

Consolidated Statements of Cash Flows

SBI Holdings, Inc.

SBI Holdings, Inc. and Consolidated Subsidiaries
Years Ended 31st March, 2007 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Year Ended 31st March		Year Ended 31st March
	2007	2008	2008
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 62,042	¥ 28,819	\$ 287,619
Adjustments for:			
Income taxes paid	(43,132)	(30,542)	(304,814)
Amortisation and depreciation	(58,122)	11,477	114,542
Provision for valuation allowance for operational investment securities	3,043	1,365	13,623
Provision for allowance for doubtful accounts	977	2,811	28,051
Impairment loss	53		
Write-down of operational investment securities	8,813	1,962	19,579
Equity earnings in funds	(3,518)	(3,101)	(30,949)
(Gain) loss on sales of investment securities—net	23,575	(6,780)	(67,667)
Changes in assets and liabilities:			
Increase in operational investment securities and operational investments in funds	(10,539)	(5,597)	(55,857)
Increase in operational loans receivable	(8,417)	(16,109)	(160,768)
(Increase) decrease in real estate inventory	(26,531)	9,191	91,726
(Increase) decrease in segregated assets for customers	(5,797)	18,901	188,636
(Increase) decrease in trading assets	(1,080)	387	3,861
Increase in leased assets	(4,264)	(1,042)	(10,397)
Net changes in margin transaction assets and liabilities	7,518	55,173	550,623
Increase (decrease) in customers' deposits for securities transactions	(4,697)	3,822	38,142
Decrease in consignment guarantee money received for margin transactions	(5,937)	(25,442)	(253,916)
Net changes in loans receivable and payable secured by securities	234	(20,291)	(202,500)
Increase in unearned income	2,648	1,292	12,899
Other—net	(4,278)	23,778	237,305
Net cash (used in) provided by operating activities—(Forward)	¥ (67,409)	¥ 50,074	\$ 499,738

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	Year Ended 31st March		Year Ended 31st March
	2007	2008	2008
Net cash (used in) provided by operating activities—(Forward)	¥ (67,409)	¥ 50,074	\$ 499,738
INVESTING ACTIVITIES:			
Purchases of intangible assets	(3,096)	(3,457)	(34,506)
Purchases of investment securities	(28,659)	(8,310)	(82,932)
Proceeds from sales of investment securities	3,804	3,579	35,723
Proceeds from sales of subsidiaries' stock	129,831	7,190	71,758
Cash paid in business acquisitions, net of cash acquired	(8,208)	(3,861)	(38,539)
Cash received in sales of subsidiaries, net of cash relinquished	5,831		
Investments in subsidiaries	(7,125)	(4,443)	(44,338)
Investments in loans receivable	(54,217)	(200,953)	(2,005,518)
Collections of loans receivable	48,823	191,927	1,915,440
Payments for security deposits	(2,258)	(2,855)	(28,494)
Collection of security deposits	1,952	1,378	13,748
Other—net	(664)	(805)	(8,032)
Net cash provided by (used in) investing activities	86,014	(20,610)	(205,690)
FINANCING ACTIVITIES:			
Increase (decrease) in short-term borrowings—net	34,180	(8,330)	(83,138)
Proceeds from long-term debt	39,521	46,513	464,207
Repayment of long-term debt	(4,265)	(39,972)	(398,919)
Dividends paid	(13,985)	(13,451)	(134,243)
Dividends paid to minority shareholders	(2,584)	(2,554)	(25,489)
Distribution to minority investors in investment funds	(75,280)	(25,265)	(252,148)
Proceeds from issuance of common stock	1,329	414	4,127
Proceeds from issuance of common stock to minority shareholders	9,570	2,851	28,452
Proceeds from minority investors in investment funds	522	29,859	297,992
Reissuance of treasury stock	5	1	9
Purchase of treasury stock	(47,165)	(3)	(29)
Other—net	(24)	(20)	(195)
Net cash used in financing activities	(58,176)	(9,957)	(99,374)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(57)	(933)	(9,301)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS—(Forward)	¥ (39,628)	¥ 18,574	\$ 185,373

SBI Holdings, Inc. and Consolidated Subsidiaries
Years Ended 31st March, 2007 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Year Ended 31st March		Year Ended 31st March
	2007	2008	2008
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS—(Forward)			
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES	¥ (39,628)	¥ 18,574	\$ 185,373
CASH AND CASH EQUIVALENTS DECREASED DUE TO EXCLUSION FROM CONSOLIDATION			
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	22,175	25,365	253,141
CASH AND CASH EQUIVALENTS, END OF YEAR		(24)	(239)
	132,545	115,092	1,148,626
	¥ 115,092	¥ 159,007	\$ 1,586,901
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION (Note 2.a):			
Fair value of assets acquired	¥ (30,515)	¥ (14,115)	\$ (140,870)
Liabilities assumed	24,287	9,707	96,880
Goodwill	(6,911)	(5,094)	(50,836)
Minority interest	909	1,175	11,724
Acquisition costs	(12,230)	(8,327)	(83,102)
Cash acquired	4,022	4,124	41,155
Transfer from stock of affiliated company		353	3,525
Other		(11)	(117)
Cash paid in business acquisitions, net of cash acquired	¥ (8,208)	¥ (3,861)	\$ (38,539)
Fair value of assets sold	¥ 18,356		
Liabilities relinquished	(12,000)		
Sale value	3		
Cash relinquished	(528)		
Cash received in sales of subsidiaries, net of cash relinquished	¥ 5,831		

See notes to consolidated financial statements.

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 five core businesses of asset management, brokerage and investment banking, financial services, housing and real estate business, and system solution business.

SBI's asset management business is principally carried out by the Company, SBI Investment Co., Ltd. and SBI CAPITAL Co., Ltd., 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 subsidiary, 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. 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. and SBI VeriTrans Co., Ltd. Financial services include activities services such as a leasing and loans for individual and business owners, and credit cards; payment settlement services; development of financial software; investment trust evaluations; operation of insurance and loan products comparison websites and many others.

SBI's housing and real estate business is principally executed by the Company, SBI Planners Co., Ltd., SBI Mortgage Co., Ltd. and HOMEOSTYLE Inc. Housing real estate business is consisted of housing loan brokerage; real estate investments and property development; establishment and operation of fund, mainly to invest in real estate; venture capital investments in companies associated with real estate, and network operation to meet lifestyle needs of individuals.

System solution business is principally executed by the Company, SBI Robo Corp. ("Robo") and C4 Technology, Inc. ("C4T" a subsidiary newly acquired in February, 2008). System solution business involves widely system related business such as system planning, system operation and system development in the area of encryption.

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law (formerly, 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.

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 2007 financial statements to conform to the classifications used in 2008.

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 ¥100.20 to \$1, the approximate rate of exchange at 31st March, 2008. 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, 2008 include the accounts of the Company and its 74 significant (48 in 2007) 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 1 (5 in 2007) unconsolidated subsidiary and 7 (8 in 2007) 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