

Interview with SBI Holdings CEO Yoshitaka Kitao

1

Business Development Under the Current Economic Environment



In this difficult economic environment, SBI Holdings (SBIH) recorded a net loss for FY2008. Will you please explain the causes for the net loss?

The largest contributing factor was the recording of a ¥14.7 billion securities valuation loss, owing to the deterioration of the global stock markets.



The business environment surrounding the SBIH Group during FY2008 was an extremely difficult one.

The SBIH Group's core Brokerage & Investment Banking Business, anchored by SBI SECURITIES, and the Asset Management Business anchored by the management of the venture capital funds, are both very sensitive to the volatility of the stock markets.

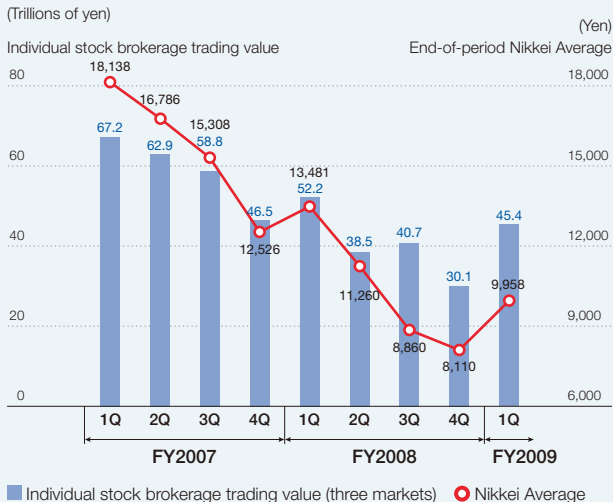
The Nikkei Average ended FY2008 at ¥8,110, or 35.3% below the ¥12,526 close at the end of FY2007. The corresponding cumulative individual stock brokerage trading value declined by 31.4% to ¥161.67 trillion, as the domestic stock market deteriorated further since FY2007, the year in which the subprime loan problem surfaced. Under such conditions, the stock brokerage trading volume also declined substantially, leading to a decline in SBI SECURITIES' stock brokerage trading commissions by 26% to ¥22.7 billion. The stock

market decline also adversely affected the IPO market, as there were only 34 IPOs completed among all domestic stock markets in FY2008, a drastic decline from the 99 IPOs completed in FY2007. This situation affected not only Japan but the global IPO market as well, as the worldwide IPO market experienced a 74% decline on a year-on-year basis. Such was the business environment that confronted the SBIH Group during FY2008, where it was not possible to compensate for the Japanese stock market woes in the overseas stock markets.

Under these business conditions, although positive operating income was secured on a consolidated basis for FY2008, we recorded a net loss of ¥18.3 billion. The largest part of this net loss can be attributed to securities valuation loss amounting to ¥14.7 billion. This included an operating loss of ¥3.4 billion that affected operating income, and an extraordinary loss of ¥11.3 billion that affected net income. Of note here is an extraordinary loss of ¥6.7 billion on the valuation of Sumitomo Trust & Banking shares, with whom SBIH is jointly operating SBI Sumishin Net Bank.

Even in these circumstances, there were some positive results recorded in this reporting period. For instance, SBI Liquidity Market, which started operations in November 2008, has already made a meaningful contribution to consolidated earnings. Also, the aforementioned SBI Sumishin Net Bank recorded a profitable quarter for the first time in its short history during the fourth quarter (January to March 2009) of FY2008. For FY2009, both the domestic and overseas stock markets are already showing signs of a recovery, and it appears that the business environment surrounding the SBIH Group is improving as well, as we have recorded a net income of ¥1.8 billion for the first quarter of FY2009, which is a fantastic improvement from the ¥5.9 billion loss recorded in the same period in the previous fiscal year.

Change in End-of-Period Nikkei Average and Individual Stock Brokerage Trading Value on a Quarter Basis



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SBIH's FY2008 was quite difficult, but what is the state of your financial condition?

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Even though we have paid out a total of approximately ¥105.9 billion in corporate bond redemptions, including those of SBI SECURITIES from our own capital since September 2008, we managed to maintain a healthy consolidated financial condition.



FY2008 market conditions were adversely affected by the effects of the financial crisis, and since the September 2008 "Lehman Shock," the corporate financing environment suddenly deteriorated with many companies forced into liquidation. At the SBIH Group, although a total of approximately ¥105.9 billion worth of corporate bonds (including those of SBI SECURITIES) was to be redeemed during FY2008, the entire amount was paid through the use of our own capital, including the utilization of temporary bridge loans from banks. Even after this redemption, our cash and cash equivalent balance was at ¥127.1 billion (on a consolidated basis as of March 31, 2009), attesting to the soundness of our financial condition.

With reference to our financing needs, we completed the setup of our Euro Medium Term Note (Euro MTN) Program on March 19, 2009, which allows the issuance of bonds with a ¥50 billion limit, as needed. Based on this program, from April 2009 SBIH initiated the issuance of yen-denominated bonds ("SBI Bonds") to individual investors and institutional investors alike. As of June 30, 2009, five separate issuances have been effectuated resulting in a total of ¥29 billion raised. Going forward, issuances will be considered according to need, such as for the redemption of ¥30 billion worth of SBIH's Unsecured Straight Bonds' coming redemption in September 2009. We will continue to make efforts such as this, so that we may continue to be proactive in our investments as well as to maintain a sound financial condition.

