



# Strategic Business Innovator



## Management Philosophy and Vision

### Sound Ethical Values

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

### Financial Innovator

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

### New Industry Creator

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



### Self-Evolution

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

### Social Responsibility

We will ensure that each company in the SBIH Group recognizes its social responsibilities as a member of society while fulfilling the demands of its stakeholders, contributing to the betterment of society.

## The SBIH Group's Corporate Vision

(Formulated in April 2008)

- Increase operating income to 100 billion yen in FY2012 (the year ending March 2013)
- Expand Asset Management and Brokerage & Investment Banking Business to two-thirds of operating income by the year ending March 2013, with all other businesses accounting for the remaining one-third
- Transform the SBIH Group into a global organization that earns half its operating income outside Japan by the year ending March 2013

The SBIH Group makes a clear distinction between its "management philosophy" and "corporate vision." We regard our "management philosophy" as long-term and universal values to which we aspire and that this philosophy should not be easily altered because of a change in top management or shifts in the market.

On the other hand, our "corporate vision" concretely describes how the Company sees its desired corporate organization in the future and therefore must be realistic and attainable. In the current age of rapid change, a corporate vision is of a medium-term nature.

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### Forward-Looking Statements

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

# Consolidated Financial Highlights

SBI Holdings, Inc. and Consolidated Subsidiaries

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

Years ended March 31,	Millions of Yen			Thousands of U.S. Dollars*1
	2007	2008	2009	2009
Operating revenues	¥ 144,581	¥ 222,568	¥ 130,923	\$ 1,332,412
Operating income	23,095	42,607	4,404	44,818
Ordinary income*2	90,697	35,687	37	381
Net income (loss)	46,441	4,229	(18,375)	(187,007)
Total assets	1,367,222	1,219,247	1,079,234	10,983,447
Total equity	346,641	387,766	419,339	4,267,645
Net cash (used in) provided by operating activities	(67,409)	50,074	103,035	1,048,593
Net cash provided by (used in) investing activities	86,014	(20,610)	(1,104)	(11,237)
Net cash used in financing activities	(58,176)	(9,957)	(137,515)	(1,399,497)
Cash and cash equivalents, end of year	115,092	159,007	126,313	1,285,496

\*1. U.S. dollar figures are for reference only, and calculated at ¥98.26 to U.S.\$1.00, the exchange rate on March 31, 2009.

\*2. Ordinary income represents periodic accounting profit/loss attributable to the nominal and recurring business operations of the entity. Ordinary income is calculated by adjusting operating income for gains on management of surplus funds (interest income, etc.) and the cost of raising funds (interest expense, etc.).

	Yen			U.S. Dollars*1
Net income (loss) per share	¥ 4,040.51	¥ 376.63	¥ (1,232.48)	\$ (12.54)
Book-value per share	22,018.24	21,438.08	21,129.47	215.04

	%		
Equity ratio	18.1	19.8	32.8
Return on equity	18.0	1.7	(6.2)

	Times		
PER (Price-earnings ratio)	11.1	63.7	—
PBR (Price-book-value ratio)	2.0	1.1	0.5

PER = FY end TSE closing price/Earnings per share

The PER for the fiscal year ended March 31, 2009 is not provided due to the recording of a net loss.

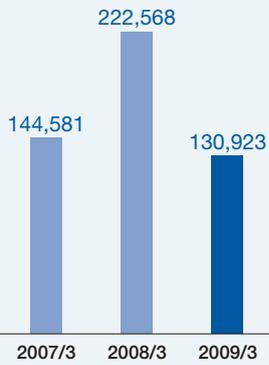
PBR = FY end TSE closing price/Book-value per share

Note: The closing price for the fiscal year ended March 31, 2009 was ¥10,190.

	Number		
Employees	1,680	2,666	2,492

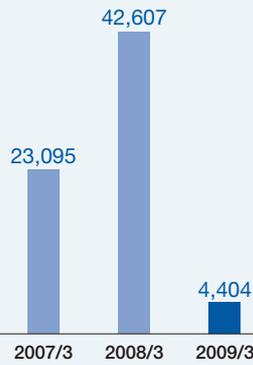
### Operating revenues

(Millions of yen)



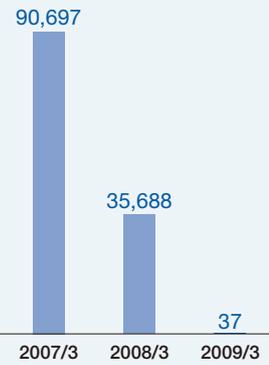
### Operating income

(Millions of yen)



### Ordinary income

(Millions of yen)



### Net income (loss)/ Net income (loss) per share

(Millions of yen/Yen)



