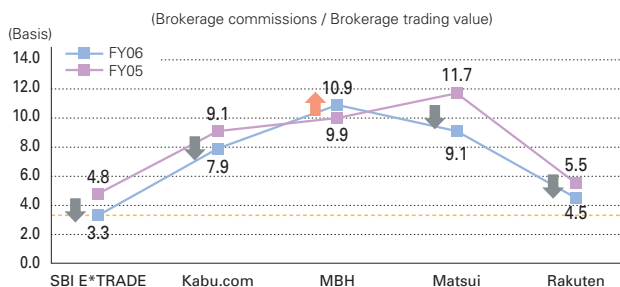
Major Online Securities Companies Share of Individual Brokerage Trading Value



Source: Based on TSE statistics, JASDAQ statistics, company Web sites.

Note: Individual margin trading is the sum of activity on TSE/OSE/NSE 1st and 2nd sections, and JASDAQ. Monex Securities and Nikko Beans are totaled as Monex. Kabu.com Securities merged with MeNet Securities in January 2006.

Comparison of Basis at Major Online Securities Companies



Source: Based on company materials and monthly announcements Cumulative figures for years from April to March; brokerage commissions use non-consolidated data

SBI E*TRADE SECURITIES pioneered Japan's online securities industry and successfully positioned itself as its dominant market leader. The company distinguishes itself through its dedication to the customer-centric principle, primarily by offering the industry's lowest brokerage commissions level and best services. SBI E*TRADE SECURITIES ranks first among Japan's online securities companies in terms of customer accounts, brokerage trading value and assets in customer accounts. In the fiscal year ended March 2007, the company's share of retail brokerage trading value rose to an all-time high of 29.4%.

SBI E*TRADE SECURITIES will merge with SBI Securities on October 1, 2007, in order to continue its transformation into a comprehensive securities company. This merger will integrate online and face-to-face securities company infrastructures, where the objective will be the creation of a business model that we refer to as "Japan's first truly integrated online and offline securities company model."

Combining these functions will allow the distribution of financial products requiring detailed explanations that are not possible through an online distribution channel. The merged company will also be better positioned to increase business with corporate clients who have previously utilized our IPO underwriting and other investment banking services.

A Dominant Position in Japan's Online Securities Industry

SBI E*TRADE SECURITIES has maintained consistent growth in the number of customer accounts. The number of customer accounts reached one million in January 2006 and subsequently increased to 1,259,163 at the end of June 2006 and 1,450,764 at the end of June 2007. These customer account numbers place SBI E*TRADE SECURITIES far ahead of any of its competitor online securities companies in Japan.

At the end of June 2007, there were 153,228 margin accounts, up from 123,342 a year earlier, and client assets totaled ¥4,200 billion compared with ¥3,700 billion a year earlier. Both figures give SBI E*TRADE SECURITIES a significant lead over its competitor Japanese online securities companies.

A Growing Share of Stock Brokerage Commissions

SBI E*TRADE SECURITIES achieved 10% growth in stock brokerage commissions for the March 2007 fiscal year even as stock market volatility caused commissions at other Japanese online securities companies to decline. This accomplishment reflects the company's ability to offer products, services and fee structures that provide high degrees of customer satisfaction. Another highlight of the year was an increase in the share of individual stock brokerage trading value at an all-time high of 29.4%.

SBI E*TRADE SECURITIES ranks first among all securities companies in Japan in total stock brokerage trading value, including trades for

institutions and foreigners. The company overtook the previous market leader, Nomura Securities, in the fourth quarter of the March 2005 fiscal year, and SBI E*TRADE SECURITIES has subsequently ranked first for nine consecutive quarters.

IPO Underwriting at SBI E*TRADE SECURITIES

SBI E*TRADE SECURITIES boasts the number one position in terms of its participation in the IPO underwriting business among all online securities companies. As of March 31, 2007, the company has participated in the underwriting of a total of 451 company IPOs, including four lead managed positions.

The upcoming merger with SBI Securities will give SBI E*TRADE SECURITIES a conventional (face-to-face) sales channel, and this will create many opportunities to serve clients where the company served as IPO underwriter. For instance, SBI E*TRADE SECURITIES may assist in future public placements, M&A advisory services and other growth-oriented strategic initiatives for its corporate client base.

A Diversified Profit Structure

Given its considerable customer base, SBI E*TRADE SECURITIES will endeavor to further diversify its profit structure. For instance, the company experienced a 32.0% growth in financial income to ¥17,470 million for the March 2007 fiscal year. This was the result of higher loans receivable resulting from the efficient management of internal funds, growth in Internet margin trading volume and higher interest rates in Japan.

Other diversification initiatives include sales of foreign bonds, foreign exchange margin trading, futures and options, and stock lending operations. Also, the company will launch the distribution of overseas exchange-traded funds (ETF) and increase the lineup of investment trusts. SBI E*TRADE SECURITIES is actively working to diversify sources of revenues by developing its selection of products and services to match its customers' needs.

Upgrading IT System Capabilities

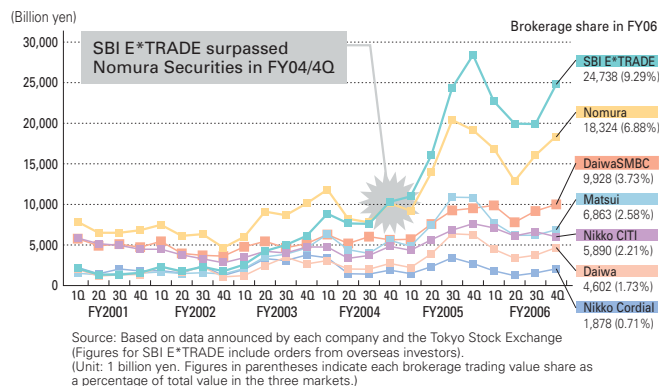
Reliable IT systems are vital to the operations of SBI E*TRADE SECURITIES as an online securities company. To support its growth, the company expanded its system infrastructure to a 1.75 million account capability in May 2006 and further raised its capacity to 2 million accounts just two months later. In July 2007, SBI E*TRADE SECURITIES acquired two companies in all-stock transactions with the aim of bolstering its operations. TradeWin Co., Ltd., which develops securities back office systems, and Traders Financial Systems Co., Ltd., which constructs cell phone service and other front office systems, both became wholly owned subsidiaries. With these resources, SBI E*TRADE SECURITIES has acquired a seamless development capability for systems that can provide even faster and more reliable services. Utilizing these systems will enhance the already dominant competitive edge of SBI E*TRADE SECURITIES.

COLUMN

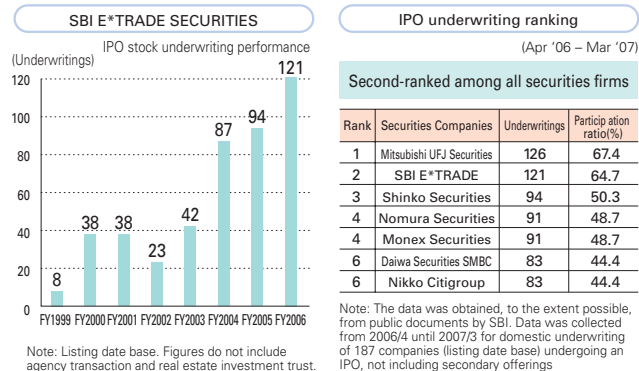
E*TRADE Korea Lists Shares on KOSDAQ

Online securities company E*TRADE Korea, a subsidiary of SBI E*TRADE SECURITIES, listed its shares on Korea's KOSDAQ market on February 21, 2007. This subsidiary is growing rapidly, as evidenced by its 40% growth in customer accounts to a total of 135,139 accounts, as of March 31, 2007. Furthermore, the company reported growth in its revenues and earnings for the March 2007 fiscal year. E*TRADE Korea plans to build on this momentum to continue raising its stature in Korea's online securities industry.

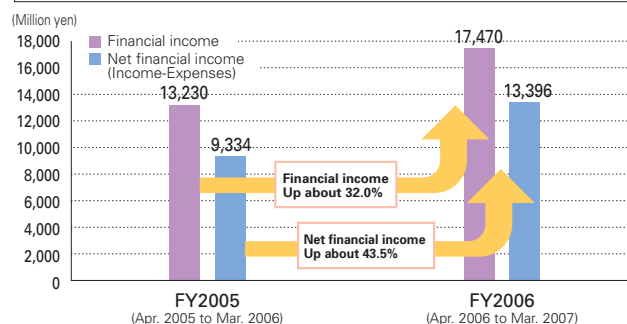
Brokerage Trading Value Comparison for Major Securities Companies



IPO Underwriting Performance



Growth in Financial Income (Consolidated)



E*TRADE Korea Co., Ltd. FY2006 Performance

(Unit: Million yen, %)

	FY2005 (Apr. '05 to Mar. '06)	FY2006 (Apr. '06 to Mar. '07)	YoY change (%)
Operating revenues	5,202	5,780	+11.1
Net operating revenues	4,977	5,446	+9.4
Operating income	1,182	1,474	+24.7
Ordinary income	1,189	1,482	+24.6
Net income	922	1,048	+13.7

Note: Exchange from Won to Yen figures are calculated at average rate

Consistent Growth in Step with Favorable Trends Such as the Shift from Savings to Investments and Increasing Use of Broadband

Principal Companies in the Financial Services Business

SBI Holdings, Inc. (Financial Services Business Division)

Morningstar Japan K.K.

Gomez Consulting Co., Ltd.

SBI VeriTrans Co., Ltd.

SBI Technology Co., Ltd.

SBI Equal Credit Co., Ltd.

SBI Lease Co., Ltd.

SBI Card Co., Ltd.

Hercules Market of Osaka Securities Exchange (code: 4765); Rating information for financial products, mainly investment trusts

Hercules Market of Osaka Securities Exchange (code: 3813); Business support and evaluation of websites

Hercules Market of Osaka Securities Exchange (code: 3749); Electronic settlement services for e-commerce businesses

Development and provision of "Money Look" account aggregation software and other IT solutions for financial institutions

Unsecured consumer loans, loans to business owners

Comprehensive lease services, specializing in IT fields

Credit card services, including issuing the MasterCard-branded SBI World Card

Performance of Financial Services Subsidiaries

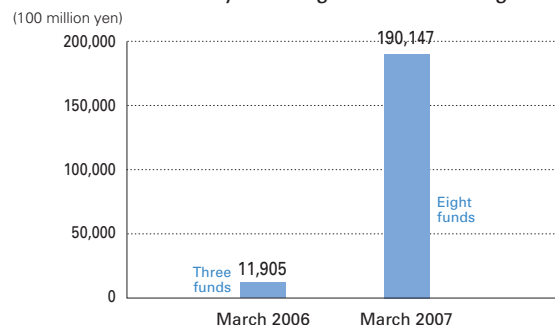
(Unit: Million yen)
Figures in parentheses: YoY change (%)

	Operating revenues	Operating income	Ordinary income	Net income
Morningstar Japan FY06* (cons)	1,628 (+29.3)	431 (+71.0)	537 (+103.9)	672 (+155.5)
Gomez Consulting FY06* (non-cons)	512 (+37.6)	160 (+25.6)	159 (+25.3)	93 (△1.4)
SBI VeriTrans FY06 (non-cons)	2,812 (+46.8)	592 (+47.8)	588 (+48.9)	336 (+32.6)

*Morningstar Japan and Gomez Consulting changed from December to March fiscal year in 2007. Therefore, the current fiscal period will be the 15-month period from January 2007 through March 2008.

Growth in Fund of Funds AUM Where Morningstar Asset Management is an Advisor

License fees growing along with assets in funds of funds served by Morningstar Asset Management



Information Magazine Published for Japan Post Becomes Japan's Most Widely Circulated Money-themed Magazine



Japan Post
(120,000 copies)



Yokohama Bank
(50,000 copies)



Kansai Urban Bank
(60,000 copies)

There are a number of macro trends occurring in Japan that are creating a favorable climate for the Financial Services Business, such as the shift in individuals' assets from savings to investments, the proliferation of broadband and the revisions to laws and regulations for financial services. SBI Group companies in this business segment are well positioned to benefit from these trends, and the result has been consistent growth in earnings, making the Financial Services Business an increasingly important contributor to consolidated earnings.

Morningstar Japan and Gomez Consulting Benefit from the Shift from Savings to Investments

Rising interest among Japanese individuals in investment trust ratings fueled the growth in the operations of Morningstar Japan, a major provider of ratings and information on investment trusts. In the six-month period that ended in June 2007 (*), Morningstar Japan achieved year-on-year growth of 132.5% in consolidated operating revenues to ¥1,988 million and a 59.2% increase in operating income to ¥419 million. Internet advertising and an asset management advisory service contributed significantly to the results. Also, advertising agency, Agent ALL Co., Ltd. and The Kabushiki Shimbun Co., Ltd., which publishes Japan's largest newspaper specializing in the stock market, are both newly acquired subsidiaries that made significant contributions as well.

Morningstar Japan publishes a magazine for Japan Post called "Recipe for Happiness" that is distributed free at post offices in Japan. As of March 2007, 120,000 copies of this magazine were sent to 1,155 post offices. Japan Post plans to increase the number of post offices that sell investment trusts, which consequently will raise the number of copies circulated to about 200,000. Reaching this level will rank "Recipe for Happiness" as Japan's largest money-themed magazine in circulation. In January 2007, Morningstar Japan started publishing two more free money-themed periodicals: 50,000 copies of "Ra Ra Ra" magazine for the Bank of Yokohama and 60,000 copies of "Kore Kara" magazine for Kansai Urban Bank.

Morningstar Japan subsidiary Gomez Consulting was publicly listed in August 2006 with a listing on the Hercules Market of the Osaka Securities Exchange. This company is posting steady growth in both of its core businesses, which are the design of bank mobile phone sites and independent website analysis services for securities companies. In the six-month period that ended in June 2007 (*), Gomez Consulting achieved significant gains in revenues and earnings, with operating revenues up 29.2% to ¥321 million and operating income up 38.3% to ¥113 million.

