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.

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.

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.

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 disclosure 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
ASSETS	2006	2007	2007
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

LIABILITIES AND EQUITY	Millions of Yen 31st March 2006	Millions of Yen 31st March 2007	Thousands of U.S. Dollars (Note 1) 31st March 2007
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		

LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	31st March		31st March
	2006	2007	2007
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

	Outstanding Number of Shares of Common Stock	Millions of Yen				
		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
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. ("SBINV") and SBI CAPITAL Co., Ltd. ("SBI–CAPITAL"), and involves the management of venture capital investment funds, corporate restructuring funds and broadband media funds. SBI is one of the largest managers of venture capital funds in Japan in terms of net assets under management.

SBI's brokerage and investment banking businesses are principally carried out by the Company's subsidiaries, SBI E*TRADE SECURITIES Co., Ltd. ("ETS"), one of the largest online securities companies in Japan by number of accounts, deposits in customer accounts and daily average revenue from trades, and SBI Securities Co., Ltd. ("SBI–SEC"). Brokerage and investment banking businesses involve the provision of brokerage services as well as investment banking services such as underwriting, securitisations, corporate finance advisory services and private equity advisory services.

SBI's financial services business is principally executed by the Company, Morningstar Japan K.K. ("MSJ") and SBI VeriTrans Co., Ltd. ("SBIVT"). Financial services include the provisions of lease arrangements specialised in Internet–related area and the marketplace where customers can compare financial products.

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

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

Certain disclosures contained herein are not required as part of the basic financial statements in Japan but are presented herein as additional information.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2006 financial statements to conform to the classifications used in 2007.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥118.09 to $1, the approximate rate of exchange at 30th March, 2007. Such translation should not be construed as representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. *Consolidation* — The consolidated financial statements as at 31st March, 2007 include the accounts of the Company and its 48 significant (37 in 2006) subsidiaries. Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which SBI has the ability to exercise significant influence are accounted for by the equity method.

Investments in 5 (1 in 2006) unconsolidated subsidiaries and 8 (7 in 2006) affiliated companies are accounted for by the equity method. Investments in the remaining unconsolidated subsidiaries and affiliated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not have been material.

Goodwill, representing the excess of the Company's investments in subsidiaries over the fair value of the net assets of the acquired subsidiaries at the date of acquisition, is being amortised by the straight–line method over the estimated useful life of goodwill, while goodwill is amortised over 20 years when the useful life of goodwill is not reasonably estimable. Negative goodwill, representing the excess of the fair value of the net assets of the acquired subsidiaries at the date of acquisition over the Company's investments in subsidiaries, is being amortised by the straight–line method over the appropriate period which fit reality of acquisition. Immaterial goodwill or negative goodwill is charged to income when incurred.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealised profit included in assets resulting from transactions within SBI is eliminated.

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

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

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

Prior to the adoption of PITF No. 20, operational investments in funds included in operational investment securities on the consolidated balance sheet were accounted for by using the equity method based on SBI's percentage share in the contributed capital as these funds are investment partnerships. However, SBI consolidates the revenue and expenses of these funds in the consolidated statement of income. Revenue and expenses stated on the profit and loss statement of the funds are recorded in SBI's consolidated statement of income based on SBI's percentage share in each partnership's contributed capital.

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

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

In accordance with accounting standards for consolidated financial statements, the amounts on the balance sheets and the profit and loss statements of dormant partnerships which are managed by the Company's consolidated subsidiaries, SBINV, SBI–CAPITAL and SBI–BC in 2006, are not consolidated into SBI's consolidated financial statements since the dormant partnerships' assets, liabilities, revenue and expenses are not attributable to partnership managers.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

c. *Cash Equivalents* — Cash equivalents are short–term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, separate deposits and call deposits, all of which mature or become due within three months of the date of acquisition.

d. *Valuation of Securities* — Securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in the near term are reported at fair value, with the related unrealised gains and losses are included in earnings and (2) available–for–sale securities, which are not classified as trading securities are reported at fair value, with unrealised gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined based on the moving–average cost method.

Non–marketable available–for–sale securities are stated at cost determined by the moving–average cost method. For other than temporary declines in fair value, non–marketable available–for–sale securities are reduced to net realisable value by a charge to income.