■ Net income (loss) ● Net income (loss) per share

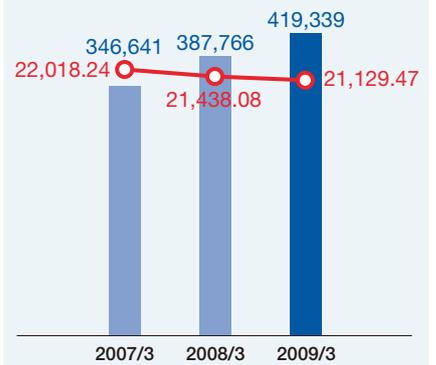
### Total assets

(Millions of yen)



### Total equity/ Book-value per share

(Millions of yen/Yen)



■ Total equity ● Book-value per share

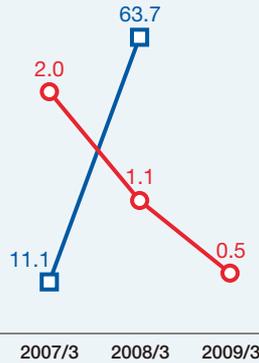
### Return on equity

(%)



### PER/PBR

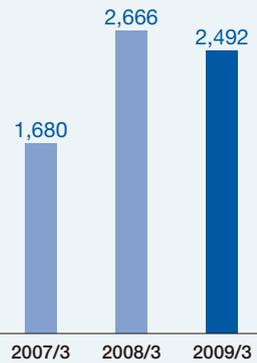
(Times)



■ PER ● PBR

### Employees

(Number)



The PER for the fiscal year ended March 31, 2009 is not provided due to the recording of a net loss.

## To Our Stakeholders

### **Yoshitaka Kitao**

*Representative Director & CEO*

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#### Profile

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

The SBIH Group, along with its mainstay Internet brokerage business, has resolutely entered into the Internet banking and Internet insurance businesses, establishing a globally unique “Internet-based financial conglomerate.” With this structure, a truly one-stop financial service platform has been created, where Group synergies within the financial conglomerate structure will be fully maximized to provide stronger future growth.

#### Overview of Fiscal Year 2008

The fiscal year ended March 31, 2009 was severely impacted by the U.S. subprime loan problem, which adversely affected the world’s financial markets, creating an extremely difficult business environment that hampered the domestic economy from the fall of 2008. Under such severe conditions, the consolidated performance of SBI Holdings, Inc. (“SBIH”) was adversely affected as the two key components of the company’s earnings, the Asset Management Business and SBI SECURITIES’ Brokerage & Investment Banking Business were greatly impacted by the deteriorating market conditions. Along with valuation losses on marketable securities and other losses arising as a result of the depressed stock market, operating revenues amounted to ¥130,923 million (down 41.2% year-on-year) with operating income at ¥4,404 million (down 89.7% year-on-year), ordinary income at ¥37 million (down 99.9% year-on-year) and a net loss of ¥18,375 million for the fiscal year.

Although valuation losses and allowances recorded totaled ¥14,768 million, most of this is attributable to a ¥6,773 million loss on valuation of investment securities of The Sumitomo

Trust and Banking Co., Ltd. shares held for the joint venture operations of our Internet bank, a ¥2,464 million allowance for a loan made to ZEPHYR Co., Ltd. and a ¥1,353 million loss from investment through the equity method for Broadmedia Corporation, among others. These were significant factors in the recording of a net loss for the fiscal year under review.

However, even under these unprecedented market conditions, the core businesses of Asset Management, Brokerage & Investment Banking, Financial Services and Housing and Real Estate all secured operating profits, reflecting solid business foundations that produce profits even under severe business conditions. Moreover, SBI Sumishin Net Bank, Ltd. in January of 2009, after only a year and four months since the start of operations, attained a profitable single month, as well as a profitable quarter basis for the first time in the fourth quarter of the fiscal year (January 1 to March 31, 2009). In addition, with the backdrop of a brisk domestic FX trading market, SBI Liquidity Market Co., Ltd. contributed ¥2,678 million to consolidated operating income over a short five month period since the start of its operations in

November 2008. In this way, some of our new businesses have already begun contributing to profits.

With respect to our financial condition, shareholders' equity ratio on a consolidated basis improved to 32.8% for the year ended March 31, 2009, up from 19.8% at the year ended March 31, 2008. In addition, a total of ¥105,940 million of corporate bonds were redeemed during the fiscal year, improving the interest-bearing debt ratio to 37.1% from 101.0% at the end of March 31, 2008. Our cash deposit level was at a relatively high ¥127,123 million (¥160,281 million at March 31, 2008), despite increasing total assets caused by the asset and liability accounts at securities companies, attesting to the soundness of the company's financial condition.

