

Consolidated Financial Statements

Consolidated Balance Sheets

SBI Holdings, Inc. and Consolidated Subsidiaries
March 31, 2008 and 2009

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2009	2009
CURRENT ASSETS:			
Cash and cash equivalents (Note 14)	¥ 159,007	¥ 126,313	\$ 1,285,496
Time deposits	1,518	1,140	11,608
Cash required to be segregated under regulations (Note 4)	313,817	266,267	2,709,818
Notes and accounts receivable—trade (Note 14)	10,985	7,915	80,550
Operational investment securities (Note 6)	115,717	105,236	1,070,999
Valuation allowance for operational investment securities	(4,967)	(6,207)	(63,166)
Lease receivables and lease investment assets (Notes 2.k and 25)		18,820	191,529
Operational loans receivable (Note 14)	66,261	47,868	487,159
Real estate inventory (Notes 5 and 14)	32,895	36,515	371,616
Trading assets (Note 7)	1,728	7,725	78,616
Margin transaction assets:			
Receivables from customers	274,887	134,792	1,371,790
Cash deposits as collateral for securities borrowed	17,995	46,009	468,235
Loans secured by securities on non-resale agreement transactions		1	7
Short-term guarantee deposits	13,414	8,846	90,023
Deferred tax assets—current (Note 24)	1,053	5,921	60,256
Prepaid expenses and other current assets (Notes 9 and 14)	66,723	46,951	477,829
Allowance for doubtful accounts	(1,762)	(2,703)	(27,510)
Total current assets	1,069,271	851,409	8,664,855
PROPERTY AND EQUIPMENT—Net (Notes 10 and 12)	5,728	8,578	87,297
LEASED ASSETS—Net (Note 2.k)	7,877		
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 6)	15,972	10,088	102,664
Investments in unconsolidated subsidiaries and affiliated companies (Note 11)	25,923	23,781	242,023
Software, net of accumulated amortization of ¥7,649 million and ¥8,222 million (\$83,674 thousand) at March 31, 2008 and 2009, respectively	8,816	9,370	95,357
Rental deposits	6,801	7,375	75,055
Goodwill (Note 3)	60,874	136,354	1,387,690
Long-term trade receivables	50	47	483
Deferred tax assets—non-current (Note 24)	10,595	10,602	107,895
Other assets	12,109	28,274	287,746
Allowance for doubtful accounts	(4,769)	(6,644)	(67,618)
Total investments and other assets	136,371	219,247	2,231,295
TOTAL	¥1,219,247	¥1,079,234	\$10,983,447

LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2009	2009
CURRENT LIABILITIES:			
Short-term borrowings (Notes 13 and 14)	¥ 53,832	¥ 54,658	\$ 556,264
Current portion of long-term debt (Notes 13 and 14)	112,743	63,033	641,493
Income taxes payable	9,352	2,625	26,711
Margin transaction liabilities:			
Payables to financial institutions (Notes 13 and 14)	81,583	56,726	577,309
Proceeds of securities sold for customers' accounts	62,531	89,545	911,303
Loans secured by securities on repurchase agreement transactions	35,441	46,588	474,125
Consignment guarantee money received for margin transactions (Note 9)	272,006	229,184	2,332,421
Customers' deposits as collateral for commodity futures (Note 9)	39,574	28,885	293,966
Customers' deposits for securities transactions	20,147	23,488	239,040
Unearned income (Note 15)	1,893	2,085	21,221
Accrued expenses	3,280	3,035	30,885
Contingent reserve	22		
Deferred tax liabilities—current (Note 24)	8,867	6	57
Other current liabilities (Notes 7, 13 and 27)	39,363	23,591	240,089
Total current liabilities	740,634	623,449	6,344,884
LONG-TERM LIABILITIES:			
Long-term debt, less current portion (Notes 13 and 14)	77,149	13,584	138,243
Deferred tax liabilities—non-current (Note 24)	300	566	5,763
Other long-term liabilities (Notes 16 and 17)	5,431	15,043	153,097
Total long-term liabilities	82,880	29,193	297,103
STATUTORY RESERVES (Note 18):			
Reserve for liability for securities transactions	7,925		
Reserve for financial products transaction liabilities		7,219	73,470
Reserve for liability for commodity transactions	42	33	339
Reserve for price fluctuation		1	6
Total statutory reserves	7,967	7,253	73,815
EQUITY (Notes 19 and 20):			
Common stock—authorized, 34,169,000 shares; issued, 12,435,284 shares in 2008 and 16,768,733 shares in 2009	55,158	55,215	561,925
Capital surplus	116,762	219,012	2,228,903
Stock acquisition rights	4	12	121
Retained earnings	112,339	86,866	884,041
Unrealized gain (loss) on available-for-sale securities	10,134	(5,946)	(60,514)
Deferred gain (loss) on derivatives under hedge accounting	9	(26)	(262)
Foreign currency translation adjustments	(122)	(966)	(9,832)
Treasury stock—at cost, 1,183,541 shares in 2008 and 37,661 shares in 2009	(53,064)	(636)	(6,473)
Total	241,220	353,531	3,597,909
Minority interests	146,546	65,808	669,736
Total equity	387,766	419,339	4,267,645
TOTAL	¥1,219,247	¥1,079,234	\$10,983,447

See notes to consolidated financial statements.