*From January 1, 2007 to June 30, 2007

SBI VeriTrans Grows Along with the Utilization of Broadband Technology

SBI VeriTrans has been increasing revenues and earnings primarily by capitalizing on opportunities created by the growth of Japan's e-commerce, credit card and electric payment markets. For the March 2007 fiscal year, non-consolidated operating revenues and all earnings indicators set new

records, as SBI VeriTrans handled 27.88 million transactions, which was up 31.1%. Furthermore, 3,060 retailers utilized the company's settlement platforms as of June 30, 2007.

The company started offering VeriTrans e-Money in October 2006, which is a service to assist e-commerce retailers start using e-money. VeriTrans e-Money is compatible with the popular Suica and Edy e-money systems of financial institutions. Currently, VeriTrans e-Money is the only service that accepts both Phone-based Suica and Edy, and SBI VeriTrans plans to continue expanding this service to cover even more types of e-money.

Historical Levels of Transactions and Revenues at Japan's Foremost Financial Comparison Websites

The SBI Group's marketplace business is anchored by "InsWeb" and "E-LOAN" websites that provide comparisons and estimates for insurance policies and loans respectively. User numbers are climbing steadily, due in large part to the popularity of websites for mobile phone transactions. On an annual basis, the websites in marketplace business handled estimates and other transactions for about 800,000 individuals. "InsWeb" includes a comprehensive estimate for auto insurance, a service that has attracted more than 2 million users since its inception. The company will continue to work on raising awareness of its services to attract more users, as well as to supply more content and value-added information to major portal sites.

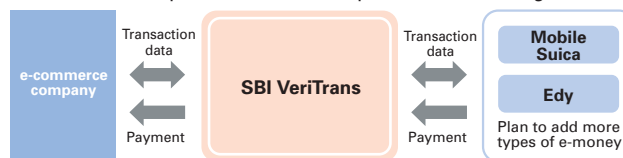
SBI Equal Credit Records First Profit After Only 30 Months of Starting Operations Even as Earnings Decline at Competitor Firms

SBI Equal Credit provides loans to individuals and business owners, and its operations are rapidly expanding as loans outstanding totaled approximately ¥17.4 billion and 49,000 loan accounts were acquired as of June 30, 2007. Whereas earnings are declining at many competitor firms, SBI Equal Credit continues to grow, having reached profitability on a stand-alone basis only 30 months after starting operations.

While the maximum lending rate prescribed by Japan's Capital Subscription Law is being deliberated, SBI Equal Credit has been building a business model for the provision of automated loan application screening services through application service providers (ASPs). Offering this service will diversify the company's profit structure through the generation of fee income. In dealing with lower maximum interest rates, SBI Equal Credit introduced "Equal Credit NEO" in April 2007. NEO is a personal loan that utilizes the interest rate structure that is expected to become effective in a few years.

Profile of the VeriTrans e-Money Settlement Service

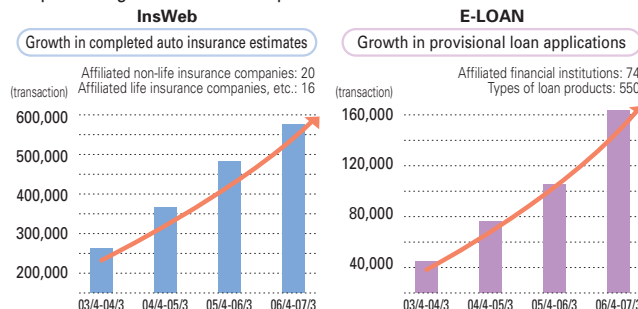
A service that helps e-commerce companies to start using e-money



Currently, only SBI VeriTrans permits the unified use of both Mobile Suica and Edy.

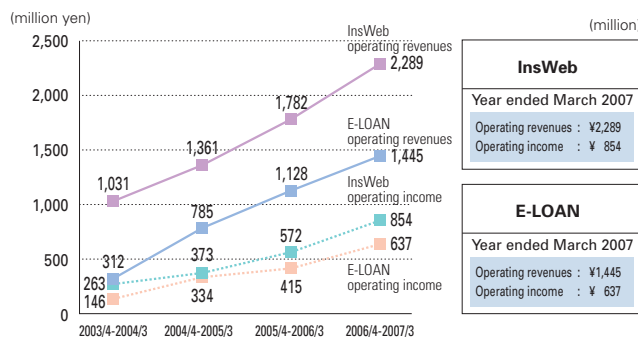
Comparison Websites Continue to Set New Records for Transactions and Revenues

Japan's Largest Financial Comparison Websites "InsWeb" and "E-LOAN"



Growth of InsWeb and E-LOAN

Operating revenues and operating income in past four fiscal years



COLUMN

Lifestyle Networks Business

Creating a network of services for events ranging from marriage, child-raising, the purchase of a home, and the consequently arising financial needs, as well as many other lifestyle needs

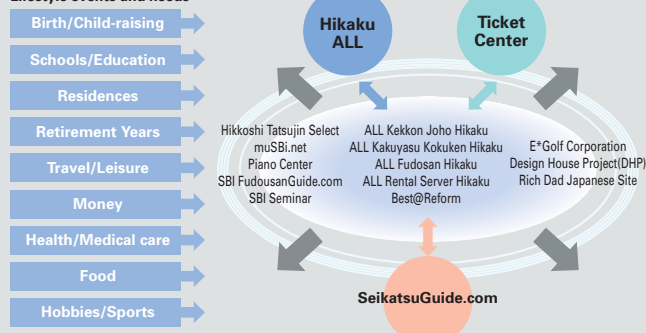
The Lifestyle Networks Business is made up of more than 10 websites. Among these sites are "Hikaku ALL" (<http://www.hikakuall.jp>), a comprehensive comparison portal site, "SeikatsuGuide.com" (<http://seikatsu-guide.com>), a source of local and lifestyle information, and "Ticket Ryutsu Center" (<http://www.ticket.co.jp>), a website where individuals can sell tickets to each other. The SBI Group is currently embarking on a full-scale expansion of these activities to develop Lifestyle Networks Business into another core business of the Group.

In the March 2007 fiscal year, two business units became profitable, generating a combined ordinary income of more than ¥100 million. One is the Internet Media Department, which operates comparison and search websites, such as "Hikkoshi Tatsujin Select," which has assisted about 200,000 users thus far in selecting moving companies. The other is the Marketplace Department, which includes "Ticket Ryutsu Center," where there are more than 100,000 registered users.

Consistent Growth in Lifestyle Networks Business

Internet Media Dept. and Marketplace Dept., which operate life-related comparison website, became profitable in FY2006 and achieved total ordinary income of more than ¥100 million

Lifestyle events and needs



Housing and Real Estate Business

Utilizing Financial Services Involving Real Estate for Rapid Growth in the Scope of Activities

Principal Companies in the Housing and Real Estate Business

SBI Holdings, Inc. (Real Estate Business Division)	
SBI Mortgage Co., Ltd.	Provision of long-term fixed-interest securitized housing loans
SBI Planners Co., Ltd.	Architecture/construction, property design and consulting for real estate purchases and financial planning
CEM Corporation	Provision of real estate-secured loans for individuals and companies
SBI ArchiQuality Co., Ltd.	Provision of housing quality evaluation
SBI Guarantee Co., Ltd.	Offering various guarantee services
Zephyr Co., Ltd.	Real estate transactions and brokerage, consulting effective use of land, etc.

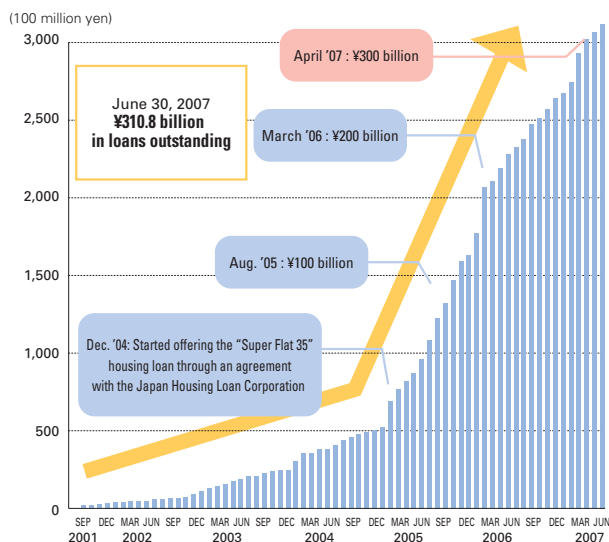
The Housing and Real Estate Business has many aspects of its business that are closely linked to finance, including the securitization of real estate. Consequently, there are many opportunities to utilize the same resources between the SBI Group's financial and real estate businesses. We continue to build a distinctive business ecosystem in the Housing and Real Estate Business, and our objective is to pursue meaningful synergies with the SBI Group's established business ecosystems.

Major Events in Development of Housing and Real Estate Ecosystem

2005	Apr.	Megabrain, Inc. was renamed SBI Partners Co., Ltd.
	May.	SBI Partners' subsidiary was renamed SBI Planner Co., Ltd.
	Aug.	SBI Partners Co., Ltd. became a subsidiary of SBI Holdings, Inc.
	Sept.	Zephyr Co., Ltd. became an equity-method affiliate
2006	Feb.	Established SBI Guarantee Co., Ltd. to offer full line of loan guarantees
	Mar.	SBI Holdings, Inc. merged with SBI Partners Co., Ltd.
		Tozai Asset Management Co., Ltd. became an equity-method affiliate
	July.	SBI Guarantee Co., Ltd. started a rent guarantee service
		Started "SBI Real Estate Guide," a comprehensive portal website for housing and real estate information
2007	Jan.	Signed MOU for business alliance with Merrill Lynch Japan Securities Co., Ltd.
	Feb.	Acquired shares of CEM Corporation, which provides real estate-secured loans
	Mar.	SBI ArchiQuality Co., Ltd. registered as housing quality evaluation organization
		Established comprehensive business alliance with Living Corporation, Inc.
	Apr.	SBI Mortgage's housing loan execution balance surpassed ¥300 billion

Steady Growth of Housing Loans at SBI Mortgage; Loans Outstanding Rise to ¥310.8 Billion* (June 30, 2007)

*Includes real estate investment loans
SBI Mortgage ranks third out of about 300 Japanese financial institutions in the share of the "Flat 35" loan product (loans securitized by the Japan Housing Finance Agency).
(by accumulated number of loans as of April 30, 2007)



SBI Mortgage Continues to Offer The Industry's Lowest Level of Interest Rates

SBI Mortgage has consistently offered long-term fixed-rate housing loans at the lowest level of interest rates of any mortgage lender in Japan. The core product is "Flat 35," a loan extended in conjunction with the Japan Housing Finance Agency, and as of July 2007, the annual interest rate on this loan was at 2.961%. Owing to the popularity of this loan, SBI Mortgage has achieved strong growth in loans outstanding, which amounted to ¥310.8 billion at the end of June 2007. Furthermore, this company used its securitization expertise to introduce the "Real Estate Investment Loan" in October 2006. By the end of June 2007, the balance of this loan had already climbed to ¥14.3 billion.

SBI Mortgage plans to establish a nationwide network of SBI Housing Loan shops by using a franchise system. The first franchised shop opened in Nagoya in February 2007, and as of July 31, franchises opened in Fukuoka, Hamamatsu, Kagoshima and Sapporo. SBI Mortgage began operations in 2001 as Japan's first mortgage bank. Since then, the company has relied primarily on direct sales using the Internet, but by establishing a network of franchised housing loan shops, the company plans to gain the ability to sell a variety of financial products in addition to housing loans.

“Finance 2.0” – A Platform for the Coming Age of Knowledge Based Financial Services

Services Systems and software are vital to the operations of the SBI Group, where many businesses rely on the Internet. Therefore, we are developing a systems ecosystem that will play a central role in building and maintaining the IT systems that we require. Taking it a step further, we also envision a

unified finance and Internet framework based on our information systems ecosystem. This framework will incorporate the elements of the Finance 2.0 platform for the coming age of knowledge based financial services.

Major Events in Development of Information Systems Ecosystem

1997	Apr.	Established Cyber Cash, Inc., predecessor of SBI VeriTrans Co., Ltd.
1998	Apr.	Started Japan's first secured credit card service
2001	May.	Established Tech Tank Corporation (Currently SBI Technology Co., Ltd.)
2003	July.	VeriTrans (Currently SBI VeriTrans Co., Ltd.) became a wholly owned subsidiary
2005	Sept.	Established strategic business alliance with C4 Technology, Inc.
2006	Feb.	Started credit card processing service
		Established SBI Card Processing Co., Ltd. with Silverlake Group
	Apr.	Established business and equity alliance with SOLXYZ Co., Ltd.
	June.	Plustus (Currently SBI System Co., Ltd.) became wholly owned subsidiary, adding system development and operations expertise to the SBI Group
	Dec.	Positioned SBI Robo Co., Ltd. as nucleus of effort to establish new finance services based on Internet search engines
2007	Feb.	Established SBI Point Union Co., Ltd. to offer a rewards point service for group companies
		SBI Robo Co., Ltd. began operations with the support of Norway's FAST, an enterprise search company

COLUMN

The SBI Community and E*TRADE Chouja Mura (E*TRADE Millionaire Village) Community Websites are Launched

SBI Holdings launched the “E*TRADE Millionaire Village” service in April 2007 in a move to further upgrade its Internet-based financial business activities. The village is a place where SBI E*TRADE SECURITIES customers can enter daily notes about stocks, exchange opinions about stocks with others and share other information free of charge.

Since the village opened its doors, we have used feedback from users to improve its services and add content, further differentiating this service from competing websites. In addition, the village features blogs by SBI Group executives, including SBI Holdings CEO Yoshitaka Kitao. We plan to include many more prominent individuals in the community, making it an even more valuable source of information for members. “E*TRADE Millionaire Village” is growing steadily, as evidenced by the more than 42,000 registered members at the end of July 2007 and monthly page views totaling about 5.06 million that month.