Regarding dividends, it has been the basic policy of SBIH to distribute dividends of retained earnings upon consideration of factors such as the Group's consolidated results and the company share price. In accordance with these guidelines, an annual dividend of ¥100 per share was paid out for the fiscal year ended March 31, 2009.

In order to better clarify its profit distribution standards linked to the Group's financial performance, starting in the fiscal year ending March 31, 2010, SBIH will implement a dividend policy aiming for a payout of approximately 20% to 50% of its consolidated net income as a basic policy for an annual year-end dividend payment.

## Striving for Further Growth

The current fiscal year ending March 31, 2010 will be a year for management to further effectuate its efficiency through the restructuring of the Group's internal structure, and to cultivate the new core businesses of Internet banking, Internet nonlife and Internet life insurance businesses that were established between 2007 and 2008. In order to establish a revenue base that is not solely reliant on the stock market, we are aggressively strategizing to bring these companies to profitability in the shortest timeframe possible through the full utilization of the Group's synergies. Furthermore, in order to take full advantage of the coming stock market recovery, we have endeavored to increase our share of the Internet securities business to be strategically positioned for maximum impact on profitability.

With reference to our overseas business development, since the fiscal year ended March 31, 2006, we have focused on and steadily increased investments in China and other emerging Asian countries with high growth potential, to the point where the overseas operations now account for 10% of the total consolidated revenues. As for the second phase of our overseas business development, through the utilization of the networks established by our venture fund investments into promising overseas companies, we will eventually transplant our online businesses, such as our Internet securities business, to the overseas markets, with the expectation of building a financial ecosystem

similar to that which was established in Japan in those countries. By doing so, we will rapidly transform ourselves “from Japan’s SBI to the world’s SBI,” with the expectation of continued growth as a global entity.

The SBIH Group is a globally unique Internet-based financial conglomerate, that maximizes the utilization of a potent weapon: the Internet. In order to ensure our future growth, we will continue to aggressively challenge potentially meaningful new business opportunities. We will also persist with our customer-centric principle, to

bring further innovative services and businesses to our customers and investors, so to maximize the pursuit of customer value, shareholder value and human capital value, the sum total of which equates to corporate value.

北尾吉孝   
**Yoshitaka Kitao**  
 Representative Director & CEO

**Selected books authored by Mr. Kitao**



- **The SBIH Group Vision and Strategy: Continuously Evolving Management** (English language translation published by John Wiley & Sons, Inc.)  
(Chinese translation published by Tsinghua University Press)
- **Challenges of E-Finance I** (Chinese translation published by The Commercial Press)  
(Korean translation published by Dongbang Media Co., Ltd.)
- **Challenges of E-Finance II** (Korean translation published by Dongbang Media Co., Ltd.)
- **“Value-Creation” Management** (Chinese translation published by The Commercial Press)  
(Korean translation published by Dongbang Media Co., Ltd.)

(The above four books are published in Japan by Toyo Keizai Inc.)



- **Universal Management, Growth Management** (Korean translation published by Dongbang Media Co., Ltd.)  
(Chinese translation published by World Affairs Press)
- **Developing Character** (Chinese translation published by World Affairs Press)

(The above two books are published in Japan by PHP Research Institute)



- **Think Big, Don't Be the Little Guy**
- **Why Do We Work?** (Korean translation published by Joongang Books)

(The above two books are published in Japan by Chichi Publication)



- **“Mysterious Powers” Gained from Chinese Classics** (Chinese translation published by Peking University Press)

(Published in Japan by Mikasa Shobo Co., Ltd.)



- **Reading the Times** (Published in Japan by KEIZAIKAI CO.,LTD.)
- **Yoshitaka Kitao's Business Management Lecture** (Published in Japan by KIGYOKA NETWORK)

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# The SBIH Group 10th Anniversary Special Topic

## —The History of the Past Decade—

# The SBIH Group Celebrates Its 10th Anniversary Thanks to All of You

## The History of the SBIH Group and Its Remarkable Growth

March 2001 Established



**SBI Biotech Co., Ltd.**

(Renamed in January 2007)

Conducts business as a global bioventure company by assembling discovery pipelines from Japan, the United States, China and Korea.

July 2005 Renamed



Corporate name changed from SOFTBANK INVESTMENT CORPORATION to SBI Holdings, Inc. and transitioned to a holding company structure.

July 1999 Established



**SBI Investment Co., Ltd.**

(Renamed in July 2005)

Japan's leading venture capital firm.

(As of end of July 2009)

Assets under management: approx. ¥150.5 billion  
(based on contribution commitments)

July 2004

Became a consolidated subsidiary



**Morningstar Japan K.K.**

Providing Internet-based comprehensive financial information, primarily rating information on over 2,700 Japanese and overseas investment trusts through the use of a star symbol rating system.