Consolidated Statements of Operations

SBI Holdings, Inc. and Consolidated Subsidiaries
Years Ended March 31, 2007, 2008 and 2009

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2007	2008	2009	2009
OPERATING REVENUES (Notes 21 and 30)	¥144,581	¥222,568	¥130,923	\$1,332,412
OPERATING COSTS (Note 22)	68,745	115,344	63,634	647,606
Gross profit	75,836	107,224	67,289	684,806
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 23)	52,741	64,617	62,885	639,988
Operating income	23,095	42,607	4,404	44,818
OTHER INCOME (EXPENSES):				
Interest and dividends income	644	648	1,434	14,598
Interest expense	(1,278)	(1,785)	(2,450)	(24,938)
Foreign exchange gain (loss)—net	14	(726)	(621)	(6,325)
(Loss) gain on sale of investment securities—net	(23,575)	6,780	(1,517)	(15,444)
Amortization of negative goodwill	69,094			
Impairment loss of investment securities	(751)	(677)	(7,548)	(76,812)
Provision for statutory reserves (Note 18)	(1,599)	(1,611)	(1)	(6)
Equity in loss of unconsolidated subsidiaries and affiliated companies	(710)	(4,615)	(2,508)	(25,527)
Goodwill amortization for equity method affiliates with significant losses	(1,977)	(6,794)	(1,354)	(13,776)
Allowance for doubtful accounts	(101)	34	(2,379)	(24,207)
Other—net	(814)	(5,042)	(3,592)	(36,559)
Other income (expenses)—net	38,947	(13,788)	(20,536)	(208,996)
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	62,042	28,819	(16,132)	(164,178)
INCOME TAXES (Note 24):				
Current	38,272	19,311	11,829	120,387
Deferred	(23,447)	(2,038)	(5,680)	(57,810)
Total income taxes	14,825	17,273	6,149	62,577
MINORITY INTERESTS IN NET (INCOME) LOSS	(776)	(7,317)	3,906	39,748
NET INCOME (LOSS)	¥ 46,441	¥ 4,229	¥ (18,375)	\$ (187,007)
			Yen	U.S. Dollars
	2007	2008	2009	2009
PER SHARE OF COMMON STOCK (Notes 2.ab and 29):				
Basic net income (loss)	¥4,040.51	¥ 376.63	¥(1,232.48)	\$(12.54)
Diluted net income	3,845.82	344.65		
Cash dividends applicable to the year	1,200	1,200	100	1.02

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

SBI Holdings, Inc. and Consolidated Subsidiaries
Years Ended March 31, 2007, 2008 and 2009