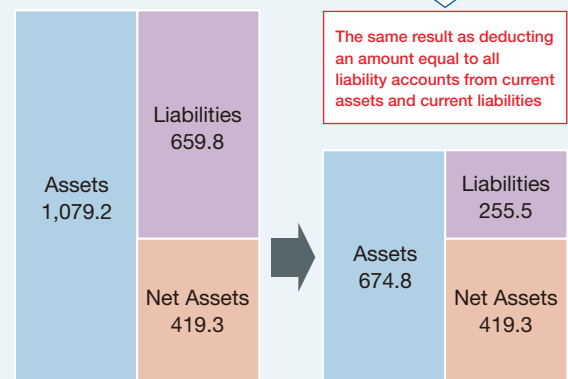
Owing to our subsidiary SBI SECURITIES, our consolidated balance sheet includes assets held in customer securities accounts, which is inflated owing to the inclusion of margin transaction assets and deposits of current assets. Also included are margin transaction liabilities and customers' security deposits for current liabilities, all of which will distort the usual measures of analyzing a company's true present underlying financial condition.

So, we have deducted SBI SECURITIES' customer assets to calculate the financial indicators that more correctly reflect our balance sheet condition. The result of which is a current ratio of 204.0%, an interest-bearing debt ratio of 37.1% and an equity ratio of 52.4%, all of which are significantly better than the FY2007 year-end results, and well above levels that would indicate corporate financial soundness.

Features of SBI Holdings' Consolidated Balance Sheets

- Eliminated all asset and liability items associated solely with the securities company
- Assumed that securities finance companies are used for all customer margin transaction loans, and then added the difference between these assets and liabilities to current assets

End of FY2008 (Billions of yen)



Consolidated Financial Indicators of SBI Holdings (%)

	Mar. 2008	Sept. 2008	Mar. 2009
Current Ratio	144.4	135.9	136.6
Interest-bearing Debt Ratio	101.0	70.1	37.1
Equity Ratio	19.8	30.0	32.8

Substantial Figures Eliminated Asset and Liability Items Associated Solely with the Securities Company (%)

	Mar. 2008	Sept. 2008	Mar. 2009
Current Ratio	201.3	173.3	204.0
Interest-bearing Debt Ratio	101.0	70.1	37.1
Equity Ratio	30.0	43.3	52.4



In this market environment, you mentioned that it is important to make strategic moves to ensure considerable growth upon a market recovery. Specifically, what kind of steps are these?

In this difficult recessionary environment, instead of reaching for what may be an unreasonable profit expansion, building a firm foundation for future profit expansion through an aggressive investment program and increasing our market share are more important.



For instance, in the Asset Management Business, considering the extremely difficult business conditions of the deteriorating stock markets and drastic drop in the number of IPOs as rather more of an investment opportunity, we invested ¥95.2 billion during FY2008. This is in line with the investment amount of ¥101 billion for FY2007, thus keeping our investments at a high level relative to our competitors. Moreover, in order to secure the most promising future growth possibilities, we have increased our investments primarily into emerging Asian countries with high growth potential.

In the Brokerage & Investment Banking Business, in order to take full advantage of a market recovery, we strived to increase the market share of SBI SECURITIES.

For FY2008, the five major Internet securities companies' share of the individual stock brokerage trading value reached 73.2%, clearly attesting to the movement of individual investors from the conventional (face-to-face) securities companies to the Internet securities companies. Within this backdrop, SBI SECURITIES acquired a historically high 38.7% market share, and simultaneously acquired a historically high 44.7% market share of the individual margin brokerage trading value.

During FY2005, when the stock market conditions were much more favorable, the former E*TRADE SECURITIES and former conventional securities company SBI Securities combined for a total operating income of ¥38 billion. At that time, the number of customer accounts totaled 1.23 million accounts, and the market share of the individual stock brokerage trading value amounted to a 23.1% share. For FY2008, customer accounts totaled 1.86 million accounts, and the market share of the individual stock brokerage trading value reached a 38.7% share. In comparing the two fiscal years, by the end of FY2008, 630,000 customer accounts were added, with a 15.6% points increase in the market share of the individual stock brokerage trading value. Also, we have endeavored to diversify our revenue base by offering an increased number of investment trusts, and by expanding our foreign exchange (FX) margin trading services through SBI Liquidity Market.

Owing to the global financial crisis, FY2008 proved to be a most difficult year even for Japan's major securities firms, all of which recorded deficits for the fiscal year. Although SBI SECURITIES also recorded a decrease in profits, we believe that our efforts to bolster the foundation of our business during the difficult market conditions has positioned us

to maximize our profits upon the recovery of the stock markets.

Moreover, in order to further enhance management efficiency, we completed making SBI SECURITIES and SBI Futures into wholly owned subsidiaries, and revamped our credit card and consumer loan businesses, as well as implementing further measures to continuously push forward reorganization efforts within the Group, in order to build an even stronger corporate structure.