(As of end of July 2009)

Number of portfolio registrations: approx. 43,000 people

May 2001 Started operations



**SBI Mortgage Co., Ltd.**

Offers the industry's lowest level of interest rate primarily for "Flat 35" long-term fixed-rate housing loans as Japan's first mortgage bank.

(As of end of July 2009)

Housing loans outstanding: ¥501.3 billion

February 2004

Became a consolidated subsidiary



**SBI VeriTrans Co., Ltd.**

(Established in April 1997)

Leading the e-commerce market in Japan as a settlement innovator supporting the growth of e-commerce by building a solid Internet-based settlement infrastructure.

(As of end of March 2009)

Annual number of transactions: approx. 51.6 million transactions

March 1999

SOFTBANK CORP.'s Administrative Division spun off as an independent company, SOFTBANK FINANCE CORPORATION, an operating holding company that oversees financial-related companies. Initial team consisted of 55 employees.

(As of end of June 2009)

Number of employees:  
2,453 employees (consolidated)

**Japan's leading online securities company  
in terms of number of customer accounts**

October 1999

Started offering online trading



**SBI SECURITIES Co., Ltd.**

Pioneer of the comprehensive online securities company in Japan, offering customers innovative fee structures, state-of-the-art functionality, and a broad range of services. Always leading the market.

(As of end of July 2009)

Number of customer accounts: 1,929,671 accounts

# 1999

The SBIH Group has five core businesses: Asset Management, which primarily involves the operation of investment funds; Brokerage & Investment Banking, primarily the securities business; Financial Services, which offers a variety of innovative financial services; Housing and Real Estate, primarily involving investments and development of real estate; and System Solution. As an Internet-based comprehensive financial group which primarily focuses on financial businesses but includes non-financial operations as well, the SBIH Group is strategically positioned for future growth as it continues to pursue the convergence of the Internet and finance.

**April 2008** Established



**SBI ALApromo Co., Ltd.**

A joint venture with COSMO OIL CO., LTD., that develops and sells pharmaceutical, cosmetics and health food products that contain the amino acid "5-ALA" as the main active ingredient.

**June 2009** Established

**Wall Street Journal Japan K.K.**

A joint venture with Dow Jones & Company (U.S.), a leading provider of global business news and information services, providing Japanese translations of content on the Japanese website of WSJ.com (under construction).

**February 2007** Established

**SBI Ven Capital Pte. Ltd.**

**SBI VEN CAPITAL PTE. LTD.**

Singapore subsidiary investing and managing funds that target emerging countries with high growth potential, primarily in Asia.

**January 2008** Started operations

**SBI損保**

**SBI Insurance Co., Ltd.**

Providing optimal auto insurance with the industry's lowest level of premiums in Japan through maximum utilization of the Internet.

(As of end of July 2009)  
Number of auto insurance contracts:  
approx. 68,000 contracts (accumulated total)

2009

**September 2007** Started operations

**SBI Sumishin Net Bank SBI Sumishin Net Bank, Ltd.**

Japan's first Internet bank with full banking services. Providing seamless services between bank and securities accounts through an alliance with SBI SECURITIES.

(As of end of July 2009)  
Number of customer accounts: 510,962 accounts  
Deposits: ¥711.5 billion

Started three  
new core businesses  
Completion of  
"Financial Conglomerate"

**April 2008** Started operations

**SBI アクサ生命 SBI AXA Life Insurance Co., Ltd.**

Offering the lowest level of premiums of life policies in Japan as the first full Internet-based life insurance company.

(As of end of July 2009)  
Sales of new policies for term life and medical insurances: more than 9,500 contracts (accumulated total)

**August 2007** Started operations

**SBI Japannext**

**SBI Japannext Co., Ltd.**

Providing further investment opportunities to investors through daytime and nighttime trading with our PTS (Proprietary Trading System).

(As of end of July 2009)  
Trading hours: (daytime) 8:20 to 16:30  
(nighttime) 19:00 to 23:59, 0:30 to 2:00  
Monthly trading volume: ¥166.9 billion

**November 2008** Started operations

**SBI Liquidity Market SBI Liquidity Market Co., Ltd.**

Providing a highly convenient FX margin trading environment that ensures liquidity for foreign exchanges.

(As of end of July 2009)  
Number of customer accounts for SBI SECURITIES (SBI FXα): 128,058 accounts

**March 2008**

Became a consolidated subsidiary

**SBI Net Systems**

**SBI Net Systems Co., Ltd.**

Operating information security and financial system development businesses that support the SBIH Group's Internet-based comprehensive financial business platform.