	Millions of Yen											
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealized Gain (Loss) on Available- for-sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2006	12,155,028	¥54,229	¥115,692		¥ 90,345	¥ 12,830		¥ 935	¥ (5,908)	¥268,123		¥268,123
Reclassified balance as of March 31, 2006				¥ 6						6	¥ 55,094	55,100
Exercise of warrants (Note 19)	108,479	685	687							1,372		1,372
Cash dividends, ¥1,200 per share (Note 19)					(14,078)					(14,078)		(14,078)
Bonuses to directors					(541)					(541)		(541)
Net income					46,441					46,441		46,441
Purchase of treasury stock	(1,051,604)								(47,246)	(47,246)		(47,246)
Reissuance of treasury stock	3,614		140						86	226		226
Treasury stock held by affiliated company accounted for by the equity method	166								6	6		6
Net change in the year				36		(7,394)	¥ 2	39		(7,317)	44,555	37,238
BALANCE, MARCH 31, 2007	11,215,683	54,914	116,519	42	122,167	5,436	2	974	(53,062)	246,992	99,649	346,641
Exercise of warrants (Note 19)	36,113	244	244							488		488
Cash dividends, ¥1,200 per share (Note 19)					(13,558)					(13,558)		(13,558)
Net income					4,229					4,229		4,229
Adjustment of retained earnings for newly consolidated subsidiaries					(790)					(790)		(790)
Adjustment of retained earnings for subsidiaries excluded from consolidation					(16)					(16)		(16)
Adjustment of retained earnings for affiliated companies excluded from the equity method of accounting					307					307		307
Purchase of treasury stock	(83)								(3)	(3)		(3)
Reissuance of treasury stock	26		(1)						1			
Treasury stock held by affiliated company accounted for by the equity method	4											
Net change in the year				(38)		4,698	7	(1,096)		3,571	46,897	50,468
BALANCE, MARCH 31, 2008	11,251,743	55,158	116,762	4	112,339	10,134	9	(122)	(53,064)	241,220	146,546	387,766
Exercise of warrants (Note 19)	14,237	57	57							114		114
Stock swap	5,427,601		102,205							102,205		102,205
Net loss					(18,375)					(18,375)		(18,375)
Cash dividends, ¥600 per share (Note 19)					(6,796)					(6,796)		(6,796)
Adjustment of retained earnings for newly consolidated subsidiaries					(73)					(73)		(73)
Adjustment of retained earnings for subsidiaries excluded from consolidation					(30)					(30)		(30)
Adjustment of retained earnings for affiliated companies excluded from the equity method of accounting			844		(199)					645		645
Purchase of treasury stock	(37,531)								(644)	(644)		(644)
Reissuance of treasury stock	75,022		(856)						53,072	52,216		52,216
Net change in the year				8		(16,080)	(35)	(844)		(16,951)	(80,738)	(97,689)
BALANCE, MARCH 31, 2009	16,731,072	¥55,215	¥219,012	¥ 12	¥ 86,866	¥ (5,946)	¥(26)	¥ (966)	¥ (636)	¥353,531	¥ 65,808	¥419,339

Thousands of U.S. Dollars (Note 1)

	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealized Gain (Loss) on Available- for-sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2008	\$561,346	\$1,188,293	\$43	\$1,143,284	\$ 103,133	\$ 88	\$ (1,241)	\$(540,030)	\$2,454,916	\$1,491,415	\$3,946,331
Exercise of warrants (Note 19)	579	581							1,160		1,160
Stock swap		1,040,147							1,040,147		1,040,147
Net loss				(187,007)					(187,007)		(187,007)
Cash dividends, \$6.11 per share (Note 19)				(69,160)					(69,160)		(69,160)
Adjustment of retained earnings for newly consolidated subsidiaries				(749)					(749)		(749)
Adjustment of retained earnings for subsidiaries excluded from consolidation				(302)					(302)		(302)
Adjustment of retained earnings for affiliated companies excluded from the equity method of accounting		8,586		(2,025)					6,561		6,561
Purchase of treasury stock								(6,556)	(6,556)		(6,556)
Reissuance of treasury stock		(8,704)						540,113	531,409		531,409
Net change in the year			78		(163,647)	(350)	(8,591)		(172,510)	(821,679)	(994,189)
BALANCE, MARCH 31, 2009	\$561,925	\$2,228,903	\$121	\$ 884,041	\$ (60,514)	\$(262)	\$ (9,832)	\$ (6,473)	\$3,597,909	\$ 669,736	\$4,267,645

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

SBI Holdings, Inc. and Consolidated Subsidiaries
Years Ended March 31, 2007, 2008 and 2009