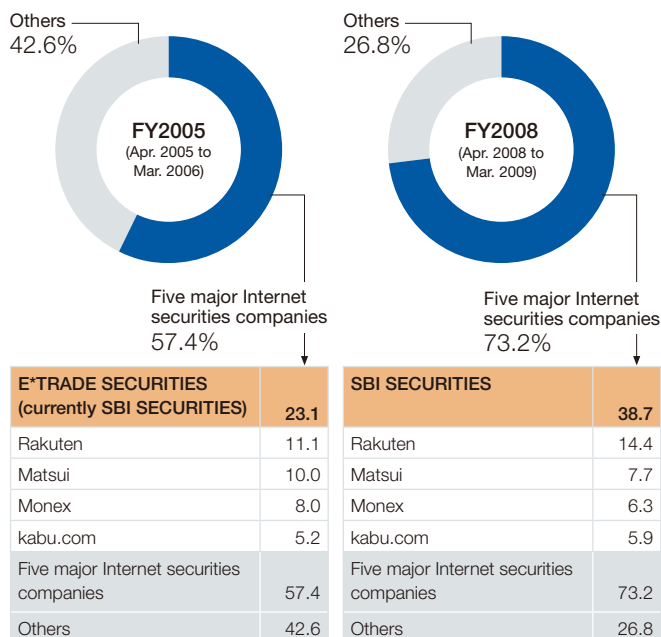
New Investments During FY2008

Millions of yen (Number of invested companies)

	FY2008 (full year)	(Reference) FY2007 (full year)
Funds' Investment	82,013 (105 Companies)	96,596 (175 Companies)
Direct Investment	13,165 (13 Companies)	4,444 (33 Companies)
TOTAL	95,179 (118 Companies)	101,041 (208 Companies)

Source: Compiled by SBIH from information disclosed by each company

Change in Major Internet Securities Companies' Market Share of Individual Stock Brokerage Trading Value



Source: Based on TSE, JASDAQ and company materials

Individual stock brokerage trading value is the sum of trades on the three major exchanges and JASDAQ



In addition to your future oriented strategy, the aforementioned SBI Liquidity Market started operations in November 2008 aiming for contributions to earnings over the short term. Will you elaborate on SBI Liquidity Market?

SBI Liquidity Market has contributed approximately ¥2.7 billion to our operating income in the short four month period since the start of its operations. We expect the company to continue to contribute significantly for FY2009 and beyond.



In an environment where stock brokerage trading has faded, foreign exchange (FX) margin trading business is growing exponentially. The OTC FX trading in Japan for the fourth quarter of FY2008 drastically expanded by 2.8 times, as compared to the same period of the previous fiscal year. SBI Liquidity Market started operations on November 17, 2008, so that we could advantageously position ourselves within the expanding FX trading market.

SBI Liquidity Market will fill FX orders for customers of SBI SECURITIES, as well as those of other firms, and will simultaneously cover those transactions with the participating financial institutions (13 financial institutions as of June 2009) that offer the best rates. Participating financial institutions include those from the U.S., Europe and domestic financial institutions, and it is SBI Liquidity Market's business model to capture the spread between these trades.

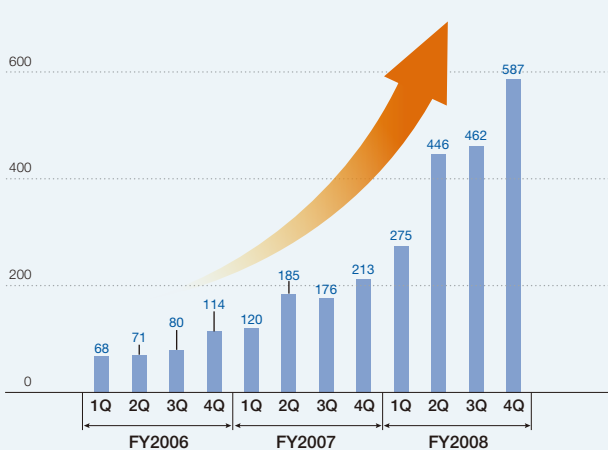
At SBI SECURITIES, from July 2008 FX fees were eliminated and FX spreads were narrowed, and in November a new service, "SBI FX α" utilizing SBI Liquidity Market was introduced. As a result, monthly trading value during June 2009 increased by 13 times on a year-on-year basis, amounting to ¥5,775 billion. With a decline in stock brokerage commissions owing to the deterioration of the stock market, FX trading has become a significant source of revenue.

Under these conditions, within four months of the start of operations, SBI Liquidity Market recorded ¥2.9 billion in operating revenue and an operating income of ¥0.84 billion. Furthermore, the operations contributed ¥1.83 billion in operating profit to SBI SECURITIES.

Also, for FY2009, SBI Liquidity Market is recording a monthly average of between ¥0.8 and ¥0.9 billion in operating revenue, and is in preparations to connect to SBI Sumishin Net Bank, as well as discussing tie-ups with non-Group companies to steadily expand its business scope.

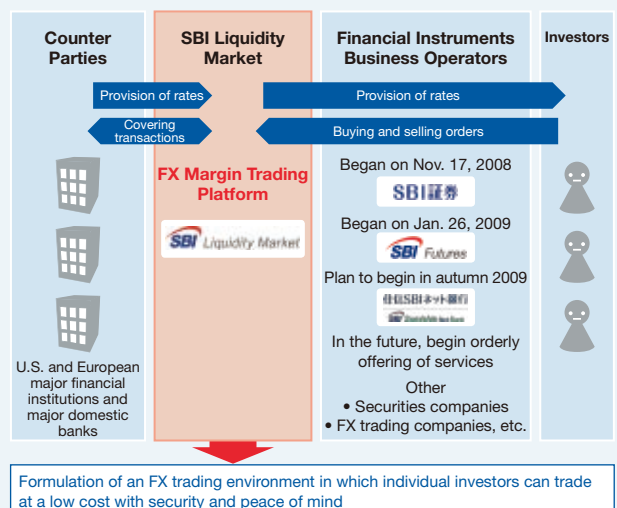
In response to the rapidly growing FX trading market, going into FY2009, the Financial Services Agency (FSA) announced a proposal to strengthen regulations concerning the market. For example, this proposal includes the control of leverage through phases, the incorporation of customer asset management practices in money trusts, the implementation of a "loss cut rule," etc. The SBIH Group welcomes such regulatory tightening, as customers may choose to move their accounts to institutions such as ours that can handle increased regulatory scrutiny.