**Strategic Business Innovator**  
Toward a New Evolutionary Process

# The SBIH Group Adherence to the “Customer-centric Principle”

## The Three Fundamental Organizational Concepts that Support the Rapid Growth of the SBIH Group

### 1. Adherence to the “Customer-centric Principle”

Adherence to the “customer-centric principle” itself is the philosophy that permeates through all SBIH Group business activities. This is manifested in the low cost competitive commissions made possible through the utilization of the Internet, the provision of attractive investment opportunities, highly secure and reliable services, and abundant high-quality financial contents. First and foremost, by thinking about the customer, we earn the customer’s trust, which results in the SBIH Group’s continued growth. Over the past decade, in various forms and places, the SBIH Group is proud to state that we have adhered to our customer-centric principle.

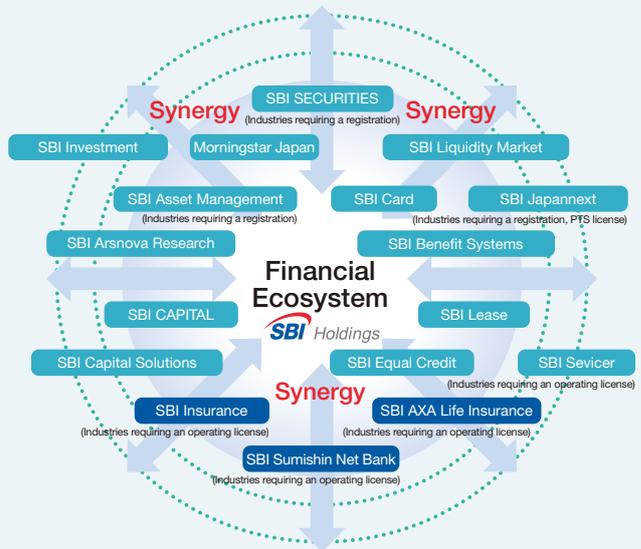
#### Current status of the SBIH Group presented numerically

	1999 (start of the SBIH Group)	End of March 2009
Operating revenues (consolidated)	0	<b>¥130.9 billion</b> Peak time: ¥222.6 billion (FY2007)
Paid-in capital	¥50 million	<b>¥55.2 billion</b>
Net assets	¥50 million	<b>¥419.3 billion</b>
Consolidated subsidiaries in number	0	<b>82 subsidiaries</b> (including partnership)
Customer base	0	<b>Approx. 8 million</b> <b>2,492 employees</b>
Employees (consolidated)	55 employees	Peak time: 2,666 employees (FY2007)
Number of shareholders	1 company	<b>208,856 shareholders</b>
Foreign investors’ shareholding ratio	Unlisted	<b>44.2%</b>

### 2. Completing the “Business Ecosystem” and a “Structural Differentiation”

In the Internet Age, customer needs have become so diverse that their satisfaction cannot be attained simply through price or quality differentiation. The SBIH Group believes that in such a changing environment it is essential to have an organizational strategy that produces “structural differentiation,” in order to enhance customer satisfaction and to realize competitive advantages. Therefore, the

various Group companies that provide financial services have organically combined, and through the full utilization of synergistic effects have produced a “business ecosystem” that offers a one-stop financial service.



### 3. Creation of a “Network Value”

The Internet Age demands the creation of a “network value” that is comprehensively provided by companies linked through a network of information, finance and service. In short, formulating a network to provide all genres of information and services derived from customer needs results in the effective support of the buying behavior of customers. For example, the SBIH Group has already created a network that provides all the information and services necessary for a customer who wants to purchase a home. Through SBI Mortgage and SBI Sumishin Net Bank mortgages are available, and if regional information is needed, SeikatsuGuide.com can provide such information, and if insurance information is needed, InsWeb and others are available to provide pertinent insurance information.

In 1999, the SBIH Group started from zero, but in the past decade has grown into a comprehensive Internet financial group with ¥130.9 billion in operating revenues, ¥55.2 billion in paid-in capital, ¥419.3 billion in net assets, 82 subsidiaries, a customer base of approximately 8 million, 2,492 employees and 208,856 shareholders.

## New Challenges for Self-evolution

### 1. Thorough Pursuit of Group Synergies

Since its inception, the SBIH Group has undertaken the challenge of providing low-cost, user-friendly financial services by fully leveraging the power of the Internet. Each SBIH Group company has been evaluated for its services and has continued to grow over the years, but going forward additional synergies between the companies will be sought by deepening the ties between the Group companies, so that the Group's financial products may be seamlessly provided on a one-stop basis.

### 2. Becoming Japan's Largest Distributor of Financial Products

In order to satisfy various customers, it may not be enough to just provide services through the Internet channel. As an example, when selecting a financial product, there may be customers who may want to discuss the product on a face-to-face basis. Therefore, there is a need to combine "online" services with "real" services.