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2007	2008	2009	2009
OPERATING ACTIVITIES:				
Income (loss) before income taxes and minority interests	¥ 62,042	¥ 28,819	¥ (16,132)	\$ (164,178)
Adjustments for:				
Income taxes paid	(43,132)	(30,542)	(15,783)	(160,623)
Amortization and depreciation	(58,122)	11,477	11,961	121,730
Provision for valuation allowance for operational investment securities	3,043	1,365	1,888	19,214
Provision for allowance for doubtful accounts	977	2,811	5,648	57,481
Dilution gain from changes in equity interests	(650)	(598)	(341)	(3,469)
Write-down of operational investment securities	8,813	1,962	2,516	25,604
Equity earnings in funds	(3,518)	(3,101)	(2,880)	(29,312)
Loss (gain) on sales of investment securities—net	23,575	(6,780)	1,518	15,444
Changes in assets and liabilities:				
Increase in operational investment securities and operational investments in funds	(10,539)	(5,597)	(20,646)	(210,114)
(Increase) decrease in operational loans receivable	(8,417)	(16,109)	7,358	74,880
(Increase) decrease in real estate inventory	(26,531)	9,191	(7,617)	(77,516)
(Increase) decrease in segregated assets for customers	(5,797)	18,901	32,380	329,530
(Increase) decrease in trading assets	(1,080)	387	(2,039)	(20,747)
Net changes in margin transaction assets and liabilities	7,518	55,173	108,341	1,102,597
(Decrease) increase in customers' deposits for securities transactions	(4,697)	3,822	2,615	26,614
Increase (decrease) in consignment guarantee money received for margin transactions	6,878	(5,491)	(29,706)	(302,328)
Net changes in loans receivable and payable secured by securities	234	(20,291)	11,105	113,019
Increase in unearned income	2,648	1,292	1,450	14,755
Other—net	(20,654)	3,383	11,399	116,012
Net cash (used in) provided by operating activities	(67,409)	50,074	103,035	1,048,593
INVESTING ACTIVITIES:				
Purchases of intangible assets	(3,096)	(3,457)	(3,914)	(39,833)
Purchases of investment securities	(28,659)	(8,310)	(7,345)	(74,749)
Proceeds from sales of investment securities	3,804	3,579	784	7,982
Proceeds from sales of subsidiaries' stock	129,831	7,190	130	1,323
Cash paid in business acquisitions, net of cash acquired	(8,208)	(3,861)	(1,086)	(11,053)
Cash received in sales of subsidiaries, net of cash relinquished	5,831		19,341	196,836
Investments in subsidiaries	(7,125)	(4,443)	(5,621)	(57,208)
Investments in loans receivable	(54,217)	(200,953)	(42,156)	(429,026)
Collections of loans receivable	48,823	191,927	37,520	381,842
Payments for security deposits	(2,258)	(2,855)	(3,046)	(30,998)
Collection of security deposits	1,952	1,378	2,063	20,999
Other—net	(664)	(805)	2,226	22,648
Net cash provided by (used in) investing activities	86,014	(20,610)	(1,104)	(11,237)

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2007	2008	2009	2009
FINANCING ACTIVITIES:				
Increase (decrease) in short-term borrowings—net	¥ 34,180	¥ (8,330)	¥ (8,959)	\$ (91,178)
Proceeds from long-term debt	39,521	46,513	1,674	17,038
Repayment of long-term debt	(4,265)	(39,972)	(118,266)	(1,203,601)
Dividends paid	(13,985)	(13,451)	(6,796)	(69,160)
Dividends paid to minority shareholders	(2,584)	(2,554)	(2,746)	(27,950)
Distribution to minority investors in investment funds	(75,280)	(25,265)	(7,975)	(81,164)
Proceeds from issuance of common stock	1,329	414	134	1,367
Proceeds from issuance of common stock to minority shareholders	9,570	2,851	325	3,311
Proceeds from minority investors in investment funds	522	29,859	5,612	57,110
Reissuance of treasury stock	5	1	11	108
Purchase of treasury stock	(47,165)	(3)	(586)	(5,962)
Other—net	(24)	(20)	57	584
Net cash used in financing activities	(58,176)	(9,957)	(137,515)	(1,399,497)
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES				
	22,175	25,365	2,875	29,263
CASH AND CASH EQUIVALENTS DECREASED DUE TO EXCLUSION FROM CONSOLIDATION				
		(24)	(107)	(1,089)
CASH AND CASH EQUIVALENTS OF NEWLY MERGED COMPANIES				
			224	2,273
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS				
	(57)	(933)	(102)	(1,042)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(17,453)	43,915	(32,694)	(332,736)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	132,545	115,092	159,007	1,618,232
CASH AND CASH EQUIVALENTS, END OF YEAR	¥115,092	¥159,007	¥ 126,313	\$ 1,285,496
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION (Note 2.a):				
Fair value of assets acquired	¥ (30,515)	¥ (14,115)	¥ (1,082)	\$ (11,012)
Liabilities assumed	24,287	9,707		
Goodwill	(6,911)	(5,094)		
Minority interest	909	1,175		
Acquisition costs	(12,230)	(8,327)	(1,082)	(11,012)
Cash acquired	4,022	4,124		
Transfer from stock of affiliated company		353		
Other		(11)	(4)	(41)
Cash paid in business acquisitions, net of cash acquired	¥ (8,208)	¥ (3,861)	¥ (1,086)	\$ (11,053)
Fair value of assets sold	¥ 18,356		¥ 30,505	\$ 310,449
Liabilities relinquished	(12,000)		(19,998)	(203,520)
Minority interest	3		(2,696)	(27,440)
Foreign currency translation adjustments			2,246	22,861
Gain on sale			10,056	102,338
Sale value	6,359		20,113	204,688
Cash relinquished	(528)		(772)	(7,852)
Cash received in sales of subsidiaries, net of cash relinquished	¥ 5,831		¥ 19,341	\$ 196,836

See notes to consolidated financial statements.