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

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

In accordance with the Commodities Exchange Law, securities in custody for commodity futures related businesses are reported at a price determined by the commodity exchange. Determined prices of principal securities are as follows:

Interest–bearing government bonds:	85 percent of face value
Corporate bonds listed:	65 percent of face value
Equity securities listed on the first section market:	70 percent of fair value
Warehouse certificate:	70 percent of fair value

e. *Valuation Allowance for Operational Investment Securities* — Valuation allowance for operational investment securities is provided at an estimated amount of possible investment losses for operational investment securities based on the financial condition of investees.

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

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

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

i. *Long–lived Assets* — In August 2002, the BAC issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the ASBJ issued ASBJ Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements were effective for fiscal years beginning on or after 1st April, 2005 with early adoption permitted for fiscal years ending on or after 31st March, 2004.

The Company and domestic subsidiaries (together, the "Group") adopted the new accounting standard for impairment of fixed assets as of 1st April, 2005.

The Group reviews its long–lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognised if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

j. *Lease Accounting* — All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalised, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalised" information is disclosed in the notes to the lessee's financial statements.

Tangible leased assets are stated at cost less accumulated depreciation as lessor accounting treatment. Depreciation is computed by using the straight–line method over the lease term with salvage value of the estimated disposal prices of tangible leased assets at the expiration of the lease term.

Intangible leased assets are stated at cost less accumulated amortisation as lessor accounting treatment. Amortisation is computed by using the straight–line method over the lease term.

k. *Software* — Software is recorded at cost, less accumulated amortisation. Amortisation of software used for internal purposes is computed by using the straight–line method over 5 years, the estimated useful life of the software. On the other hand, amortisation of software for sale to the market is computed by using the straight–line method over 3 years or less, the estimated salable period of the software.

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

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

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

o. *Employees' Retirement Benefits* — The liability for employees' retirement benefits is accounted for based on projected benefit obligations and plan assets at the balance sheet date.

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

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

SBI applied the new accounting standard for stock options to those granted on and after 1st May, 2006. The effect of adoption of this accounting standard for the year ended 31st March, 2007 was immaterial.

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

s. *Revenue and Cost Recognition —* SBI's revenues principally consist of revenue from operational investment securities, fees from funds and revenues from real estate related transactions, securities transactions and commodity futures transactions, while its costs principally consist of the cost of operational investment securities or real estate sold and a provision for valuation allowance for operational investment securities.

Revenue from operational investment securities — Revenue from operational investment securities consists of proceeds from the sales of operational investment securities and securities held by funds and interest and dividend income from these securities. Interest and dividend income are recognised on an accrual basis.

Cost of operational investment securities — Cost of operational investment securities consists of the cost of operational investment securities and securities held by funds, write–downs of operational investment securities and securities held by funds, and fees related to securities transactions. Write–downs of operational investment securities and securities held by funds are recognised at the balance sheet date for quoted and unquoted securities if impairment of value has occurred and been deemed other than temporary, and operational investment securities are reduced to their net realisable value by a charge to income. Fees related to securities transactions are recorded when incurred.

Fees from funds — Fees from funds consist of establishment fees for fund organisation, management fees and success fees from funds under management. Establishment fees for fund organisation are recognised when a fund organised by SBI is established and funded by investors. Management fees are recognised over the periods of fund management agreements primarily based on the net asset value of the funds under management. Success fees are computed based upon a formula which takes into account realised gains and losses on and write–downs of the investments under management in funds measured at the end of each accounting period, as well as certain other expenses.

Revenue from construction projects — Revenue from long–term construction projects whose contract amounts are not less than ¥300 million ($2,540 thousand) and whose contract periods are beyond 1 year are recorded on percentage–of–completion method while construction projects other than aforementioned are recorded on completed–contract method.

Revenue from securities transactions — Revenue from securities transactions primarily consists of brokerage commissions from securities transactions, fees from underwriting and offering of securities for initial public offering and overriding fees for placements and sales of securities. Commissions charged for executing brokerage transactions are accrued on a trade date basis and are included in current period earnings. Underwriting fees are recorded when services for underwriting are completed. All other fees are recognised when related services are rendered.