<https://www.sbi-com.jp/>

Summary of “E*TRADE Millionaire Village”

- | | |
|--|---|
| <ol style="list-style-type: none"> 1 The village is open to anyone with an SBI E*TRADE SECURITIES account 2 Members can log in to the village from the SBI E*TRADE SECURITIES website with one-click simplicity 3 Members can register stocks in which they are interested | <ol style="list-style-type: none"> 4 Provides for feedback from friends 5 Provides for feedback from other community members 6 Includes information provided directly by SBI Holdings CEO Yoshitaka Kitao |
|--|---|

CSR Activities

The Four Pillars of Social Contributions at the SBI Group



Approach to Nurturing Human Capital

At the SBI Group, it is our intention to nurture as many “promising individuals” as possible who will eventually play important roles in leading Japan’s future. “Promising” does not refer solely to an individual’s ability to contribute to the earnings of a single division or company, but refers to those individuals who have a strong desire to contribute to the economy and society as a whole. Such an individual must acquire resolute ethical values, considerable business expertise, an international perspective, and the capacity to make bold business decisions.

Recruiting New University Graduates

Until recently, the SBI Group primarily hired experienced individuals rather than new graduates. During year 2005, the group initiated a new hiring process for graduates for the first time, and hired 42 university graduates in April 2006 and 91 university graduates in April 2007. One of our primary objectives in this process is to recruit individuals with the potential to develop into top management positions where they will eventually oversee the continual evolution and growth of the organization. Also, in this way these individuals will receive a thorough understanding of SBI’s unique corporate culture, so that they may in turn pass it on to the next generation of employees.

Establishing the SBI Graduate School

In May 2006, we established SBI University Co., Ltd. as a new approach to “education in ideals” through the use of the Internet. Owing to the SBI Group’s advocacy of the organization’s function as a “creator of new industries” the university will provide corporate

training, but the curriculum will also seek to develop well-rounded individuals. As a university with an open door policy, the school will welcome all individuals who have a strong desire to succeed and a willingness to learn. Classes provide a forum for students to interact among themselves to learn and train for their jobs. As of July 2007, the university has held a total of nine open seminars with classes covering numerous subjects, including the humanities, which are essential to successful corporate management.

In April 2007, SBI submitted an application to Japan’s Ministry of Education, Culture, Sports, Science and Technology to establish the SBI Graduate School, and preparations are now under way for the planned opening of the school during the fiscal year ending in March 2009. Yoshitaka Kitao, CEO of SBI Holdings, will serve as president of the school, and courses will cover a broad spectrum of topics, including seminars on practical business lessons from SBI Group executives to the teachings of Confucius and the military tactics of Sun Tzu.

CSR Initiatives

As an element of the composition of society, companies owe their existence to the very existence of society. As such, all companies must contribute to the sustained development society. The SBI Group is very well aware of the “social nature” of companies and the need for a corporate entity to be a “strong and respected company,” and with this in mind we have aggressively pursued many corporate social responsibility (CSR) programs.

Strengthening CSR Activities Through The SBI Children's Hope Foundation

As a direct social contribution, the SBI Group has established a fundamental policy of donating a reasonable portion of its earnings to child welfare facilities. In October 2005, the SBI Group established The SBI Children's Hope

Foundation to administer such donations, and since then the foundation has been involved in many issues and activities dealing with child welfare in Japan.

Activities of The SBI Children's Hope Foundation

1. Donations to Child Welfare Facilities

To improve conditions at facilities which care for abused children, SBI Group companies donated approximately ¥ 390 million to the Foundation during fiscal 2006. Of the total, the Foundation donated ¥259 million to 174 facilities.

	Donations(million yen)	Facilities
FY2006	259	174
FY2005	155	105
FY2004	167	173

*FY2004 donations are by the SBI Group. All subsequent donations are by the Foundation.

2. Training for Child Care Personnel

The Foundation sponsored on-the-job training programs to provide personnel at facilities with the knowledge and skills required to help abused children heal their emotional scars. The initial program was held in eastern Japan from October 31 to November 2, 2006 followed by another in western Japan from February 21 to 23, 2007.

3. Support for Self-Reliance

The Foundation donated ¥15 million to five facilities (homes for self-reliance and shelter support) for programs that assist children to live on their own after leaving a care facility.

4. Public Awareness Activities

In support of raising public awareness for the need to prevent child abuse, the foundation initiated its support of the Orange Ribbon Campaign in 2006. Declaring November 2006 as the Child Abuse Prevention Month, SBI Holdings CEO Yoshitaka Kitao and executives of the SBI Group wore orange ribbons during the month, and participated in child abuse prevention activities. The Group's efforts resulted in donations of 348,410 yen through the distribution of 9,391 orange ribbons.



Participation in Members-only Healthcare Services Business

The SBI Group entered the members-only healthcare business in April 2007 by establishing SBI Wellness Bank Co., Ltd. This venture plans to provide a range of healthcare services, from disease prevention to the treatment and cure of various disorders.

In July 2007, SBI Wellness Bank signed an agreement with Clinique La Prairie of Switzerland, one of the world's preeminent anti-aging medical institutions. Based on this agreement, SBI Wellness plans to construct the first branch of Clinique La Prairie outside of Switzerland, to be located in the city of Atami in Shizuoka Prefecture. Upon its completion, anticipated for October 2009, the clinic plans to provide its members with some of the world's most advanced healthcare services as well as anti-aging treatments. Additionally, the clinic expects to provide a limited number of medical spa type treatments to the general public.

SBI Wellness Bank Co., Ltd.

- | | |
|------------|--|
| Activities | <ul style="list-style-type: none"> ● Healthcare services for members (physical examinations, treatments by “Super Doctor,” health counseling, etc.) ● Healthcare services for the public (Medical spa, sale of anti-aging cosmetics, etc.) ● Consulting services involving wellness |
|------------|--|

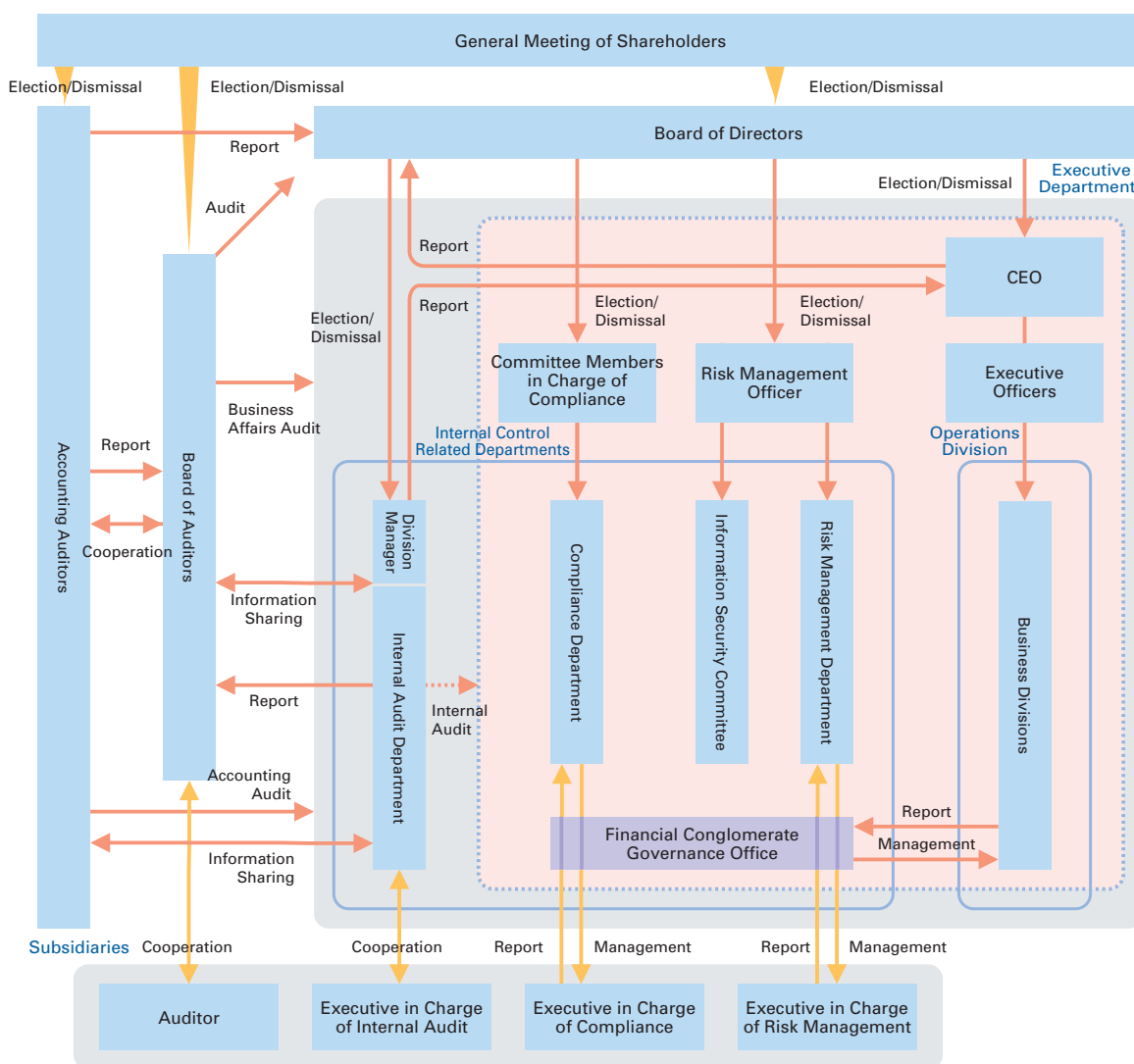
Corporate Governance

To enhance management transparency and corporate governance, SBI Holdings recognizes that one of its most crucial management tasks is to build and maintain an organizational structure capable of responding quickly to changes in the business environment as well as a fair management system that emphasizes the interests of shareholders.

Basic Framework for Corporate Governance

SBI Holdings' Board of Directors consists of 12 directors (as of August 1, 2007), and the Company has adopted the Executive Officer System to clarify the functions and responsibilities of directors and the Board of Directors. Currently, 11 executive officers manage the execution of business affairs. These officers include the CEO, COO and CFO as well as eight executive officers who manage each business division. By differentiating functions in this manner, SBI Holdings has built a flexible structure for executing

business affairs that also facilitates quick responses to changes in the management environment. As a general rule, the Board of Directors convenes once per month to decide on important matters and to monitor the status and progress regarding the execution of business operations. With four corporate auditors, we strive to further reinforce the effectiveness of our corporate governance by systematically combining various types of audits by the accounting auditors, corporate auditors and the Internal Audit Department.



Initiatives for Strengthening Corporate Governance

Internal Controls

SBI Holdings recognizes the importance of conducting business activities in conjunction with a sound internal control system. The company has an internal control structure that preserves the transparency of management and enhances corporate governance. The representative director of the company is responsible for making all managers and employees aware of the importance of compliance with laws and regulations as well as ethical standards. Compliance and ethics are both vital to operating in line with the company's Management Principles and Management Vision. In accordance with regulations for the Board of Directors, the board holds regular monthly meetings as well as other meetings as required. This facilitates close communication among the directors and permits supervision of the performance of the representative director. A director has been appointed to be in charge of compliance and SBI Holdings has a Compliance Department that directly manages compliance activities.

SBI Holdings has established a system for submitting reports involving compliance directly to the Internal Audit Department and the corporate auditors. This reporting system allows directors and employees to provide information concerning violations of laws, regulations and the Articles of Incorporation as well as other matters involving compliance.

Compliance conferences are held to provide an opportunity to exchange information about compliance issues for the entire SBI Group. These gatherings allow to the identification of compliance issues and problems and the confirmation that business operations are conducted properly. The director in charge of compliance and the Compliance Department hold these conferences along with the compliance officers of group companies.

Risk Management

SBI Holdings manages risks that may impede the execution of business operations or prevent the company from operating in line with its Management Principles and Management Vision. The Board of Directors names a director to be in charge of risk management in accordance with crisis management, risk management and group risk management regulations. In addition, there is the Risk Management Department to monitor and properly evaluate and manage risk for the entire SBI Group.

Audits by the Corporate Auditors, Internal Audits and Accounting Audits

The Board of Corporate Auditors receives explanations from the accounting auditors on the annual auditing plan and other matters based on the Audit Report at the time of interim and full-year settlements. When necessary, the Board of Corporate Auditors also shares information and engages in discussions with the accounting auditor and the Internal Audit Department. The Internal Audit Department audits the execution of duties by the directors, working to prevent any violations of laws, ordinances or the articles of

incorporation, if necessary in cooperation with external specialists. Also, when needed, the Internal Audit Department shares information with the Board of Corporate Auditors and the accounting auditors regarding management-related issues or problems.

Initiatives During Past Year to Upgrade Corporate Governance

The Board of Directors continued to fulfill its responsibilities of reaching necessary decisions and supervising management activities during the fiscal year by holding at least one meeting each month.

In addition, the SBI Group took steps to reinforce its management and administration systems in anticipation of the start of banking and insurance activities. The goals are to preserve financial soundness and the suitability of business operations, and for this purpose, SBI Holdings established the Financial Conglomerate Governance Office, Compliance Department and Risk Management Department. Another goal is to reinforce management oversight, and to accomplish this, corporate auditors performed audits covering many items during the fiscal year based on an auditing plan. Furthermore, the Internal Audit Department, in conjunction with external specialists, conducted comprehensive internal audits that included group companies. Through these activities, the company worked to further improve its operating efficiency and to prevent the occurrence of improper activities and errors.

SBI Holdings is dedicated to supplying a wide range of investors with accurate information concerning business operations. The company holds quarterly information meetings to announce earnings, and provide a report on operations following the annual shareholders meeting. In addition, there are information meetings in major Japanese cities where the SBI Holdings CEO discusses operations and strategies. Our disclosure activities also include attendance at many investor relations conferences in Japan and other countries.

We quickly post earnings and press releases, along with streaming videos of quarterly earnings announcements and information meetings, as well as other materials on the SBI Holdings website. The SBI Channel is another example of our firm commitment to the disclosure of information. This channel, found on the SBI Holdings website, gives investors the opportunity to view streaming videos where the CEO discusses the group's performance and recent events.