Change in the OTC FX Margin Trading Volume
(Trillions of yen)



Source: Compiled by SBIH from the website of the Financial Futures Association of Japan

Business Model for SBI Liquidity Market





During this global market turmoil, what are your thoughts on developing your overseas businesses?

Already having made the commitment to transform ourselves “from Japan’s SBI to the world’s SBI,” we will endeavor to transfer our financial ecosystem to the overseas markets, and more fervently increase our investments into the high-growth-potential Asian countries.



Even in this global recession, SBIH Group’s Asset Management Business secured an operating income of ¥2.6 billion for FY2008.

This is primarily owes to the ¥4.6 billion profit realized by the “New Horizon Fund.” This fund was jointly established in May 2005 with the Temasek Group, the Singaporean government sponsored investment group, for the purpose of investing in China-based companies. The “New Horizon Fund” is currently in its harvesting period, and we expect the continued receipt of dividend distributions from the fund for FY2009 and beyond. Moreover, in October 2008, together with the Temasek Group we established the “Fullerton Asian Financials Fund” to invest primarily in publicly listed financial institutions in the major Asian countries. In June 2009, we sold our equity stake in the fund to realize a 55.2% annualized yield. Since the “Lehman Shock” of September 2008, investments through our

overseas funds were temporarily suspended, but entering FY2009 with the signs of a recovery manifesting itself in the Asian countries, we are gradually resuming our investments.

The SBIH Group has undertaken an investment policy that does not depend only on the domestic stock markets but rather more efficiently takes advantage of outside opportunities, especially in the high growth potential emerging Asian countries. Along with establishing joint funds with prominent local partners, we have established local offices, such as SBI VEN CAPITAL PTE. LTD. in Singapore in May 2007 and SBI Hong Kong Co., Limited in Hong Kong in December 2008. By establishing our presence in this way, we are continuously working to enhance our overseas business network.

Although up until this time we had accelerated the development of our venture capital business for overseas, for the next stage of

Funds Established Through Alliances with Prominent Overseas Companies

Fund name (abbreviated, country name)	Launch period	Partners	Contributions	SBIH Group's investment ratio
New Horizon Fund (Singapore)	May '05	Temasek Group (Singaporean government sponsored investment group)	\$100 million	50%
SBI & TH VC Fund (China)	Jan. '08	Tsinghua Holdings (a company of the Tsinghua University Group in Beijing)	\$30 million	99%
SBI & BDJB China Fund (China)	Feb. '08	Peking University Beida Jade Bird Group (the strategic investment arm of Peking University)	\$100 million	50%
SBI Zhaoxin Fund (China)	Mar. '09	China Merchants Securities, Resource Capital China, China CITIC Bank	Offshore: approx. \$20.5 million (SBIH) Onshore: approx. \$ 8.8 million (China)	
SBI & Capital 22 JV Fund (Taiwan)	Oct. '08	Founder of a Taiwanese IT company	\$22.5 million	66.70%
India Japan Fund (India)	Apr. '08	State Bank of India (the largest commercial bank in India)	\$100 million	95%
Vietnam Japan Fund (Vietnam)	Apr. '08	FPT (The Corporation for Financing and Promoting Technology, Vietnam's largest high-tech company)	\$100 million	90%
Malaysia Fund (Malaysia)	Sep. '09 (Plan)	PNB Equity Resource Corporation (a wholly owned subsidiary of the Malaysian governmental investment management company)	\$50 million	50%
SBI-METROPOL Investment Fund (Russia)	Sep. '09 (Plan)	IFC METROPOL (leading Russian financial group)	\$100 million	50%
SBI European Fund (Hungary)	May '09	MFB Invest Ltd. (a wholly owned subsidiary of the Hungarian Development Bank)	€100 million	60%
SBI SOI Fund (Japan)	Jun. '08	Keio University	¥500 million	100%
MASDAR-SBI Fund (UAE)	Dec. '08	Masdar Clean Tech Fund (Abu Dhabi, UAE governmental fund)	\$20 million	50%
Fullerton Asian Financials Fund (Singapore)	Oct. '08 (Exit in Jun. '09)	Fullerton Fund Management Company Ltd. (a wholly owned subsidiary of Temasek Holdings)	\$60 million	50%

development, we are endeavoring to position ourselves to not only realize capital gains but to transplant the Internet financial business that the SBIH Group has established in Japan to other Asian countries. By transplanting SBIH Group's financial ecosystem to countries such as China, India, Vietnam, and Cambodia, we expect to be able to quickly establish Internet-based financial businesses in these countries.