The SBIH Group already operates "real" face-to-face channels made up of 23 nationwide direct sales offices of SBI SECURITIES, and 40 nationwide "SBI Housing Loan Shops," that are franchises of SBI Mortgage. In the near future, we will begin our full-fledged efforts to provide financial products at a one-stop location through "SBI Money Plaza." In July 2009, we opened our first shop in Kashiwa City, Chiba Prefecture, and we quickly expanded to a third location in the Ginza district of Tokyo by August. SBI Money Plaza will not limit itself to SBIH Group products, and will aggressively handle non-Group company products if they are superior products.

The SBIH Group is developing "face-to-face" sales channels for auto-related financial products through SBI Auto-Support, which includes auto insurance through SBI Insurance, and auto loans through SBI Sumishin Net Bank.

We are also working to expand our "face-to-face" channels through non-auto related companies, such as



Opening ceremony for our Ginza, Tokyo, location (third location)

"SBI Housing Loan Shop/SBI Money Plaza" in Kashiwa City Chiba Prefecture

our alliance with the GEO Group that began in July 2009. The GEO Group is a substantial video and DVD business that consists of about 950 stores nationwide, and at GEO stores SBI Insurance's auto insurance is introduced to their customers.

Our objective is to become a true one-stop financial services provider that is capable of offering optimal financial products at a low cost through both the Internet and "face-to-face" channels for every single individual who visits our locations.

### 3. Global Development Focused on Asia

Over the past decade, as a venture capital company the SBIH Group has invested in and fostered venture companies in Japan. Looking to the future, we will join with prominent local partners to manage investment funds, primarily in the emerging Asian countries with high growth potential, to aggressively foster companies overseas.

All for Customers,  
All for Investors, and  
All for all the People.

# 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.

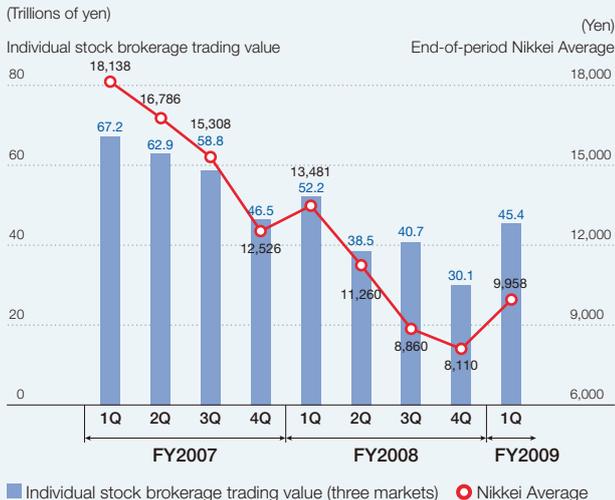
The Nikkei Average ended FY2008 at ¥8,110, or 35.3% below the ¥12,526 close at the end of FY2007. The corresponding cumulative individual stock brokerage trading value declined by 31.4% to ¥161.67 trillion, as the domestic stock market deteriorated further since FY2007, the year in which the subprime 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





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

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.

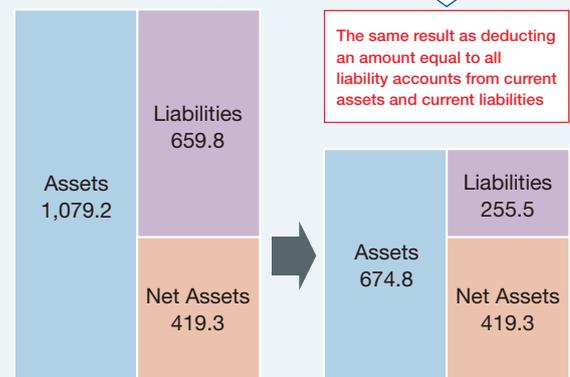
Owing to our subsidiary SBI SECURITIES, our consolidated balance sheet includes assets held in customer securities accounts, which is inflated owing to the inclusion of margin transaction assets and deposits of current assets. Also included are margin transaction liabilities and customers' security deposits 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.