Topics

2006

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| <p>April</p> <ul style="list-style-type: none"> Established Sumishin SBI Net Bank Research Co., Ltd. in concert with Sumitomo Trust Bank to prepare for the establishment of a new Internet bank Established equity and business alliance with SOLXYZ, Co., Ltd., which develops software under outsourcing contracts with financial institutions, making this company an equity-method affiliate <p>May</p> <ul style="list-style-type: none"> Established equity and business alliance with Nexus Co., Ltd., which has extensive experience and expertise in direct marketing, making this company an equity-method affiliate SBI Futures Co., Ltd. listed its shares on the Osaka Securities Exchange Hercules Market <p>June</p> <ul style="list-style-type: none"> Established SBI Nonlife Insurance Planning Co., Ltd. to obtain an insurance business license <p>July</p> <ul style="list-style-type: none"> Announced the initiation of deliberations for jointly establishing an Internet life insurance business with Axa Japan Holding Co., Ltd. <p>August</p> <ul style="list-style-type: none"> Reached basic agreement with The State Bank of India Group, India's largest commercial bank, for joint establishment of a venture capital fund to invest in unlisted Indian companies | <p>September</p> <ul style="list-style-type: none"> Gomez Consulting Co., Ltd. a subsidiary of Morningstar Japan K.K., listed its shares on the Osaka Securities Exchange Hercules Market <p>October</p> <ul style="list-style-type: none"> SBI Holdings dissolved its capital relationship with SOFTBANK CORP., thereby ending its position as an equity-method affiliate of the company <p>November</p> <ul style="list-style-type: none"> Established wholly-owned subsidiary SBI MACAU HOLDINGS LIMITED in Macau (China) Established SBI Life Insurance Planning Co., Ltd. with AXA Japan Holding to prepare for the launch of life insurance operations <p>December</p> <ul style="list-style-type: none"> Established SBI Japannext Securities Preparations Co., Ltd. (renamed SBI Japannext Securities Co., Ltd. in March 2007 upon receipt of securities business license) for the launch of a new Proprietary Trading System (PTS) Reached agreement with China's Tsinghua Holdings Co., Ltd. to jointly launch a Renminbi (RMB) based fund in China SBI Robo Co., Ltd. became a subsidiary to facilitate the creation of a new financial services oriented search engine |
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2007

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| <p>January</p> <ul style="list-style-type: none"> Signed a memorandum of understanding for an alliance with Merrill Lynch Japan Securities in the housing and real estate business Basic agreement reached among SBI Biotech Co., Ltd., ODC Therapy, Inc. (U.S.), and Changchun Huapu Biotechnology Co., Ltd. (China) to start a drug development business; start of world's first drug development joint venture involving entities from Japan, U.S. and China <p>February</p> <ul style="list-style-type: none"> Established SBI Point Union Co., Ltd. to offer a joint Rewards points service using the Internet Norwegian search technology company FAST makes equity investment in SBI Robo Acquired shares of CEM Corporation, which provides real estate-secured loans, making it a subsidiary E*TRADE Korea Co., Ltd., a subsidiary of SBI E*TRADE SECURITIES Co., Ltd., listed its shares on the KOSDAQ market in Korea Purchased 4.99% equity stake (for approximately ¥18 billion) in Kyobo Life Insurance Co., Ltd., one of South Korea's three largest life insurers The Goldman Sachs Group, Inc. makes equity investment in SBI Japannext Securities Preparations Co., Ltd. Established SBI VEN CAPITAL PTE. LTD. as a registered investment base in Singapore <p>March</p> <ul style="list-style-type: none"> Agreed to establish comprehensive business alliance with Living Corporation in the housing and real estate business <p>April</p> <ul style="list-style-type: none"> Established an asset management company in China as a joint venture with Tsinghua Holdings Started operation of "The SBI Community, E*TRADE Chouja Mura" ("E*TRADE Millionaire Village") community website Established SBI Fund Bank Co., Ltd. to start a "fee revolution" in the investment trust sector Signed memorandum of understanding with Weifang City, Shandong Province in China for a comprehensive alliance for the purpose of establishing a jointly owned company SBI E*TRADE SECURITIES Co., Ltd. and SBI Securities Co., | <p>May</p> <ul style="list-style-type: none"> Ltd. reached an agreement to merge on October 1, 2007, with merger documents subsequently signed Signed an agreement with the Goldman Sachs Group to establish an equity and business alliance for making investments in quality mid-sized companies with excellent growth potential Opened the first SBI Money Plaza in Tokyo's Aoyama district, a "bricks-and-mortar" shop that sells a full line of financial products <p>June</p> <ul style="list-style-type: none"> Agreed to establish a joint venture with SBI Robo to create, in the financial sector, a virtual world "Cyber MEGACITY Tokyo 0-ku" SBI Asset Management Co., Ltd. established SBI India & Vietnam Stock Fund through an alliance with the State Bank of India Group SBI Holdings, Inc., SBI E*TRADE SECURITIES Co., Ltd. and Club iT Corporation established a business alliance to jointly develop game software that involves asset management SBI Robo started the E*Search service, which allows searching for specific stocks by using a proprietary search technology Established alliance with The Corporation for Financing and Promoting Technology (FPT), Vietnam's largest information technology group, and agreed to jointly establish a fund management company for a fund denominated in the Vietnamese dong <p>July</p> <ul style="list-style-type: none"> SBI Japannext Securities Co., Ltd. received government approval to operate as a PTS licensed securities broker SBI Holdings announced a friendly takeover bid for Narumiya International Co., Ltd. using an investment fund operated by subsidiary SBI Capital Announced launch of fund through a joint venture with Mizuho Securities Co., Ltd. that will invest in companies involved with energy and protecting the environment Subsidiary SBI Wellness Bank Co., Ltd. signed an agreement with Clinique La Prairie of Switzerland, a world leader in anti-aging procedures, to start a members-only healthcare service SBI Holdings announced a friendly takeover bid for Living Corporation, which develops condominiums for sale to investors |
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Financial Section

SBI Holdings, Inc. and Consolidated Subsidiaries

Consolidated Financial Indices

	Millions of Yen Year ended 31st March			Thousands of U.S. Dollars Year ended 31st March *1
	2005	2006	2007	2007
Operating Revenues	¥ 81,512	¥ 137,247	¥ 144,581	\$1,224,332
Operating Income	24,870	49,595	23,095	195,575
Net Income	25,631	45,884	46,441	393,272
Total Equity *2	129,419	268,123	346,641	2,935,391
Total Assets	755,004	1,331,644	1,367,222	11,577,793
Equity Ratio(%)	17.1	20.1	18.1	18.1
Net Cash used in Operating Activities	(25,531)	(132,740)	(67,409)	(570,829)
Net Cash provided by Investing Activities	3,352	(33,137)	86,014	728,378
Net Cash provided by Financing Activities	94,305	200,746	(58,176)	(492,641)
Cash and Cash Equivalents, end of Year	106,460	132,545	115,092	974,615
BPS(Yen)	15,125.45	22,016.22	22,018.24	186.45
EPS(Yen)	3,579.29	4,957.08	4,040.51	34.22
Cash Dividends Applicable to the Year(Yen)	350	600	1,200	10.16

*1. U.S. Dollar figures are for reference only, and calculated at ¥118.09 to U.S. \$1.00, the exchange rate on 31st March 2007.

*2. Due to the new accounting standard for presentation of equity, the Total Equity at 31 March 2007 includes stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting standard. These items are not included in the Total Equity numbers for 31 March 2006 and 31 March 2005.

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Management's Discussion & Analysis

Analysis of Business Results for the Fiscal Year

Asset Management Business

In the Asset Management Business, the SBI Group seeks to be an "industry creator." Operations are based on the management philosophy of serving as a leading company in creating and fostering the development of core industries of the 21st century, mainly in the information technology sector. The group provides risk capital to portfolio companies, mainly through investment funds managed by group companies. The group also supports portfolio companies by extending assistance for tax accounting and finance, consulting services for IPOs and other activities, the provision of executives and employees, and in other ways. In addition, the group helps portfolio companies form business and equity alliances with each other and conduct other forms of collaboration. The SBI Group also gives portfolio companies access to its business network and expertise in IPO support. All these activities contribute to improving returns at funds by helping portfolio companies to achieve further growth in their corporate value.

The group is using the SBI Broadband Fund, the SBI BB Media Fund, the SBI BB Mobile Fund, and the SBI Value Up Fund, (which was established in the previous fiscal year) and other funds to continue making investments in small companies active in business fields with excellent growth prospects. Targeted business fields include broadband networks, media and mobile communications, and biotechnology. During the past fiscal year, funds operated by the SBI Group made investments totaling ¥74.5 billion, and there were 10 portfolio companies that became publicly owned through an IPO or a merger or acquisition.

SOFTBANK INTERNET TECHNOLOGY FUND, the group's flagship fund that was established in March 2000 with an initial contribution of ¥150.5 billion, has completed the stage of realizing gains on past investments. The contractual period for this fund reached completion at the end of June 2007.

In the previous fiscal year, the SBI Group adopted the "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations" (Accounting Standards Board of Japan Practical Solution Report No. 20, September 8, 2006). As a result, the group began treating as subsidiaries several funds which are effectively controlled by the group, and this in turn led to a subset of these funds being included within the scope of consolidation.

The Brokerage and Investment Banking Business

The Brokerage and Investment Banking Business represents mainly the operations of SBI E*TRADE SECURITIES Co., Ltd. and SBI Securities Co., Ltd. During the past fiscal year, Japan's stock markets were impacted by the high cost of crude oil, worldwide declines in stock prices and other events. In March 2007, the

Nikkei Average dropped below ¥17,000. Nevertheless, stock purchases by individual investors in Japan continued to grow. Total monetary trading volume on the first section of the Tokyo Stock Exchange during the past fiscal year increased to a record high of ¥650 trillion. Furthermore, the shift in consumers' financial assets from savings to investments is expected to gain momentum in the coming years. In addition, an increasingly broader range of investors is using the Internet to buy and sell stocks. At the end of March 2007, the SBI Group's securities business had assets in customer accounts of ¥4,718.3 billion and 1,603,294 customer accounts. During the fiscal year, average daily trading value was ¥377.8 billion.

The group plans to further accelerate initiatives aimed at the convergence of online securities services, which are provided mainly by SBI E*TRADE SECURITIES, and brick-and-mortar (face-to-face) securities services, which are provided mainly by SBI Securities. The group believes that combining these two services is essential to differentiating the securities business in a manner that competitors cannot match and to secure an overwhelming competitive advantage. To accomplish this objective, these two securities companies will merge on October 1, 2007. This merger will create Japan's first "real (bricks-and-mortar) based on online" securities company model. The model will be based on the advantages of online securities operations: low expenses, the ability to attract many customers, and a very large volume of transactions. At the same time, this model includes the strengths of face-to-face operations, notably activities deeply rooted in local markets and the ability to conduct consulting-based sales activities. The result is a unprecedented business model that can offer highly sophisticated services. By making full use of this model, the objective is to go beyond face-to-face and online securities operations by entering new business domains as a comprehensive securities company.

The Financial Services Business

The Financial Services Business continued to achieve growth in revenues and earnings. Another year of aggressive promotional activities in the marketplace business, growth in transactions conducted from mobile devices and other factors were responsible for this performance. This business recorded a 29.4% increase in the number of active users (users who receive an estimate, request information, apply for an account or take other actions) at the service websites, mainly the InsWeb insurance site and E-LOAN. In addition, a number of new websites were established and existing service sites were significantly remodeled and updated. The marketplace business also formed alliances with prominent partners to enhance the content and functions of these sites. Collectively, these actions expanded the service lineup in this business.

In the financial products business, SBI Lease Co., Ltd. posted

Operating Revenues by Segment

	Year ended March 31, 2006		Year ended March 31, 2007	
	Millions of Yen	%	Millions of Yen	%
Asset Management Business	40,807	29.7	52,460	36.3
Investment in Securities	24,793		35,030	
Revenue from Operational Investment Securities	18,668		28,783	
Fees from Funds	6,125		6,247	
Housing and Real Estate Business	14,223		15,096	
Revenue from Operational Investment Securities	140		4,920	
Fees from Funds	10		51	
Other Real Estate Related Revenue	14,073		10,125	
Investment Advisory Service Fees and Others	1,791		2,334	
Brokerage & Investment Banking Business	80,816	58.9	66,419	45.9
Revenue from Securities Transactions	79,513		65,421	
Revenue from Commodity Futures Transactions	1,303		998	
Financial Services	19,844	14.5	27,660	19.1
Marketplace Business	3,280		3,915	
Financial Products Business	12,210		11,959	
Financial Solutions Business	2,406		3,209	
Other Businesses	1,948		8,577	
Intersegment Revenue	(4,220)	-3.1	(1,958)	-1.3
Total Operating Revenue	137,247	100.0	144,581	100.0

increases in leases of broadband communication infrastructure equipment and broadband content business equipment. The company also started offering leases for mobile communication infrastructure equipment. These activities resulted in strong growth in the volume of new leases and revenues from leases. SBI Equal Credit Co., Ltd., which extends loans to consumers and business owners, also continued to grow. This company expanded its operating base mainly by purchasing loans to achieve a large increase in loans outstanding and the number of active customers.

In the financial solutions business, SBI VeriTrans Co., Ltd., which offers online payment processing solutions for e-commerce businesses, continued to grow along with expansion of the e-commerce and credit card markets in Japan. This company recorded a 31.1% increase in the number of transactions to 27.88 million and was serving a total of 2,839 retailers at the end of March 2007. SBI Technology Co., Ltd. now provides its MoneyLook® technology to five companies. At the end of March 2007, there were more than 570,000 users of this software, which facilitates centralized management of transactions using accounts at two or more financial institutions. In Other Businesses, Morningstar Japan K.K. provides Internet-based evaluations of financial products, particularly investment trusts, and consulting services. Internet advertising revenue is steadily increasing at this company as the value of its advertising space climbs. Growth in asset investment needs among individuals in Japan is producing a consistent increase in the number of page views at this company's

investment trust rating Website. Gomez Consulting Co., Ltd. is a Morningstar Japan subsidiary that has a rating service and business support service for e-commerce websites. This company posted strong growth in revenues from website production services and financial institution advisory services. Other businesses also include HOMEOSTYLE, Inc., which was newly consolidated in the past fiscal year. This company is engaged in the beauty care and health food business and the sale of women's accessories and apparel.