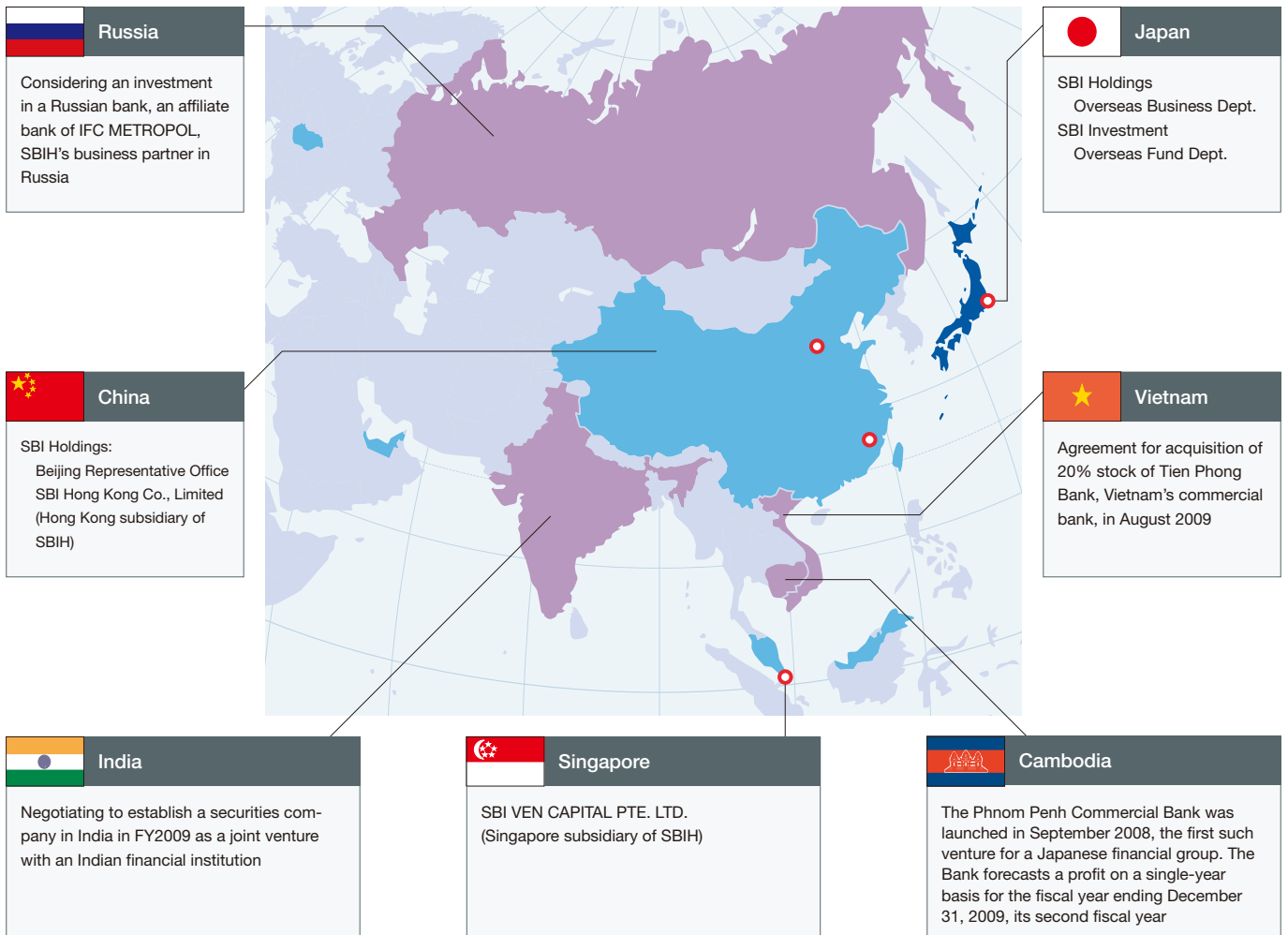
More specifically, we are focusing on the establishment of banking businesses in Asian countries. For instance, in September 2008 we established the Phnom Penh Commercial Bank in Cambodia, which by April 2009 succeeded in eliminating its cumulative losses for the fiscal year ending December 31, 2009 and is expecting to turn a single-year profit. We are also currently contemplating the possibility of a capital investment into a bank in Vietnam. With a population of 86 million people with an average age below 30, this is a country with extreme potential for growth. As for India, we are planning to utilize the securities company knowledge that we

accumulated through the operations of SBI SECURITIES to establish a securities company there.

Furthermore, we have started relationship-building in Islamic countries, and have already reached agreements to establish joint funds with the UAE's Abu Dhabi government, as well as a subsidiary of Malaysia's national investment management organization. We will continue our efforts to aggressively enter into the Islamic economic zone through the establishment of funds based on the observance of Islamic Law.

By doing so, and utilizing the existing network with prominent overseas institutions established through our venture capital investments, we are in a position to transplant our Internet-based financial businesses, therefore allowing us to eventually expand our financial ecosystem built in Japan to the overseas markets. Through this, we will strive to become "the world's SBI from Japan's SBI," allowing us to expand as a global entity.

Transplanting Our Financial Ecosystem to Emerging Asian Countries Based on Our Fund Management Business



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The Completion of the Financial Ecosystem



Please speak about the progress of the three new major businesses of Internet banking, Internet nonlife and Internet life insurance.

These businesses are steadily progressing, as the Internet bank largely exceeded its targets very early on, while the Internet nonlife insurance is steadily moving toward its stated targets by increasing the number of contracts signed.