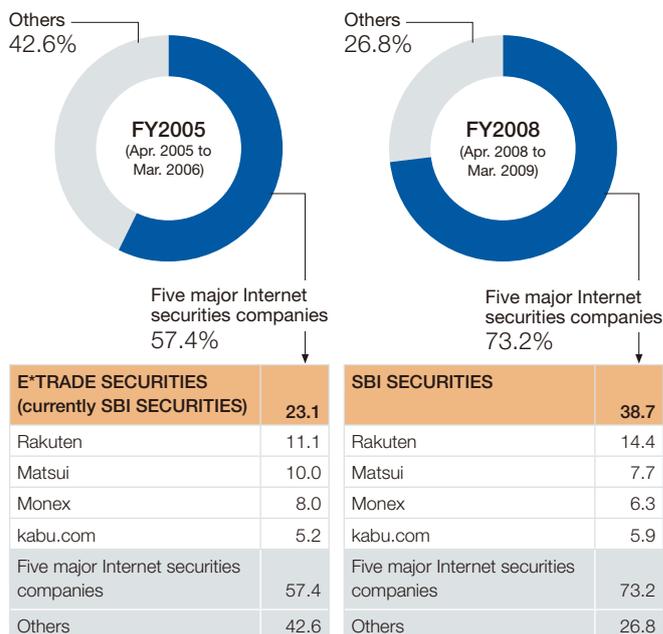
#### New Investments During FY2008

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.

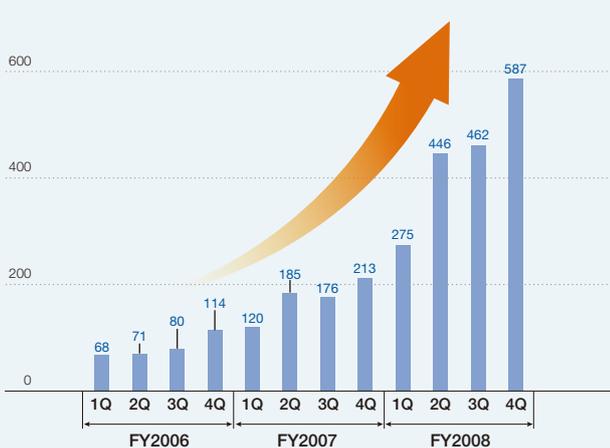
At SBI SECURITIES, from July 2008 FX fees were eliminated and FX spreads were narrowed, and in November a new service, "SBI FX α" utilizing SBI Liquidity Market was introduced. As a result, monthly trading value during June 2009 increased by 13 times on a year-on-year basis, amounting to ¥5,775 billion. 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.

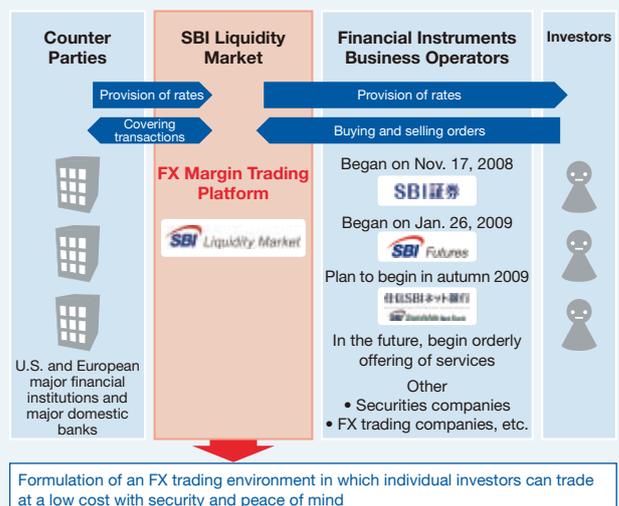
In response to the rapidly growing FX trading market, going into FY2009, the Financial Services Agency (FSA) announced a proposal to strengthen regulations concerning the market. For example, this proposal includes the control of leverage through phases, the incorporation of customer asset management 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.