Operating Revenues

1) Asset Management Business

Investment in Securities

There are two components of operating revenues in this business. The first is revenue from operational investment securities, which are gains on sales of securities that were purchased for the purpose of earning capital gains. The SBI Group makes venture capital investments, invests in companies in need of restructuring, and invests in companies in industries with good prospects for growth, such as biotechnology, broadband networks, media and mobile communications. The second is revenue from funds. This is the sum of fund establishment fees, which are a fixed percentage of fund contributions; fund management fees, which are normally a fixed percentage of a fund's initial investments or the market value of net assets; and success fees that are based on a fund's performance.

Management's Discussion & Analysis

Further, when SBI Holdings or its consolidated subsidiaries invest in a fund operated by the SBI Group, the revenue of SBI Holdings or the consolidated subsidiary is calculated as a proportion of the operational investment securities revenue of the fund based on each fund's financial statements, such proportion being based upon the total amount invested by SBI Holdings or its consolidated subsidiary in the fund.

On the other hand, complying with the "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations" (Accounting Standards Board of Japan Practical Solution Report No. 20, September 8, 2006), for revenue for funds which were characterized as within the scope of consolidation for this fiscal year, (such as the Softbank Internet Technology Funds (No 1, No2), as well certain other funds), the calculation for operational investment securities revenue also included investment amounts from investors outside the Group.

Due to these factors, consolidated revenue from operational investment securities increased by 54.2% to ¥28,783 million.

Revenue from funds increased by 2.0% to ¥6,247 million. This includes success fees of ¥2,724 million, mainly from SOFTBANK INTERNET TECHNOLOGY FUND No.3, RESTRUCTURING Fund No.1 and SBI LBO Fund No.1. Management fees totaled ¥2,916 million, mainly from SBI Broadband Fund No.1 and SBI BB Mobile Fund.

As is explained above, management fees from SOFTBANK INTERNET TECHNOLOGY FUND (No.1 and No.2) and other newly consolidated funds are no longer included in revenue because this fee income is offset by the corresponding expense.

Housing and Real Estate Business

There are three components of operating revenues in this business. The first is revenue from operational investment securities, which are gains on sales of investments in partnerships associated with residential real estate for the purpose of earning capital gains. The second is revenue from funds. This is the sum of fund establishment fees, which are a fixed percentage of fund contributions; fund management fees, which are normally a fixed percentage of a fund's initial investments or the market value of net assets; and success fees that are based on a fund's performance. The third component is other real estate related revenue, which includes revenues from real estate planning and development as well as the brokerage and resale of land and buildings.

From the fourth quarter of this fiscal year, SBI Mortgage Co., Ltd. became part of Housing and Real Estate Business. This company was formerly in the Financial Products Business.

Revenue in this business increased by 6.1% to ¥15,096 million.

Investment Advisory Services

Revenue from investment advisory services and other activities increased by 30.4% to ¥2,334 million. This increase was mainly attributable to higher investment advisory revenue and investment

trust management fees at SBI Asset Management Co., Ltd.

2) Brokerage & Investment Banking Business

Revenue in this business comes from the Securities Business and the Commodity Futures Business.

Securities Business

Revenue in this business is derived mainly from brokerage commissions from securities transactions, underwriting and sales fees for initial public offerings, and commissions for the placement and sale of stock.

Revenue decreased by 17.7% to ¥65,421 million. This revenue represents the operations of SBI E*TRADE SECURITIES Co., Ltd., SBI Securities Co., Ltd. and E*TRADE Korea Co., Ltd., which listed its shares on Korea's KOSDAQ market in February 2007.

Commodity Futures Business

Revenue in this business consists of fees received from commodity futures transactions. Revenue decreased by 23.4% to ¥998 million, all of which represents the operations of SBI Futures Co., Ltd.

3) Financial Services Business

There are four components of revenue in this business. The financial marketplace business operates Japan's largest comparison and estimate portal sites for insurance and loans. The financial products business includes a leasing business and a consumer and small company loan business. The financial solutions business provides online payment settlement solutions for e-commerce companies and develops systems the financial services industry. Other businesses mainly include financial information evaluations and consulting and website evaluations and rankings, primarily involving investment trusts.

Revenue increased by 39.4% to ¥27,660 million mainly because of contributions from SBI Lease Co., Ltd. and SBI Mortgage.

Note: Operating revenues in each segment and figures used for comparisons with the previous fiscal year are not adjusted for intersegment revenue.

Operating Costs

1) Asset Management Business

Operating costs increased by 78.4% to ¥47,971 million. This is the sum of the cost of operational investment securities of ¥33,807, a provision of ¥3,142 million for the valuation allowance for operational investment securities, cost of real estate for sale of ¥1,966 million and personnel and other operating costs of ¥9,055 million.

2) Brokerage & Investment Banking Business

Operating costs increased by 3.7% to ¥4,295 million. These costs consisted mainly of financial costs resulting from interest expenses associated with margin transactions.

3) Financial Services Business

Operating costs increased by 85.9% to ¥17,450 million. These expenses mainly represent the cost of leases and the cost of sales for the beauty care products and women's accessories sales business at newly consolidated subsidiary HOMEOSTYLE, Inc.

Note: Operating costs in each segment and figures used for comparisons with the previous fiscal year are not adjusted for intersegment operating costs.

Selling, General and Administrative Expenses

These expenses increased by 5.4% to ¥52,741 million, consisting mainly of personnel expenses and expenses for outsourcing the operation of IT systems for securities operations.

Other Income (Expenses)

Net other income increased by 42.6% to ¥38,947 million mainly due to the amortization of negative goodwill of ¥69,094 million resulting from funds that were newly consolidated and loss on sales of investment securities of ¥23,575.

Cash Flow

Cash and cash equivalents totaled ¥115,092 million at the end of March 2007, a net decrease of ¥17,453 million compared with the balance of ¥132,545 million at the end of March 2006. A summary of cash flows is presented as follows.

Operating Activities

Net cash used in operating activities was ¥67,409 million compared with ¥132,740 million in the previous fiscal year. Income before income taxes and minority interests was ¥62,042 million, but income taxes paid totaled ¥43,132 million and there were net increases of ¥26,531 million in real estate inventory, ¥10,539 million in operational investment securities and operational investments in funds, and ¥8,417 million in operational loans receivable.

Investing Activities

Net cash provided by investing activities was ¥86,014 million compared with a negative cash flow of ¥33,137 million in the previous fiscal year. Proceeds from sales of subsidiaries' stock totaled ¥129,831 million. This primarily represents proceeds of

¥126,758 million from the sale by consolidated funds of stock of consolidated subsidiary SBI E*TRADE SECURITIES. Purchases of investment securities totaled ¥28,659 million. The largest components of this figure are payments of ¥13,095 million for investments in funds classified as non-consolidated subsidiaries and payments of ¥6,998 million for an investment in Sumishin SBI Net Bank Research Co., Ltd.

Financing Activities

Net cash used in financing activities was ¥58,176 million compared with a positive cash flow of ¥200,746 million in the previous fiscal year. There were payments of ¥47,165 million for the purchase of treasury stock. But this included payments of ¥47,156 million for the purchase of 1,047,900 shares of SBI Holdings common stock to permit a more flexible capital policy in response to changes in the operating environment. Proceeds from issuance of bonds totaled ¥29,871 million, but there were payments of ¥75,280 million for dividends paid by investment funds to minority investors.

The increase of ¥22,175 million in cash and cash equivalents due to newly consolidated companies is mainly the result of the consolidation of certain funds.

Management's Discussion & Analysis

Risk Information

The following principal categories of business risks and other risks affecting the SBI Group's businesses may have a material impact on investment decisions. Although the risks below are those currently recognized by the SBI Group, it is not necessarily a complete list of risks. In recognizing these latent risks, the Group will work to avoid any such risks and take appropriate measures in the event that any such risk arises.

(1) Impact of Changes and Other Events in the Operating Environment

The SBI Group is engaged in a diverse range of businesses that include the investment, housing and real estate, securities, home loan and leasing businesses. Accordingly, there is a possibility that trends in such related markets as stock markets, money markets and real estate markets as well as political, economic and industry trends may have a significant impact on the Group. Therefore, such external factors over which the Group has no control could cause changes in business results and have a major impact on the SBI Group's overall business results. Furthermore, the Company's business results may suffer substantial fluctuations in the event investment gains/losses are concentrated in certain time periods. Additionally, governments, government ministries and agencies as well as various stock exchanges are proceeding with system reforms and amendments to laws concerning stock markets and other markets related to the Group's businesses. Although appropriate measures are taken upon sufficiently ascertaining these developments, additional major changes to system reforms and legal amendments in the future may have an impact on the Company's business results.

(2) Competition

The SBI Group is engaged in businesses in fields characterized by innovation and high growth. Since these businesses are considered to have promising growth potential, competition is intense and there are many new participants. Consequently, there is no assurance that the SBI Group can remain competitive in the event of excessive competition that exceeds market growth. The Group will continue making further changes in its businesses to maintain and increase its current competitive advantage. However, the emergence of strong competitors could cause the SBI Group to lose its dominant position and have an impact on its business results.

(3) System Risk

The SBI Group makes extensively utilizes the Internet in carrying out its businesses. Since a large portion of business activities depend on computer systems, the SBI Group has devised various countermeasures that include the build-up of backup computer systems. Nevertheless, the SBI Group's business results could be significantly affected if its computer systems become inoperable due to reasons unforeseen at present, including hardware and software malfunctions, human error, interruption or cessation of service due to a breakdown in communication lines or problems with the communications provider, computer viruses, cyber

terrorism or a system malfunction caused by a natural disaster.

Particularly in the Brokerage & Investment Banking Business, which utilizes the Internet as the principal sales channel, we recognize that ensuring the stability of our system for online transactions is our most crucial management issue. The Group has thus implemented a number of countermeasures, which include building redundant mission critical systems and monitoring functions as well as establishing backup sites at multiple locations and undertaking continual initiatives to maintain and enhance the level of service. Nevertheless, should a system malfunction occur despite the implementation of these countermeasures, there is a possibility that a delay or failure to appropriately respond may result in claims for damage resulting from such a malfunction, and this may also erode trust in the SBI Group's systems and support structure. This, in turn, could result in the loss of a large number of customers.

(4) Investment Risk

In the Asset Management Business, the portfolio companies of the investment partnerships managed by the SBI Group include numerous emerging companies and companies undergoing restructuring. These companies face numerous challenges regarding their future performance, and so is a possibility that the business results of these portfolio companies may change due to various factors in the future. These factors include but are not limited to changes in the competitive environment owing to sudden technological innovations or changes in industry standards, the inability to secure and maintain talented managers and employees, a weak financial position, and the failure of portfolio companies to disclose crucial information.

In the Real Estate Business, the Company performs sufficient prior due diligence when acquiring real estate. However, the discovery of problems after acquisitions in areas beyond the scope of the due diligence, including problems related to rights that are unique to the real estate industry, soil and geological issues involving the site, or the environment, may have a significant impact on the value or profitability of a property. Also, the occurrence of any unforeseen accidents, incidents, or natural disasters such as fires, civil unrest, terrorism, earthquakes, volcanic eruptions or tidal waves may impact the value or profitability of the property.

(5) Protection of Personal Information

By extensively utilizing the Internet, the SBI Group carries out wide-ranging business activities that include financial, real estate and lifestyle-related businesses. In the course of these activities, the Group obtains and uses information on numerous customers. As a business enterprise that engages in financial businesses—which includes entry into the banking and life and non-life insurance industries—where confidence, stability and safety are demanded, the SBI Group believes that preventing damage from leaks of customer information and unauthorized access is extremely crucial. The Company thus recognizes that information security is its most crucial issue for ensuring that customers may use its services with confidence. With the full-fledged implementation of the Personal Information Protection Act in April 2005, the Company announced

its Personal Information Protection Policies and formulated its Compliance Program (regulations on the management of personal information) to ensure strict adherence to its policies, and established security countermeasures based on this program. In ensuring that meticulous consideration is given to protecting customer information, we have also set up an internal management structure that includes establishing the Information Security Committee, in addition to implementing related employee training programs. The Company has also implemented measures such as entrance and exit log monitoring through the use of security cards as well as electronic file monitoring. Further, in August 2006 we received the Privacy Mark certification from the Japan Information Processing Development Corporation as a business operator that has established a structure for formulating appropriate measures to protect personal information. As illustrated by these measures, the SBI Group is working to maintain and enhance the level of security for protecting personal information.

(6) Business Reorganization

As a Strategic Business Innovator, one of the SBI Group's basic policies is to perpetuate "Self Evolution." In line with this policy, in March 2006, the Company merged the operations of SBI Partners Co., Ltd. and FINANCE ALL CORPORATION, with SBI Holdings as the successor company, while converting SBI Securities Co., Ltd. into a wholly owned subsidiary.

Going forward, the SBI Group will actively promote the expansion of its business portfolio, which includes carrying out M&A activities in fields that will provide synergies with the Group's core businesses. Nevertheless, despite sufficient prior investment analysis and detailed investigations, there is a possibility that this business reorganization and expansion in the scope of business activities may have unanticipated effects and have an impact on the SBI Group's business results.

In undertaking the fund business, prior to the completion of the fund formation, there are instances in which the SBI Group establishes special purpose entities and temporarily invests in its own funds to make prior acquisitions under favorable conditions. Taking into consideration the degree of influence of such factors as our share of investment and degree of control, we decide on a case-by-case basis whether these special purpose entities will be treated as subsidiaries or affiliated companies for accounting purposes. However, the establishment of fixed rules based on accounting practices or changes in the SBI Group's accounting procedures may result in a change in the Group's scope of consolidation, which in turn may have an impact on the SBI Group's financial condition and business results.

In the fiscal year that ended in March 2007, the SBI Group adopted "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations" (Accounting Standards Board of Japan Practical Solution Report No. 20, September 8, 2006). As a result, the Group began treating as consolidated subsidiaries several funds that the Group manages and all assets, liabilities and other items at these funds are included in the consolidated balance sheet of SBI Holdings. In addition, management and other fees from these funds that were previously

recognized as operating revenues in the Asset Management Business are now eliminated in consolidation. These fees are now included in the income statement as minority interests in net income. Moreover, all revenues and expenses of the newly consolidated funds are included in the consolidated income statement irrespective of the SBI Group's ownership. An adjustment is made through minority interests in net income for the portion of revenues and expenses corresponding to external investors. There may be a similar effect on consolidated financial statements if an existing or newly established fund is newly included in the scope of consolidation.