SBI Sumishin Net Bank, Ltd. (started operations on September 24, 2007)

SBI Sumishin Net Bank is an Internet-based full service bank that takes deposits, offers loans and provides settlement services. The bank not only offers favorable interest rates on deposits, but also offers highly convenient services such as “SBI Hybrid Deposit” through a collaboration with SBI SECURITIES, with an account base of over 1.9 million customer accounts. Although SBI Sumishin Net Bank’s operations started relatively late versus its competition, supported by such offerings the bank netted deposits at the fastest historical rate among the Internet banks. On July 27, 2009, merely 673 days since the start of the bank’s operations, deposits reached over ¥700 billion, thereby attaining its target that was submitted to the FSA, eight months ahead of schedule. Given the bank’s performance thus far and with the further implementation of stable fund management, we fully expect that the bank will reach its next stated target of ¥1 trillion in deposits by the end of FY2011, also ahead of schedule. In terms of housing loans, by offering competitive interest rates as well as free indemnification coverage for eight major illnesses and free partial advanced payment, the cumulative total reached over ¥250 billion in June 2009, with the number of contracts exceeding the 10,000 level. Favorable progress is seen in the number of customer accounts, as the submitted target of 400,000 customer accounts to the FSA was surpassed well over a year in advance of the target date, and by July 2009 the total number of customer accounts exceeded 500,000. Also, regarding the results for FY2008, for the first time since the start of operations a profitable quarter was recorded in the fourth quarter, with ordinary income of ¥137 million, and the first quarter of FY2009 also recorded an ordinary income of ¥856 million, steadily moving toward the target of reaching profitability on a single-year basis for FY2009.

SBI Insurance Co., Ltd. (started operations on January 16, 2008)

SBI Insurance offers the industry’s lowest level of insurance premiums*, owing to its Internet-based operation. Through the full utilization of the strength of Internet-based nonlife insurance, the company has successfully brought down premiums charged, as well as to expand new sales channels. As a result, for FY2008, business was off to a steady

start in spite of the financial crisis, with insurance premium income totaling about ¥1.4 billion (¥0.96 billion during the first quarter of FY2009) and over 40,000 contracts signed (over 60,000 as of the end of June 2009). Within the SBIH Group, along with SBI SECURITIES, SBI Sumishin Net Bank started offering SBI Insurance’s auto insurance, and through SBI AutoSupport a “real channel” operation was also initiated. The Group synergies are being fully leveraged to increase the number of contracts signed in order to bring this company into profitability as soon as possible. In the near future, we will endeavor to tap into the latent demand, estimated at ¥3.4 trillion, of existing nonlife insurance companies operating under the agency system. By providing products other than auto insurance at a low cost with the high quality that consumers demand, we will work to increase SBI Insurance’s market share, and to reach our target of 150,000 contracts signed by the end of FY2009.

* Comparison under identical conditions and indemnification terms.

SBI AXA Life Insurance Co., Ltd. (started operations on April 7, 2008)

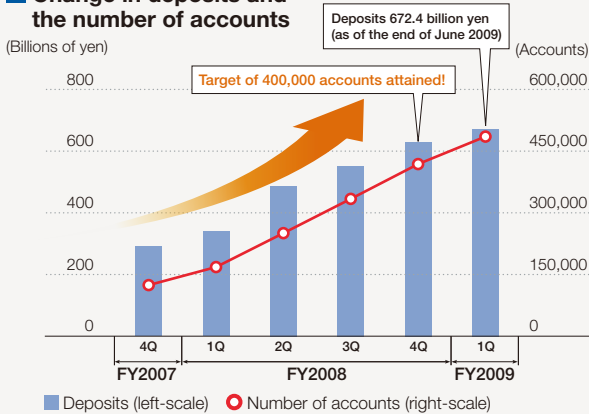
SBI AXA Life Insurance, as Japan’s first Internet-based life insurance company, initially experienced a difficult competitive environment as the name recognition of the company’s brand was relatively low. However, in order to overcome this situation and to increase the number of acquisition of new contracts, we undertook to decrease premium levels through large-scale discounts, and offered a wider selection of new life insurance products through 84 Internet-based agencies (as of the end of June 2009), as well as increasing our name recognition through media exposure.

As a result, after March 2009, approximately 1,000 new contracts have been signed per month, owing to factors such as an increasing desire to save during this recession and rising name recognition. This number of contracts already largely exceeds the average monthly premiums written by the existing direct life insurance companies. Looking forward, along with continuing to provide the industry’s lowest level premiums, we will fortify call centers which will support the personal follow-up services that will further enhance customer convenience, so that we may become the life insurance company of choice among consumers.

Internet bank

SBI Sumishin Net Bank, Ltd.

Change in deposits and the number of accounts



Products and features

- Yen deposits, structured deposits, foreign currency deposits, FX trading, housing loans, consumer loans, etc.
- Competitive interest rates, free ATM deposits and transfers, real-time foreign currency deposits following actual market movements, etc.

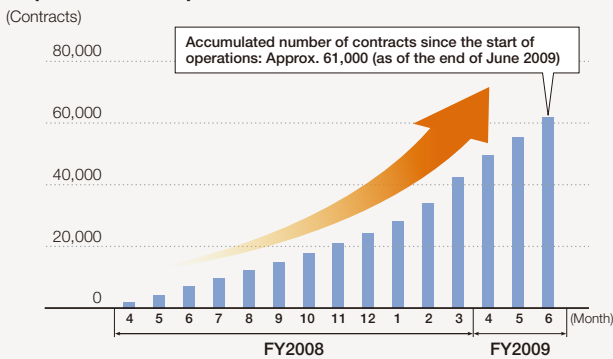
Current Progress as of FY2008 and Objectives to Achieve Profitability

	End of FY2008 (actual)	End of FY2009 (target)	End of FY2011 (target)
Customer accounts	418,000 (FY2009 targets achieved over one year in advance)	400,000	600,000
Deposits	¥629.9 billion	¥700 billion (attained)	¥1 trillion
Earnings	¥134 million in net income was recorded for 4Q FY2008, thereby achieved a profit on a quarterly basis.	Turn a single-year profit. ¥851 million in net income was recorded for 1Q FY2009.	Around ¥5 billion of net income. Eliminate cumulative loss.