Revenue from commodity futures transactions — Revenue from commodity futures transactions is recognised on the trading date.

Financial charges and cost of funding — Financial charges related to brokerage and investment banking businesses such as interest expense from margin transactions and costs from repurchase agreement transactions are accounted for as operating costs. Interest expense other than financial charges is categorised into either interests related to operating assets such as operational investment securities or leased assets or interests related to non–operating assets. Cost of funding related to operating assets is accounted for as operating costs while interest expense related to non–operating assets is recorded as non–operating expenses. During the development project, interest expense related to long–term and large–scale real estate developments are included in the acquisition cost of the real estate inventory.

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

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

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

u. ***Income Taxes —*** The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognise deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

A valuation allowance is provided for deferred tax assets if it is more likely than not these items will either expire before SBI is able to realise their benefits, or that future deductibility is uncertain.

v. ***Accounting for Consumption Tax —*** The consumption tax imposed on revenue from customers for SBI's services is withheld by SBI at the time of receipt and paid to the national government subsequently. The consumption tax withheld upon recognition of revenue and the consumption tax paid by SBI on the purchase of products, merchandise and services from vendors are not included in the related accounts in the accompanying consolidated statements of income. The consumption tax paid is generally offset against the balance of consumption tax withheld, and net overpayment is included in current assets or net over withholding is included in current liabilities. Consumption tax that does not qualify for deduction is included in selling, general and administrative expenses.

w. ***Foreign Currency Transactions —*** All short–term and long–term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognised in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

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

y. ***Derivatives and Hedging Activities —*** SBI primarily uses foreign currency forward contracts and interest rate swaps as a means of hedging exposures to foreign currency and interest rate risks. SBI also enters into derivatives such as stock–index futures, commodity futures and bond futures.

Derivatives are classified and accounted for as follows: (a) all derivatives are recognised as either assets or liabilities and measured at fair value, with gains or losses recognised in the consolidated statements of income; and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses are deferred until maturity of the hedged transactions.

Foreign currency forward contracts are utilised to hedge foreign currency exposures in SBI's operating activities. Receivables, payables and investment securities denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognised and included in interest expense or income.

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

aa. *Per Share Information —* Basic net income per share is computed by dividing net income available to common shareholders by the weighted–average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year, which is not retroactively adjusted for stock splits.

ab. *New Accounting Pronouncements*

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

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

Lessee

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

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

Lessor

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

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

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

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

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

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

3. SEGREGATED ASSETS

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

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

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

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

4. REAL ESTATE INVENTORY

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

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

5. OPERATIONAL INVESTMENT SECURITIES AND INVESTMENT SECURITIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6. TRADING ASSETS AND LIABILITIES

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

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

7. SECURITIES DEPOSITED AND RECEIVED

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

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

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

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

8. DEPOSITARY ASSETS

In substitution for transactional margin deposits, SBI sets aside to Japan Commodity Clearing House Co., Ltd. in custody securities in the aggregate amount of ¥625 million and ¥448 million ($3,976 thousand) as at 31st March, 2006 and 2007, respectively, and to fiduciary agents securities in custody in the aggregate amount of ¥4 million and ¥4 million ($35 thousand) as at 31st March, 2006 and 2007, respectively, which were recorded as securities in custody included in other current assets or as customers' deposits as collateral for commodity futures on the consolidated balance sheets.

9. PROPERTY AND EQUIPMENT

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

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

10. LONG–LIVED ASSETS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The abovementioned impairment loss consisted of the following:

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

11. LEASED ASSETS

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

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

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

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

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

Pro forma information of leased assets such as future minimum lease payments to be received and interest income under finance leases that do not transfer ownership of the leased assets to the lessee on an "as if capitalised" basis for the years ended 31st March, 2006 and 2007 were as follows:

Future minimum lease payments to be received under finance leases, including those of subleases:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March, 2007
	2006	2007	
Due within one year	¥ 5,037	¥ 3,313	$ 28,056
Due after one year	15,628	15,198	128,697
Total	¥ 20,665	¥ 18,511	$ 156,753

Interest income under finance leases:

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

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

12. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATED COMPANIES

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

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

13. SHORT–TERM BORROWINGS AND LONG–TERM DEBT

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

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

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

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

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

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

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

On 25th November, 2003, the Company issued ¥13,000 million of zero coupon unsecured Japanese yen convertible bonds with warrants mainly in the Euro market. The bonds are due 25th November, 2008, and the warrants are exercisable at ¥38,486.10 ($325.90) per share as at 31st March, 2007. Upon exercise of the warrants, the bonds are convertible into the Company's common stock. The issue price of the bonds was 100 percent of the face value of the bonds, and remaining number of the warrants and number of shares to be issued upon exercise of the warrants are 594 warrants and 154,350 shares, respectively, as at 31st March, 2007.