In the fiscal year that ended in March 2007, for some newly consolidated funds, the difference between the SBI Group's interest in the acquisition cost of the fund and the Group's interest in the market value of the fund upon consolidation was recorded as negative goodwill. As stocks in these funds were sold during the fiscal year, this negative goodwill was primarily amortized and the resulting gain included in other income. Overall, the new accounting standard concerning the consolidation of funds decreased operating revenues by ¥7,749 million and operating income by ¥30,620 million, and decreased income before income taxes and minority interests by ¥26,322 million compared with the previous accounting standard. In addition, the newly consolidated funds increased total assets by ¥34,657 million. Consequently, these points must be taken into consideration when comparing the SBI Group's consolidated financial condition and results of operations in the fiscal year that ended in March 2007 with prior fiscal years.

(7) Entering New Businesses

Based on the management principle of "Aiming to be a New Industry Creator," the SBI Group is (proactively) creating and cultivating core industries of the 21st century. During the fiscal year that ended in March 2006, the SBI Group started several new businesses, including forming a capital and business alliance with The Sumitomo Trust & Banking Co., Ltd. for the purpose of engaging in the Internet banking business and establishing SBI Card Co., Ltd. as a wholly owned subsidiary to carry out credit card and related businesses. The inability of new businesses to attain initially forecast targets or the failure to achieve sufficient future profits commensurate with initial investments may have an adverse impact on the SBI Group's business results. In addition, these new businesses may become subject to new laws or placed under the guidance of regulatory authorities. Subsequent violations of with such laws with resulting administrative actions or other punishment could impede the performance of these businesses.

(8) Reliance on Key Personnel

The SBI Group relies on a management team with strong leadership capabilities, beginning with Representative Director and CEO Yoshitaka Kitao. In the event that the current management team is no longer able to continue managing the Group's business activities, there may be an adverse impact on the SBI Group's business results.

Consolidated Balance Sheets

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

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	31st March		31st March
	2006	2007	2007
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 14)	¥ 132,545	¥ 115,092	\$ 974,615
Time deposits	399	616	5,216
Cash required to be segregated under regulations (Note 3)	332,876	340,090	2,879,921
Notes and accounts receivable—trade (Note 14)	1,303	7,537	63,827
Operational investment securities (Note 5)	61,668	100,603	851,921
Valuation allowance for operational investment securities	(338)	(18,603)	(157,534)
Operational loans receivable (Note 14)	16,501	46,828	396,543
Real estate inventory (Notes 4 and 14)	26,333	35,872	303,772
Trading assets (Note 6)	3,093	4,329	36,658
Margin transaction assets:			
Receivables from customers	562,693	489,269	4,143,184
Cash deposits as collateral for securities borrowed	18,547	11,303	95,716
Loans secured by securities on non—resale agreement transactions	156	102	862
Short—term guarantee deposits	17,549	24,354	206,228
Deferred tax assets—current (Note 24)	1,959	2,271	19,233
Prepaid expenses and other current assets (Note 8)	30,993	40,324	341,464
Allowance for doubtful accounts	(691)	(1,070)	(9,059)
Total current assets	1,205,586	1,198,917	10,152,567
PROPERTY AND EQUIPMENT—Net (Notes 9 and 10)	4,144	4,602	38,973
LEASED ASSETS—Net (Note 11)	11,225	10,036	84,986
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 5)	28,127	25,399	215,079
Investments in unconsolidated subsidiaries and affiliated companies (Note 12)	23,534	54,411	460,760
Software, net of accumulated amortisation of ¥3,600 million and ¥4,824 million (\$40,851 thousand) at 31st March, 2006 and 2007, respectively	5,169	6,559	55,540
Rental deposits	4,358	4,726	40,018
Goodwill	44,638	53,513	453,151
Long—term trade receivables	1,701	1,536	13,005
Deferred tax assets—non—current (Note 24)	1,310	1,915	16,216
Other assets	3,760	7,763	65,743
Allowance for doubtful accounts	(1,908)	(2,155)	(18,245)
Total investments and other assets	110,689	153,667	1,301,267
TOTAL	¥ 1,331,644	¥ 1,367,222	\$ 11,577,793

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	31st March		31st March
	2006	2007	2007
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Notes 13 and 14)	¥ 11,398	¥ 56,142	\$ 475,417
Current portion of long-term debt (Notes 13 and 14)	900	25,172	213,162
Income taxes payable	19,535	15,755	133,417
Margin transaction liabilities:			
Payables to financial institutions (Notes 13 and 14)	302,283	231,211	1,957,917
Proceeds of securities sold for customers' accounts	65,030	62,961	533,163
Loans secured by securities on repurchase agreement transactions (Note 13)	56,553	55,825	472,737
Consignment guarantee money received for margin transactions	303,385	297,448	2,518,828
Customers' deposits as collateral for commodity futures (Note 8)	32,072	45,356	384,079
Customers' deposits for securities transactions	21,495	16,234	137,471
Unearned income (Note 15)	3,671	3,030	25,657
Accrued expenses	3,594	3,189	27,002
Contingent reserve	5		
Deferred tax liabilities—current (Note 24)	2,096	7,201	60,979
Other current liabilities (Notes 6, 13 and 28)	25,550	30,549	258,693
Total current liabilities	847,567	850,073	7,198,522
LONG-TERM LIABILITIES:			
Long-term debt, less current portion (Notes 13 and 14)	152,410	159,603	1,351,534
Deferred tax liabilities—non-current (Note 24)	2,053	748	6,333
Other long-term liabilities (Notes 16 and 17)	1,469	3,633	30,766
Total long-term liabilities	155,932	163,984	1,388,633
STATUTORY RESERVES (Note 18):			
Reserve for liability for securities transactions	4,715	6,314	53,469
Reserve for liability for commodity transactions	213	210	1,778
Total statutory reserves	4,928	6,524	55,247
MINORITY INTERESTS			
	55,094		

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	31st March		31st March
	2006	2007	2007
LIABILITIES AND EQUITY			
FORWARD	¥ 1,063,521	¥ 1,020,581	\$ 8,642,402
EQUITY (Notes 19, 20 and 31):			
Common stock—authorised, 34,169,000 shares issued, 12,290,692 shares in 2006 and 12,399,171 shares in 2007	54,229	54,914	465,019
Capital surplus	115,692	116,519	986,691
Stock acquisition rights		42	355
Retained earnings	90,345	122,167	1,034,525
Unrealised gain on available-for-sale securities	12,830	5,436	46,033
Deferred gain on derivatives under hedge accounting		2	20
Foreign currency translation adjustments	935	974	8,243
Treasury stock—at cost, 135,664 shares in 2006 and 1,183,488 shares in 2007	(5,908)	(53,062)	(449,333)
Total	268,123	246,992	2,091,553
Minority interests		99,649	843,838
Total equity	268,123	346,641	2,935,391
TOTAL	¥ 1,331,644	¥ 1,367,222	\$ 11,577,793

See notes to consolidated financial statements.

Consolidated Statements of Income

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

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Year Ended 31st March		Year Ended 31st March,
	2006	2007	2007
OPERATING REVENUES (Notes 21 and 30)	¥ 137,247	¥ 144,581	\$ 1,224,332
OPERATING COSTS (Note 22)	37,596	68,745	582,147
Gross profit	99,651	75,836	642,185
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 23)	50,056	52,741	446,610
Operating income	49,595	23,095	195,575
OTHER INCOME (EXPENSES):			
Interest and dividends income	277	644	5,455
Interest expense	(563)	(1,278)	(10,822)
Foreign exchange gain—net	826	14	114
Gain (loss) on sale of investment securities—net	4,027	(23,575)	(199,635)
Dilution gain from changes in equity interest (Note 25)	25,367	650	5,498
Amortisation of negative goodwill—net	1,443	69,094	585,097
Provision for statutory reserves	(2,420)	(1,599)	(13,540)
Impairment loss (Note 10)	(273)	(53)	(445)
Other—net	(1,367)	(4,950)	(41,919)
Other income—net	27,317	38,947	329,803
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	76,912	62,042	525,378
INCOME TAXES (Note 24):			
Current	22,990	38,855	329,031
Reversal of the prior year's income taxes	1,280	(583)	(4,940)
Deferred	(6,189)	(23,447)	(198,551)
Total income taxes	18,081	14,825	125,540
MINORITY INTERESTS IN NET INCOME	(12,947)	(776)	(6,566)
NET INCOME	¥ 45,884	¥ 46,441	\$ 393,272
PER SHARE OF COMMON STOCK (Notes 2.aa and 29):			
	Yen		U.S. Dollars
Basic net income	¥ 4,957.08	¥ 4,040.51	\$ 34.22
Diluted net income	4,627.04	3,845.82	32.57
Cash dividends applicable to the year	600	1,200	10.16

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

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

Millions of Yen						
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealised Gain on Available- for-sale Securities
BALANCE, 1ST APRIL, 2005	8,531,261	¥ 34,765	¥ 53,467		¥ 33,377	¥ 7,633
Stock issuance through private placement (Note 19)	481,861	9,927	9,927			
Exercise of warrants (Note 19)	289,889	2,392	2,392			
Conversion of convertible bonds (Note 19)	366,749	7,145	7,145			
Adjustment of capital surplus for merger of subsidiaries through issuance of common stock (Note 19)	2,077,252		8,544			
Share-for-stock exchange (Note 19)	532,597		34,109			
Cash dividends, ¥350 per share (Note 19)					(2,986)	
Bonuses to directors					(568)	
Adjustment of retained earnings for merged companies					15,241	
Adjustment of retained earnings due to exclusion from consolidation					(41)	
Net income					45,884	
Other decrease in retained earnings					(562)	
Net increase in unrealised gain on available-for-sale securities						5,197
Net increase in foreign currency translation adjustments						
Purchase of treasury stock	(50,121)					
Reissuance of treasury stock	7		108			
Treasury stocks held by affiliated company accounted for by the equity method	(74,467)					
BALANCE, 31ST MARCH, 2006	12,155,028	54,229	115,692		90,345	12,830
Reclassified balance as at 31st March, 2006				¥ 6		
Exercise of warrants (Note 19)	108,479	685	687			
Cash dividends, ¥1,200 per share (Note 19)					(14,078)	
Bonuses to directors					(541)	
Net income					46,441	
Purchase of treasury stock	(1,051,604)					
Reissuance of treasury stock	3,614		140			
Treasury stocks held by affiliated company accounted for by the equity method	166					
Net change in the year				36		(7,394)
BALANCE, 31ST MARCH, 2007	11,215,683	¥ 54,914	¥ 116,519	¥ 42	¥ 122,167	¥ 5,436

Millions of Yen						
	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, 1ST APRIL, 2005		¥ 416	¥ (239)	¥ 129,419		¥ 129,419
Stock issuance through private placement (Note 19)				19,854		19,854
Exercise of warrants (Note 19)				4,784		4,784
Conversion of convertible bonds (Note 19)				14,290		14,290
Adjustment of capital surplus for merger of subsidiaries through issuance of common stock (Note 19)				8,544		8,544
Share-for-stock exchange (Note 19)				34,109		34,109
Cash dividends, ¥350 per share (Note 19)				(2,986)		(2,986)
Bonuses to directors				(568)		(568)
Adjustment of retained earnings for merged companies				15,241		15,241
Adjustment of retained earnings due to exclusion from consolidation				(41)		(41)
Net income				45,884		45,884
Other decrease in retained earnings				(562)		(562)
Net increase in unrealised gain on available-for-sale securities				5,197		5,197
Net increase in foreign currency translation adjustments		519		519		519
Purchase of treasury stock			(2,909)	(2,909)		(2,909)
Reissuance of treasury stock			108	108		108
Treasury stocks held by affiliated company accounted for by the equity method			(2,760)	(2,760)		(2,760)
BALANCE, 31ST MARCH, 2006		935	(5,908)	268,123		268,123
Reclassified balance as at 31st March, 2006				6	¥ 55,094	55,100
Exercise of warrants (Note 19)				1,372		1,372
Cash dividends, ¥1,200 per share (Note 19)				(14,078)		(14,078)
Bonuses to directors				(541)		(541)
Net income				46,441		46,441
Purchase of treasury stock			(47,246)	(47,246)		(47,246)
Reissuance of treasury stock			86	226		226
Treasury stocks held by affiliated company accounted for by the equity method			6	6		6
Net change in the year	¥ 2	39		(7,317)	44,555	37,238
BALANCE, 31ST MARCH, 2007	¥ 2	¥ 974	¥ (53,062)	¥ 246,992	¥ 99,649	¥ 346,641

Thousands of U.S. Dollars (Note 1)

	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealised Gain on Available- for-sale Securities
BALANCE, 31ST MARCH, 2006	\$ 459,218	\$ 979,692		\$ 765,051	\$ 108,642
Reclassified balance as at 31st March, 2006			\$ 54		
Exercise of warrants (Note 19)	5,801	5,813			
Cash dividends, \$10.16 per share (Note 19)				(119,213)	
Bonuses to directors				(4,585)	
Net income				393,272	
Purchase of treasury stock					
Reissuance of treasury stock		1,186			
Treasury stocks held by affiliated company accounted for by the equity method					
Net change in the year			301		(62,609)
BALANCE, 31ST MARCH, 2007	\$ 465,019	\$ 986,691	\$ 355	\$ 1,034,525	\$ 46,033

Thousands of U.S. Dollars (Note 1)

	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, 31ST MARCH, 2006		\$ 7,921	\$ (50,028)	\$ 2,270,496		\$ 2,270,496
Reclassified balance as at 31st March, 2006				54	\$ 466,544	466,598
Exercise of warrants (Note 19)				11,614		11,614
Cash dividends, \$10.16 per share (Note 19)				(119,213)		(119,213)
Bonuses to directors				(4,585)		(4,585)
Net income				393,272		393,272
Purchase of treasury stock			(400,081)	(400,081)		(400,081)
Reissuance of treasury stock			724	1,910		1,910
Treasury stocks held by affiliated company accounted for by the equity method			52	52		52
Net change in the year	\$ 20	322		(61,966)	377,294	315,328
BALANCE, 31ST MARCH, 2007	\$ 20	\$ 8,243	\$ (449,333)	\$ 2,091,553	\$ 843,838	\$ 2,935,391