Internet nonlife insurance

SBI Insurance Co., Ltd.

Accumulated number of auto insurance contracts (written basis*)



* Written basis: Completion of receiving transaction of insurance premiums.

Products and features

- Auto insurance
- "SBI Insurance GPS Navi," a location information notification service utilizing mobile GPS
- Approx. 5,500 road service locations nationwide with an accident hotline available 24-hours a day, 365 days a year

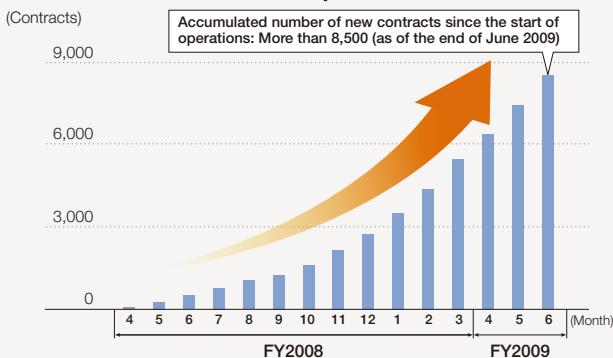
Current Progress as of FY2008 and Objectives to Achieve Profitability

	End of FY2008 (actual)	End of FY2009 (in-house target)	End of FY2012 (target)
Contracts	42,000	150,000	300,000 (FY2011 target)
Earnings	¥1.378 billion of net premium income		Turn a single-year profit

Internet life insurance

SBI AXA Life Insurance Co., Ltd.

Accumulated sales of new policies



Products and features

- Term insurance/Income security insurance: "Kachitto Term Policy"/ "Kachitto Income Security"
- Medical insurance (hospitalization insurance): "Kachitto Iryo"
- Online-based agencies: 84 (as of the end of June 2009)

Current Progress as of FY2008 and Objectives to Achieve Profitability

	End of FY2008 (actual)	End of FY2012 (target)
Contracts	5,400	200,000
Earnings	Ordinary income ¥140 million	Turn a single-year profit



The SBIH Group has completed its efforts to become an Internet financial conglomerate. What is the significance of this completion?

By fully leveraging the SBIH Group synergies that exist within the business ecosystem that we have established, a truly one-stop financial service can be offered to customers of the Group companies. This is the key to realizing more accelerated growth for the SBIH Group.



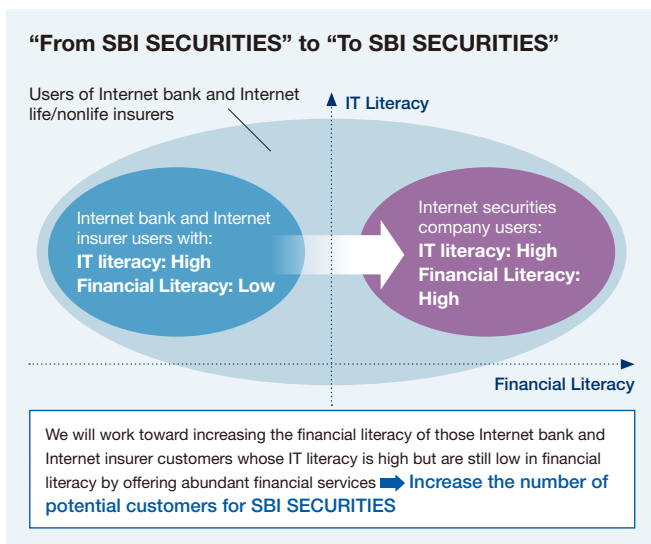
Since its inception in 1999, the SBIH Group has established various operating companies, including a number of joint ventures with various prominent partners in the financial field to broaden the scope of our financial ecosystem. Finally, we are able to complete the organization of an “Internet financial conglomerate,” that includes securities, banking, nonlife insurance and life insurance businesses utilizing the Internet as the primary sales channel, that we had envisioned from the time of our inception. In the near future, it will be most important for us to fully leverage the business ecosystem that we have built within the SBIH Group, to take full advantage of the existing synergies.

A noteworthy example of the synergistic effect is the collaboration between SBI SECURITIES with its investment management functions, and SBI Sumishin Net Bank with its settlement functions. More specifically, this synergy allows for the simultaneous application for opening accounts at SBI SECURITIES and SBI Sumishin Net Bank, displaying account balances at both companies simultaneously and providing for other revolutionary services such as “SBI Hybrid Deposit Account,” which automatically reflects the customer’s buying power at SBI SECURITIES. Already, about half of the new account opening applications for SBI SECURITIES also apply for accounts at SBI Sumishin Net Bank, allowing seamless money transfers. In this way, the synergistic factors are

being applied through the collaboration between the settlement functions and the investment management functions.