On 8th April, 2004, the Company issued ¥20,000 million of zero coupon unsecured Japanese yen convertible bonds with warrants mainly in the Euro market. The bonds are due 8th April, 2009, and the warrants are exercisable at ¥39,438.50 ($333.97) per share as at 31st March, 2007. Upon exercise of the warrants, the bonds are convertible into the Company's common stock. The issue price of the bonds was 100 percent of the face value of the bonds, and remaining number of the warrants and number of shares to be issued upon exercise of the warrants are 1,277 warrants and 323,803 shares, respectively, as at 31st March, 2007.

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

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

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

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

The Company repurchased all of the warrants attached to bonds previously issued and already redeemed and distributed these repurchased warrants to officers and employees of the Company as a means of stockbased incentive compensation. At 31st March, 2007, these warrants were included in other current liabilities.

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

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

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

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

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

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

The exercise prices of the warrants are subject to adjustments to reflect stock splits and certain other events.

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

14. PLEDGED ASSETS

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

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

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

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

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

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

15. UNEARNED INCOME

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

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

16. LIABILITY FOR EMPLOYEES' RETIREMENT BENEFITS

The Company and certain domestic consolidated subsidiaries have a contributory funded defined benefit pension plan and a defined contribution pension plan. The Company's certain domestic consolidated subsidiaries have a non–contributory funded defined benefit pension plan and either of a contributory funded defined benefit pension plan, a defined contribution pension plan or an advance payment system for the employees' retirement plan, or more, while certain foreign consolidated subsidiaries have a termination allowance plan according to their own retirement benefit policies.

Under the contributory or non–contributory funded defined benefit pension plan, employees terminating their employment are, in most circumstances, entitled to pension payments based on the rate of pay at the time of termination, years of service and certain other factors. Under the defined contribution pension plans, the Company and certain domestic consolidated subsidiaries contribute an amount equal to 3 percent of the employee's annual salary up to ¥216,000 per year.

As at 31st March, 2006 and 2007, fair value of plan assets under the contributory funded defined benefit pension plan managed by Kanto IT Software Health Insurance Society was ¥721 million and ¥1,038 million ($8,792 thousand), respectively, which was calculated based on a ratio of the number of plan beneficiaries from the Company and its subsidiaries to the total number of plan beneficiaries.

As at 31st March, 2006 and 2007, fair value of plan assets under the contributory funded defined benefit pension plan managed by Association of Welfare Pension Fund in the Commodity Futures Industry was ¥319 million and ¥381 million ($3,222 thousand), respectively, which was calculated based on a ratio of the contribution amount made by the Company's subsidiary to the total contribution amount.

The liability for employees' retirement benefits included in other long–term liabilities at 31st March, 2006 and 2007 consisted of the following:

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

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

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

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

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

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

Certain domestic consolidated subsidiaries have applied the simplified method for computation of projected benefit obligation. Under the simplified method, the liability for employees' retirement benefits is recorded to state the liability at the amount that would be required if all employees voluntarily terminate at each balance sheet date. Net periodic benefit costs of consolidated domestic subsidiaries which applied the simplified method for computation of projected benefit obligation were included in service cost.

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

17. RETIREMENT ALLOWANCE FOR DIRECTORS

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

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

18. STATUTORY RESERVES

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

19. EQUITY

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

a. Dividends

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

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

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

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

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

c. Treasury Stock and Treasury Stock Acquisition Rights

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

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

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

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

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

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

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

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

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

During the year ended 31st March, 2006, the Company issued 289,889 shares of its common stock pursuant to the exercise of warrants attached to various unsecured corporate bonds already redeemed and options granted based on the stock option plans. As a result, the Company's common stock and capital surplus each increased by ¥2,392 million.