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

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

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Year Ended 31st March		Year Ended 31st March,
	2006	2007	2007
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 76,912	¥ 62,042	\$ 525,378
Adjustments for:			
Income taxes paid	(12,654)	(43,132)	(365,244)
Amortisation and depreciation	5,794	(58,122)	(492,184)
Provision for valuation allowance for operational investment securities	171	3,043	25,769
Provision for allowance for doubtful accounts	499	977	8,274
Impairment loss	273	53	445
Dilution gain from changes in equity interest	(25,367)	(650)	(5,498)
Write-down of operational investment securities	638	8,813	74,625
Equity loss (earnings) in funds	1,783	(3,518)	(29,787)
(Gain) loss on sales of investment securities—net	(4,027)	23,575	199,635
Changes in assets and liabilities:			
Increase in operational investment securities and operational investments in funds	(49,110)	(10,539)	(89,250)
Increase in operational loans receivable	(8,859)	(8,417)	(71,274)
Increase in real estate inventory	(16,446)	(26,531)	(224,671)
Increase in segregated assets for customers	(142,543)	(5,797)	(49,091)
Increase in trading assets	(336)	(1,080)	(9,143)
Increase in leased assets	(6,879)	(4,264)	(36,106)
Net changes in margin transaction assets and liabilities	(172,818)	7,518	63,665
Increase (decrease) in customers' deposits for securities transactions	523	(4,697)	(39,776)
Increase (decrease) in consignment guarantee money received for margin transactions	153,297	(5,937)	(50,272)
Net changes in loans receivable and payable secured by securities	60,666	234	1,977
Increase in unearned income	411	2,648	22,421
Other—net	5,332	(3,628)	(30,722)
Net cash used in operating activities	¥ (132,740)	¥ (67,409)	\$ (570,829)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Year Ended 31st March		Year Ended 31st March,
	2006	2007	2007
Net cash used in operating activities	¥ (132,740)	¥ (67,409)	\$ (570,829)
INVESTING ACTIVITIES:			
Purchases of intangible assets	(2,461)	(3,096)	(26,220)
Purchases of investment securities	(47,110)	(28,659)	(242,686)
Proceeds from sales of investment securities	11,567	3,804	32,213
Proceeds from sales of subsidiaries' stock	981	129,831	1,099,421
Cash received (paid) in business acquisitions, net of cash acquired	14,724	(8,208)	(69,510)
Cash received in sales of subsidiaries, net of cash relinquished		5,831	49,379
Investments in subsidiaries	(4,286)	(7,125)	(60,334)
Investments in loans receivable	(10,703)	(54,217)	(459,118)
Collections of loans receivable	5,913	48,823	413,437
Payments for security deposits	(2,393)	(2,258)	(19,118)
Collection of security deposits	1,777	1,952	16,532
Other—net	(1,146)	(664)	(5,618)
Net cash provided by (used in) investing activities	(33,137)	86,014	728,378
FINANCING ACTIVITIES:			
Increase in short-term borrowings—net	1,879	34,180	289,442
Proceeds from long-term debt	151,655	39,521	334,665
Repayment of long-term debt	(31,800)	(4,265)	(36,118)
Dividends paid	(2,966)	(13,985)	(118,429)
Dividends paid to minority shareholders	(2,218)	(2,584)	(21,877)
Distribution to minority investors in investment funds		(75,280)	(637,480)
Proceeds from issuance of common stock	24,377	1,329	11,259
Proceeds from issuance of common stock to minority shareholders	63,028	9,570	81,040
Proceeds from minority investors in investment funds		522	4,421
Reissuance of treasury stock	160	5	42
Purchase of treasury stock	(2,908)	(47,165)	(399,399)
Other—net	(461)	(24)	(207)
Net cash provided by (used in) financing activities	200,746	(58,176)	(492,641)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS			
ON CASH AND CASH EQUIVALENTS	729	(57)	(484)
INCREASE (DECREASE) IN CASH AND CASH			
EQUIVALENTS—(Forward)	¥ 35,598	¥ (39,628)	\$ (335,576)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Year Ended 31st March		Year Ended 31st March,
	2006	2007	2007
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS—(Forward)	¥ 35,598	¥ (39,628)	\$ (335,576)
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES	1,967	22,175	187,787
CASH AND CASH EQUIVALENTS DECREASED DUE TO EXCLUSION FROM CONSOLIDATION	(11,480)		
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	106,460	132,545	1,122,404
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 132,545	¥ 115,092	\$ 974,615
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION (Note 2.a):			
Fair value of assets acquired	¥ (39,997)	¥ (30,515)	\$ (258,405)
Liabilities assumed	10,550	24,287	205,666
Goodwill	(6,083)	(6,911)	(58,526)
Minority interest	16,580	909	7,696
Acquisition costs	(18,950)	(12,230)	(103,569)
Cash acquired	17,999	4,022	34,059
Transfer from stock of affiliated company	15,675		
Cash received (paid) in business acquisitions, net of cash acquired	¥ 14,724	¥ (8,208)	\$ (69,510)
Fair value of assets sold		¥ 18,356	\$ 155,445
Liabilities relinquished		(12,000)	(101,620)
Sale value		3	22
Cash relinquished		(528)	(4,468)
Cash received in sales of subsidiaries, net of cash relinquished		¥ 5,831	\$ 49,379

See notes to consolidated financial statements.

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. ("SBIINV") 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 a weighted 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 (\$ 176.10)	From 20th December, 2003 to 19th December, 2011
2002 Stock Option (1)	9 directors 109 employees	200,025 shares	2002.12.20	¥ 5,984 (\$ 50.67)	From 20th December, 2004 to 19th December, 2012
2003 Stock Option (1)	2 directors 4 employees 3 directors of subsidiary	69,975 shares	2003.9.25	¥ 17,879 (\$ 151.40)	From 20th December, 2004 to 19th December, 2012
2003 Stock Option (2)	2 directors 110 employees 6 directors of subsidiary 86 employees of subsidiary	312,750 shares	2003.9.25	¥ 17,879 (\$ 151.40)	From 24th June, 2005 to 23rd June, 2013
2003 Stock Option (3)	17 directors of subsidiary	61,650 shares	2003.10.23	¥ 27,655 (\$ 234.19)	From 24th June, 2005 to 23rd June, 2013
2005 Stock Option (1)	7 directors 89 employees 14 directors of subsidiary 36 employees of subsidiary	40,000 shares	2005.7.28	¥ 35,078 (\$ 297.04)	From 28th July, 2005 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. Stock Option	3 directors 20 employees 11 directors of its subsidiary 64 employees of its subsidiary	172,481.40 shares	2002.7.1	¥ 12,079 (\$ 102.29)	From 21st June, 2004 to 20th June, 2012
Digit Brain, Inc Stock Option	5 directors 55 employees	8,968 shares	2003.7.8	¥ 13,000 (\$ 110.09)	From 1st January, 2004 to 31st December, 2006
SBI HOME Planner Co., LTD. 2003 Stock Option	76 employees 1 employee of its subsidiary	1,130 shares	2004.4.15	¥ 23,200 (\$ 196.46)	From 28th June, 2005 to 27th June, 2013
SBI HOME Planner Co., LTD. 2004 Stock Option	7 directors 2 employees	1,000 shares	2004.9.27	¥ 25,600 (\$ 216.78)	From 1st April, 2005 to 30th March, 2007
SBI HOME Planner Co., LTD. 2004 Stock Option	61 employees 2 employees of its subsidiary	950 shares	2004.9.29	¥ 25,600 (\$ 216.78)	From 2nd October, 2006 to 30th September, 2010
SBI HOME Planner Co., LTD. 2004 Stock Option	2 employees	60 shares	2004.10.29	¥ 25,600 (\$ 216.78)	From 2nd October, 2006 to 30th September, 2010
SBI Partners Co., Inc. 2005 Stock Option	5 directors 23 employees	2,320 shares	2005.11.29	¥ 37,060 (\$ 313.83)	From 1st December, 2005 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 6 employees 5 directors of its subsidiary 31 employees of its subsidiary	44,880 shares	2002.9.25	¥ 4,465 (\$ 37.81)	From 25th September, 2004 to 24th September, 2012
FINANCE ALL CORPORATION 2003 Stock Option	4 directors 24 employees 4 directors of its subsidiary 18 employees of its subsidiary	55,040 shares	2003.8.2	¥ 4,465 (\$ 37.81)	From 2nd August, 2005 to 1st August, 2013
SOFTBANK FRONTIER SECURITIES CO., LTD. 2002 Stock Option	4 directors 10 employees	8,216.00 shares	2003.1.29	¥ 7,740 (\$ 65.54)	From 19th June, 2004 to 18th June, 2008
WORLD NICHIEI Securities Co., LTD. 2003 Stock Option	5 directors 6 employees	4,933.50 shares	2003.7.15	¥ 17,392 (\$ 147.28)	From 1st July, 2005 to 26th June, 2013
WORLD NICHIEI FRONTIER Securities Co., LTD. 2004 Stock Option	7 directors 350 employees	34,105.55 shares	2004.6.29	¥ 50,174 (\$ 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 (\$ 270.25)	From 30th June, 2006 to 29th June, 2014
SBI Securities Co., Ltd. 2005 Stock Option	6 directors 340 employees	39,817.60 shares	2005.7.4	¥ 46,957 (\$ 397.64)	From 30th June, 2007 to 29th June, 2015
SOFTBANK INVESTMENT CORPORATION Warrant (3)	8 directors 3 employees 7 directors of its subsidiary 2 employees of its subsidiary	56,808.90 shares	2000.3.7	¥ 2,083.30 (\$ 17.64)	From 1st April, 2002 to 31st March, 2007
SOFTBANK INVESTMENT CORPORATION Warrant (4)	8 directors 19 employees 8 directors of its subsidiary 6 employees of its subsidiary	62,857.00 shares	2000.3.7	¥ 2,083.30 (\$ 17.64)	From 1st April, 2003 to 31st March, 2008
SOFTBANK INVESTMENT CORPORATION Warrant (7)	2 directors 30 employees 1 director of its subsidiary	6,916.18 shares	2000.9.4	¥ 25,464.90 (\$ 215.64)	From 1st April, 2002 to 31st March, 2007
SOFTBANK INVESTMENT CORPORATION Warrant (8)	2 directors 42 employees 1 director of its subsidiary	7,206.78 shares	2000.9.4	¥ 25,464.90 (\$ 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 (\$ 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 19 employees 6 directors of its subsidiary 103 employees of its subsidiary	51,640.75 shares	2000.3.30	¥ 1,910.70 (\$ 16.18)	From 1st April, 2002 to 28th March, 2007
E*TRADE Japan K.K. Warrant (10)~(12)	5 directors 20 employees 6 directors of its subsidiary 109 employees of its subsidiary	53,511.79 shares	2000.3.30	¥ 1,910.70 (\$ 16.18)	From 1st April, 2003 to 28th March, 2008
E*TRADE Japan K.K. Warrant (15)	1 director 6 employees 1 director of its subsidiary 16 employees of its subsidiary	4,014.36 shares	2000.6.8	¥ 2,116.40 (\$ 17.92)	From 12th June, 2002 to 28th March, 2007
E*TRADE Japan K.K. Warrant (16)	1 director 7 employees 1 director of its subsidiary 16 employees of its subsidiary	4,014.36 shares	2000.6.8	¥ 2,116.40 (\$ 17.92)	From 12th June, 2003 to 28th March, 2008
FINANCE ALL CORPORATION Warrant (1)~(6)	5 directors 4 employees 9 directors of its subsidiary 20 employees of its subsidiary	114,012 shares	2002.3.28	¥ 4,464 (\$ 37.80)	From 1st April, 2002 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 (\$ 567.36)	From 1st October, 2008 to 25th September, 2016
SBI Planners Co., Ltd. Stock Option (5)	7 directors 81 employees 1 director of its subsidiary 1 employee of its subsidiary	4,000,000 shares	2007.3.30	¥ 65 (\$ 0.55)	From 2nd April, 2007 to 31st March, 2013
SBI Mortgage Co., Ltd. Stock Option (1)	23 employees	65 shares	2005.5.25	¥ 750,000 (\$ 6,351.09)	From 26th May, 2007 to 25th May, 2015
SBI E*TRADE SECURITIES Co., Ltd. Stock Option (1)	7 directors 88 employees 6 employees of the Company	116,190 shares	2004.7.8	¥ 44,290 (\$ 375.05)	From 22nd December, 2004 to 21st June, 2010
Stock Option (2)	1 director	4,500 shares	2004.7.21	¥ 44,290 (\$ 375.05)	From 22nd December, 2004 to 21st June, 2010
Stock Option (3)	2 employees	90 shares	2004.8.3	¥ 44,290 (\$ 375.05)	From 22nd December, 2004 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 (\$ 1,451.58)	From 1st January, 2006 to 23rd June, 2013
Stock Option (5)	12 employees	750 shares	2005.12.30	¥ 200,638 (\$ 1,699.03)	From 1st January, 2006 to 23rd June, 2013
E*TRADE Korea Co., Ltd.					
Stock Option (1)	3 directors 63 employees	121,500 shares	2000.9.15	KRW 5,000 (\$ 5.32)	From 16th September, 2003 to 15th September, 2010
Stock Option (2)	9 employees	10,500 shares	2001.5.11	KRW 5,000 (\$ 5.32)	From 12th May, 2004 to 11th May, 2011
Stock Option (3)	5 directors 55 employees	236,500 shares	2004.10.5	KRW 5,000 (\$ 5.32)	From 6th October, 2007 to 5th October, 2014
Stock Option (4)	5 directors 10 employees	228,000 shares	2006.3.3	KRW 7,000 (\$ 7.45)	From 4th March, 2008 to 3rd March, 2015
SBI Futures Co., Ltd.					
Warrant (1)	3 directors 21 employees	466 shares	2001.8.15	¥ 64,516 (\$ 546.33)	From 1st September, 2001 to 15th August, 2007
Warrant (2)	3 directors 11 employees	346 shares	2001.8.15	¥ 64,516 (\$ 546.33)	From 1st September, 2001 to 15th August, 2008
Warrant (3)	3 directors 21 employees	471 shares	2001.8.15	¥ 64,516 (\$ 546.33)	From 1st September, 2001 to 15th August, 2009
Warrant (4)	3 directors 11 employees	347 shares	2001.8.15	¥ 64,516 (\$ 546.33)	From 1st September, 2001 to 15th August, 2010
Stock Option (1)	8 directors 14 employees 1 corporate auditor	702 shares	2002.8.9	¥ 67,952 (\$ 575.43)	From 24th July, 2004 to 23rd July, 2008
Stock Option (2)	9 employees	145 shares	2003.3.31	¥ 69,641 (\$ 589.73)	From 1st April, 2005 to 23rd July, 2008
Stock Option (3)	3 directors 49 employees	1,158 shares	2005.7.6	¥ 98,598 (\$ 834.94)	From 17th June, 2007 to 17th June, 2011
SBI VeriTrans Co., Ltd.					
2001 Warrant	18 directors and employees	7,608 shares	2001.10.10	¥ 5,580.1 (\$ 47.25)	From 5th October, 2004 to 10th October, 2008
2004 Stock Option	20 directors and employees	9,462 shares	2004.2.13	¥ 5,741 (\$ 48.62)	From 13th February, 2006 to 12th February, 2014
Morningstar Japan K.K.					
2001 Warrant	1 director 1 corporate auditor	256 shares	2001.5.18	¥ 320,375 (\$ 2,712.97)	From 16th March, 2003 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 (\$ 52.93)	From 1st April, 2002 to 31st March, 2007
2000 Warrant (5)	4 others	512 shares	2000.3.7	¥ 6,250 (\$ 52.93)	From 1st April, 2003 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 (\$ 135.49)	From 1st March, 2007 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)					
<u>For the Year Ended 31st March, 2007</u>						
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)					
<u>For the Year Ended 31st March, 2007</u>						
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 (\$ 313.83)	¥ 4,465 (\$ 37.81)	¥ 4,465 (\$ 37.81)	¥ 7,740 (\$ 65.54)	¥ 17,392 (\$ 147.28)	¥ 50,174 (\$ 424.88)
Average stock price at exercise	¥ 63,325 (\$ 536.24)	¥ 43,220 (\$ 365.99)	¥ 43,603 (\$ 369.24)	¥ 44,895 (\$ 380.18)	¥ 44,163 (\$ 373.98)	
Fair value price at grant date						