Also, in order to fully leverage the 1.9 million customer account base of SBI SECURITIES, the company is acting as an agent for the sales of Internet banking, nonlife and life insurance products available through the respective Group companies, and through a reciprocal sales channel arrangement each company is contributing mutually to increase the number of accounts and contracts for their respective businesses. As an example, the number of bank accounts opened at SBI Sumishin Net Bank owing to referrals by way of SBI SECURITIES is 40% (approximately 200,000 customer accounts) as of the end of June 2009. For SBI Insurance, the percentage of new contracts by way of other SBIH Group companies is 41% for SBI Sumishin Net Bank and 18% for SBI SECURITIES (April to June 2009). As for SBI AXA Life Insurance, the percentages are 10.4% each for SBI SECURITIES and SBI Sumishin Net Bank (April to June 2009). Thus, the synergistic effects are certainly manifesting themselves. Also, since the targeted customer base for banking and insurance is much larger than that of securities, it can be surmised that the flow of customers will eventually change so that they will come from Internet banking, Internet nonlife and Internet life insurance, to Internet securities. This trend has already manifested itself since December 2008 when the account opening numbers at SBI Sumishin Net Bank have consistently overtaken those of SBI SECURITIES.

In this way, utilizing the power of the Internet to provide a one-stop service, the SBIH Group, with the approval of its customers to link their various accounts together, will deepen the collaboration between the various Group companies so that customers will be able to seamlessly utilize a true one-stop financial service that includes asset management, settlements, loans, insurance and other financial products. Moreover, through the three new major businesses of banking, nonlife insurance and life insurance, we can expect great synergies to be created by the collaboration with other SBIH Group companies which have various customer bases, sales foundations and proprietary operating knowledge. The pursuit of synergistic effects embedded in the three new major businesses will enable these businesses to reach profitability that much sooner, and will also allow these businesses to make significant contributions to the overall Group, and as a result will empower the Group to move to the next level of growth.



3

Enhancing Corporate Value



**What are your thoughts on “enhancing corporate value?”
And also give us your thoughts on dividends.**

I believe corporate value is the aggregate of customer value, shareholder value and human capital value. Only by carrying out the customer-centric principle have we won the trust and confidence of the customer, resulting in the SBIH Group’s growth.



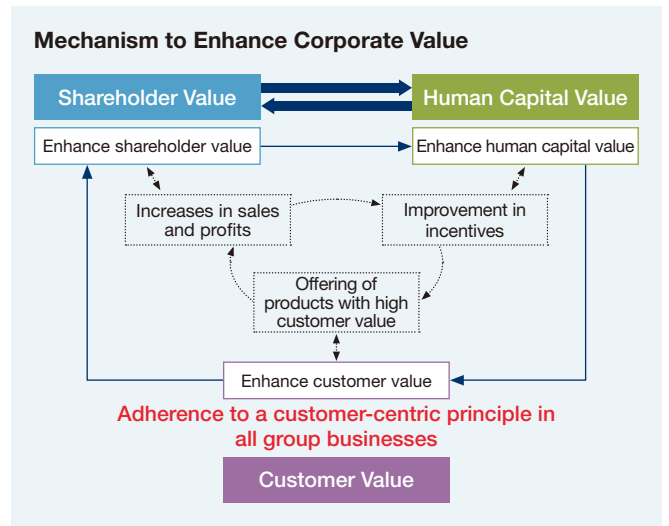
<The Concept of the SBIH Group’s “Corporate Value”>

The SBIH Group’s concept of corporate value is the aggregate of customer value, shareholder value and human capital value. The basic foundation of corporate value is customer value, which is mutually created and increases in a virtuous circle with shareholder value and human capital value. The SBIH Group fully leverages the power of the Internet, and through its strict adherence to the customer-centric principle offers higher quality financial services at a low cost to its customers. In this way, we are endeavoring to maintain a high level of satisfaction for our customers, thereby further creating customer value. Through the expansion of customer value, our profits and shareholder value will increase as well, leading to the addition of valuable human resources which in turn will lead to the further creation of corporate value.

The SBIH Group at its inception had 55 employees and started with zero revenue in 1999, but after 10 years we have grown to 2,492 employees with revenue of ¥130.9 billion, and net assets of ¥419.3 billion, 82 consolidated subsidiaries, 9 listed Group companies, over 200,000 shareholders, and a foreign stock ownership ratio of 44.2%. With a thorough commitment to the customer-centric principle, which is the SBIH Group’s foundation for the expansion of corporate value, the customer database has now grown to number approximately 8 million, and it can be said that the result of the increase in customer value has manifested itself through the expansion of the customer base.

One of the reasons why we have been able to accomplish such rapid growth in a relatively short period of time is our organizational advantage. The strategy of the SBIH Group is to first establish a Group ecosystem, and through the individual exertion of synergy by the Group companies a mutually beneficial synergistic effect eventually evolved. Also, as we have been saying to “utilize finance as the nucleus to go beyond the finance,” operations such as housing and real estate and the systems businesses have developed their own ecosystems which are synergistically contributing to our growth.

The SBIH Group will continue to carry out its customer-centric principle providing various financial services and products at a one-stop location and at an extremely low cost utilizing the power of the Internet, and thus maximize its corporate value, which is the aggregate of customer value, shareholder value and human capital value.



<Dividends>

Regarding our dividend policy, from FY2009, in order to better clarify its profit distribution policy as it relates to the company earnings, it will be our standard policy to endeavor to pay out 20% to 50% of the consolidated net income. With the principle thought of endeavoring to payout more than 20%, so long as it is determined that there is an appropriate level of retained earnings for sustainable growth and that there are no problems with the immediate earnings forecast, an upside payout of 50% will be considered. In principle, we will not make semi-annual payouts, but will only make year-end dividend payments.