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

During the year ended 31st March, 2007, the Company issued 108,479 shares of its common stock pursuant to the exercise of warrants attached to various unsecured corporate bonds already redeemed and options granted based on the stock option plans. As a result, the Company's common stock and capital surplus increased by ¥685 million ($5,801 thousand) and ¥687 million ($5,813 thousand), respectively.

20. STOCK OPTION PLAN

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

The Company

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2001 Warrant	118 employees	24,120 shares	2002.2.1	¥ 20,796 ($ 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 6 employees 3 directors of its subsidiary 1 corporate auditor of its subsidiary 6 employees of its subsidiary 2 others	2,908 shares	2003.11.5	¥ 57,500 ($ 486.92)	From 20th March, 2005 to 19th March, 2013
2006 Stock Option (2)	1 director 7 employees	510 shares	2006.4.21	¥ 133,500 ($ 1,130.49)	From 24th March, 2008 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 5 employees	400 shares	2003.3.15	¥ 88,500 ($ 749.43)	From 15th March, 2005 to 14th March, 2013
2005 Stock Option	3 directors 5 employees	220 shares	2005.6.15	¥ 200,000 ($ 1,693.62)	From 3rd June, 2007 to 2nd June, 2015
E*GOLF CORPORATION					
Warrant (2)	2 directors 8 employees	45 shares	2001.10.4	¥ 100,000 ($ 846.81)	From 4th October, 2001 to 3rd October, 2007
HOMEOSTYLE, Inc.					
Warrant (1)	6 directors 17 employees	7,091 shares	2002.4.5	¥ 9,636 ($ 81.60)	From 1st June, 2002 to 30th March, 2007
Warrant (2)	7 directors 397 employees	5,477 shares	2002.4.5 2004.8.24	¥ 9,636 ($ 81.60)	From 1st June, 2002 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 235 employees	9,057 shares	2006.3.31	¥ 19,000 ($ 160.89)	From 1st April, 2008 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 Stock Option	2 directors 1 employee	4,081 shares	2004.7.1	¥ 11,903 ($ 100.80)	From 6th July, 2006 to 30th June, 2014

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

The Company

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

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

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

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

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

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

Consolidated Subsidiaries

SBI CAPITAL Co., Ltd.

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

SBI Planners Co., Ltd

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

SBI Mortgage Co., Ltd.

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

SBI E*TRADE SECURITIES Co., Ltd.

	Stock Option (1)	Stock Option (2)	Stock Option (3)	Stock Option (4)	Stock Option (5)
			(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	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.

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

SBI Futures Co., Ltd.

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

SBI VeriTrans Co., Ltd.

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

Morningstar Japan K.K.

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

Gomez Consulting Co., Ltd.

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

E*GOLF CORPORATION

	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	¥ 9,636	¥ 16,000	¥ 19,000
	($81.60)	($81.60)	($135.49)	($160.89)
Average stock price at exercise				
Fair value price at grant date				

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

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

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

SBI CAPITAL Co., Ltd. 2006 Stock Option (3)

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

SBI Planners Co., Ltd. Stock Option (5)

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

21. REVENUE FROM TRADING

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

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

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

22. OPERATING COSTS

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

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

30. SEGMENT INFORMATION

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

"Brokerage and Investment Banking Businesses" primarily consists of the provision of a wide range of high value-added financial services, such as access to financial assets including equity securities, debt securities, foreign exchanges, insurances or commodity futures, financing from the capital market, securitisations, mergers and acquisitions and structured financing.

"Financial Services Business" primarily consists of the provision of information regarding financial products, and leasing business.

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

(1) Business Segments

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

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

	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 Compan's revenues (mainly in Asset Management Business) decreased by ¥ 7,952 million ($67,336 thousand) and its total assets increased by ¥ 29,914 million ($253,312 thousand) in fiscal year 2007.

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

(2) Geographical Segments

Operating revenue and identifiable assets of consolidated foreign subsidiaries are not significant; therefore, geographical segment information is not presented herein.

(3) Revenue from Foreign Customers

	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).

Independent Auditors' Report

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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)