	WORLD NICHEI 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)					
<u>For the Year Ended 31st March, 2007</u>						
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 (\$ 270.25)	¥ 46,957 (\$ 397.64)	¥ 2,083.30 (\$ 17.64)	¥ 2,083.30 (\$ 17.64)	¥ 25,464.90 (\$ 215.64)	¥ 25,464.90 (\$ 215.64)
Average stock price at exercise	¥ 45,496 (\$ 385.27)				¥ 45,831 (\$ 388.10)	¥ 45,831 (\$ 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 (\$ 215.64)	¥ 1,910.70 (\$ 16.18)	¥ 1,910.70 (\$ 16.18)	¥ 2,116.40 (\$ 17.92)	¥ 2,116.40 (\$ 17.92)	¥ 4,464 (\$ 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

	Stock Option (5) (Shares)
For the Year Ended 31st March, 2007	
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.

	Stock Option (1) (Shares)
For the Year Ended 31st March, 2007	
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.

	<u>Stock Option (1)</u>	<u>Stock Option (2)</u>	<u>Stock Option (3)</u> (Shares)	<u>Stock Option (4)</u>	<u>Stock Option (5)</u>
<u>For the Year Ended 31st March, 2007</u>					
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.

	<u>Stock Option (1)</u>	<u>Stock Option (2)</u>	<u>Stock Option (3)</u> (Shares)	<u>Stock Option (4)</u>
<u>For the Year Ended 31st March, 2007</u>				
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 (\$ 546.33)	¥ 64,516 (\$ 546.33)	¥ 64,516 (\$ 546.33)	¥ 64,516 (\$ 546.33)	¥ 67,952 (\$ 575.43)	¥ 69,641 (\$ 589.73)	¥ 98,598 (\$ 834.94)
Average stock price at exercise	¥ 154,289 (\$ 1,306.54)	¥ 216,143 (\$ 1,830.32)	¥ 205,508 (\$ 1,740.27)	¥ 261,714 (\$ 2,216.22)	¥ 172,882 (\$ 1,463.99)	¥ 190,818 (\$ 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 (\$ 47.25)	¥ 5,741 (\$ 48.62)
Average stock price at exercise	¥ 106,299 (\$ 900.15)	¥ 102,865 (\$ 871.07)
Fair value price at grant date		

Morningstar Japan K.K.

	<u>2001 Warrant</u>	<u>2003 Stock Option (1)</u>	<u>2006 Stock Option (2)</u> (Shares)	<u>2000 Warrant (4)</u>	<u>2000 Warrant (5)</u>
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 (\$ 2,712.97)	¥ 57,500 (\$ 486.92)	¥ 133,500 (\$ 1,130.49)	¥ 6,250 (\$ 52.93)	¥ 6,250 (\$ 52.93)
Average stock price at exercise		¥ 122,888 (\$ 1,040.63)			
Fair value price at grant date					

Gomez Consulting Co., Ltd.

	<u>2003 Stock Option</u> (Shares)	<u>2005 Stock Option</u>
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 (\$ 749.43)	¥ 200,000 (\$ 1,693.62)
Average stock price at exercise	¥ 1,705,000 (\$ 14,438.14)	
Fair value price at grant date		

E*GOLF CORPORATION

	Warrant (2)
	(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
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.

	Warrant (1)	Warrant (2)	Stock Option (3)	Stock Option (4)
			(Shares)	
For the Year Ended 31st March, 2007				
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 (\$ 81.60)	¥ 9,636 (\$ 81.60)	¥ 16,000 (\$ 135.49)	¥ 19,000 (\$ 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, 2007
	2006	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, 2007
	2006	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, 2007
	2006	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
	Net Income	Weighted-average Shares	EPS	
Year Ended 31st March, 2006				
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

Thousands of U.S. Dollars						
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	\$ 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 Company'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

Millions of Yen			
2006			
	North America	Others	Total
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).



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
SBI Holdings, Inc.:

We have audited the accompanying consolidated balance sheets of SBI Holdings, Inc. and consolidated subsidiaries as at 31st March, 2006 and 2007, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SBI Holdings, Inc. and consolidated subsidiaries as at 31st March, 2006 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 2.a to the consolidated financial statements, the Company prepared its consolidated financial statements in accordance with a new accounting standard, "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations" effective for the year ended 31st March, 2007.

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

Deloitte Touche Tohmatsu

28th June, 2007 (31st July, 2007 as to Note 31)

Corporate History

1999	March	SOFTBANK CORP.'s Administrative Division spun off as an independent company, SOFTBANK FINANCE CORPORATION, as part of business reorganization accompanying the conversion of SOFTBANK CORP. into a pure holding company; SOFTBANK FINANCE CORPORATION. becomes an operating holding company for overseeing financial-related business activities
	July	SOFTBANK INVESTMENT CORPORATION (currently SBI Holdings, Inc., hereafter "SBI") established to undertake venture capital and incubation business
2000	June	Morningstar Japan K.K. listed on NASDAQ Japan (currently Hercules market of the Osaka Securities Exchange)
	September	E*TRADE Japan K.K. (currently SBI E*TRADE SECURITIES Co., Ltd.) listed on NASDAQ Japan (currently Hercules market of the Osaka Securities Exchange)
	December	SBI listed on NASDAQ Japan (currently Hercules market of the Osaka Securities Exchange)
2001	August	SOFTBANK FRONTIER Securities Co., Ltd. (SBI Securities Co., Ltd. after merger with WORLD NICHIEI Securities Co., Ltd.) listed on NASDAQ Japan (currently Hercules market of the Osaka Securities Exchange)
2002	February	SBI listed on First Section of Tokyo Stock Exchange
	November	SBI listed on First Section of Osaka Securities Exchange
2003	June	SBI merged with E*TRADE Japan K.K. (currently SBI E*TRADE SECURITIES Co., Ltd.) and converted E*TRADE SECURITIES Co., Ltd. into a subsidiary; reorganization of business accelerates thereafter, with SBI positioned as the core company
	September	Listed FINANCE ALL CORPORATION on the Hercules market of the Osaka Securities Exchange
	October	SBI acquired WORLD NICHIEI Securities Co., Ltd. (currently SBI Securities Co., Ltd.) and converted this company into a subsidiary
2004	October	Listed VeriTrans Inc. (currently SBI VeriTrans Co., Ltd.), a subsidiary of FINANCE ALL CORPORATION, on the Hercules market of the Osaka Securities Exchange
	November	Listed subsidiary E*TRADE SECURITIES Co., Ltd. (currently SBI E*TRADE SECURITIES Co., Ltd.) on JASDAQ
2005	March	Percentage of equity share held by SOFTBANK CORP. decreases due to a capital increase through a public offering; changed from a consolidated subsidiary to an equity-method affiliate
	July	Changed name to SBI Holdings, Inc. Transferred venture fund management business to SOFTBANK INVESTMENT CORPORATION (formerly SBI VENTURES K.K.) and moved to a holding company structure
2006	March	SBI Holdings, Inc. merged with consolidated subsidiaries of SBI Partners Co., Ltd. and FINANCE ALL CORPORATION SBI Securities Co., Ltd. became a wholly owned consolidated subsidiary through a share exchange
	May	Listed SBI Futures Co., Ltd. on the Hercules market of the Osaka Securities Exchange
	August	Listed Gomez Consulting Co., Ltd., a subsidiary of Morningstar Japan K.K., on the Hercules market of the Osaka Securities Exchange SBI Holdings, Inc. purchased its stock held by majority shareholder SOFTBANK CORP. via its subsidiary, and is no longer an equity method affiliate of SOFTBANK CORP.
2007	February	Listed E*TRADE Korea Co., Ltd., an SBI E*TRADE SECURITIES Co., Ltd. subsidiary, on the KOSDAQ market in S. Korea.

Board of Directors (As of June 28, 2007)



Yoshitaka Kitao
Representative Director and CEO



Yasutaro Sawada
Director and COO



Kenji Hirai
Director and
Senior Executive Officer (CFO)



Shiho Aihara
Director and
Senior Executive Officer



Hiroyoshi Kido
Director and Executive Officer



Takashi Nakagawa
Director and Executive Officer



Reiko Kinoshita
Director and Executive Officer



Noriaki Maruyama
Director and Officer



Kentarou Azuma
Director and Officer



Noriyuki Ishihara
Director and Officer



Tomoya Asakura
Director and Officer



Hiroshi Tasaka
Director



Susumu Watanabe
Standing Corporate Auditor



Kenichi Hirabayashi
Corporate Auditor



Ryujiro Shimamoto
Corporate Auditor



Atsushi Fujii
Corporate Auditor

Company Outline (As of March 31, 2007)

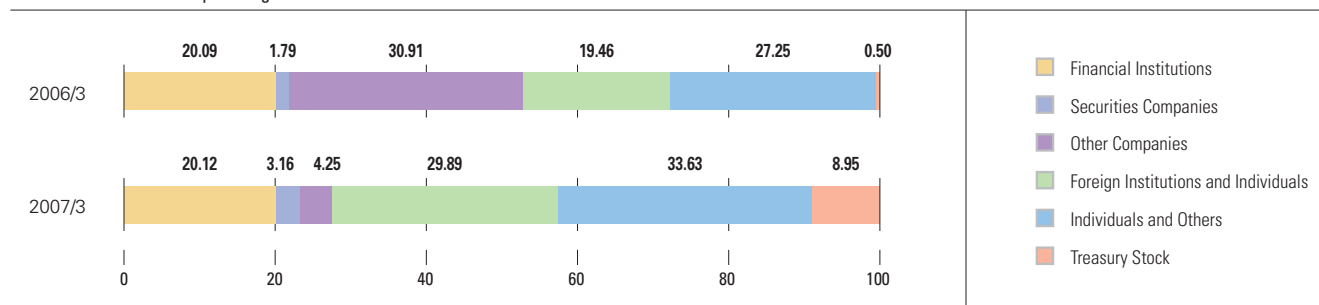
Company Name	SBI Holdings, Inc.	Number of Employees	1,680 (consolidated)
Date of Establishment	July 8, 1999	Paid-in Capital	¥ 54,914,163,422
Head Office	1-6-1, Roppongi, Minako-ku, Tokyo 106-6019, Japan	Fiscal Year	April 1 to March 31
	Tel: +81(3)6229 0100		

Stock Information (As of March 31, 2007)

Shareholder Register	Mizuho Trust & Banking Co., Ltd.
Listings	First Section of the Tokyo Stock Exchange First Section of the Osaka Securities Exchange (Code: 8473)
Number of Shares	Shares Authorized 34,169,000 shares Shares Issued 12,399,171.01 shares
Number of Shareholders	152,703

Principal Shareholders	Name	Number of shares held (shares)	Percentage of total shares issued (%)
	SBI Holdings, Inc.	1,109,186	8.95
	Japan Trustee Service Bank, Ltd. (Trust account)	587,096	4.73
	The Master Trust Bank of Japan, Ltd. (Trust account)	580,133	4.68
	ZEPHYR Co., Ltd.	347,861	2.81
	Japan Securities Finance Co., Ltd.	268,965	2.17
	Trustee of Individually Operated Designated Money Trusts (Shiteitan) Mitsui Asset Trust and Banking Co., Ltd. (Account 1)	232,884	1.88
	Bank of New York GCM Client Accounts EISG	211,704	1.71
	Morgan Stanley and Company, Inc.	182,478	1.47
	Yoshitaka Kitao	176,104	1.42
	The Chase Manhattan Bank NA London SL Omnibus Account	174,261	1.41

Distribution of Ownership among Shareholders



About the cover

This year's cover is an artist's conception of Cyber MEGACITY, the "virtual" (computer and Internet based simulated environment) financial center that the SBI Group is designing at present. Located in the fictitious "0 Ward" on an imaginary island in Tokyo Bay, Cyber MEGACITY is a platform that combines a virtual currency with the SBI Group's financial services infrastructure. The goal is to create a fictional financial district to rival the real life financial districts of New York and London.



SBI Holdings, Inc.

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