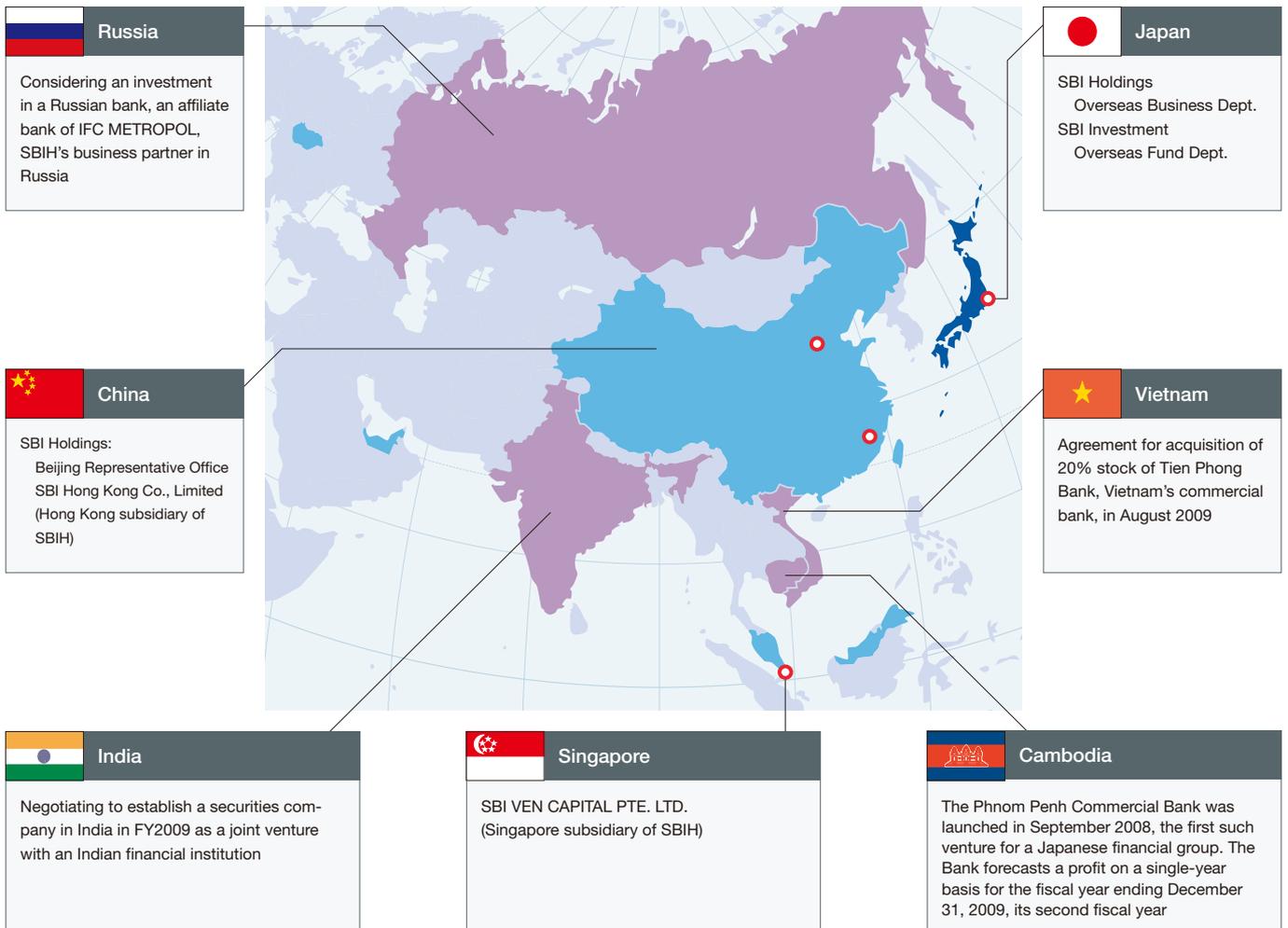
More specifically, we are focusing on the establishment of banking businesses in Asian countries. For instance, in September 2008 we established the Phnom Penh Commercial Bank in Cambodia, which by April 2009 succeeded in eliminating its cumulative losses for the fiscal year ending December 31, 2009 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



## 2

## 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)**

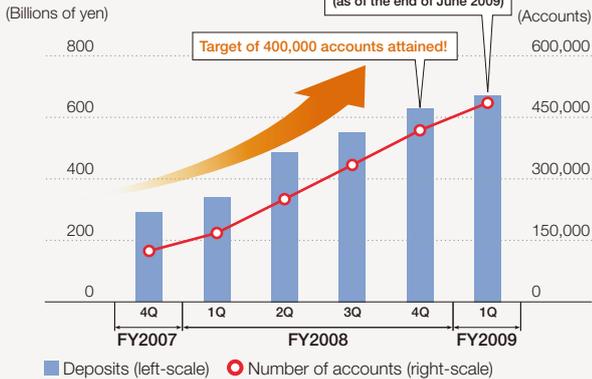
SBI AXA Life Insurance, as Japan’s first Internet-based life insurance company, initially experienced a difficult competitive environment as the name recognition of the company’s brand was relatively low. However, in order to overcome this situation and to increase the number of acquisition of new contracts, 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

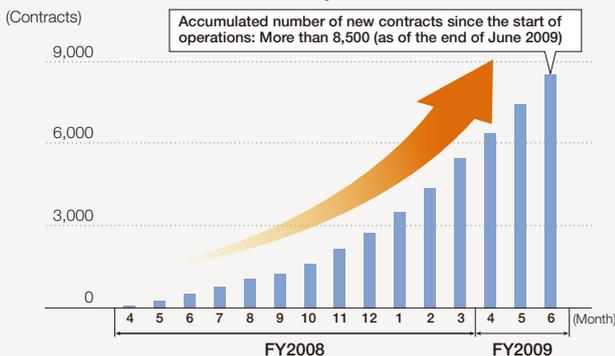
**Current Progress as of FY2008 and Objectives to Achieve Profitability**

	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

Q  
2

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

A  
2

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.



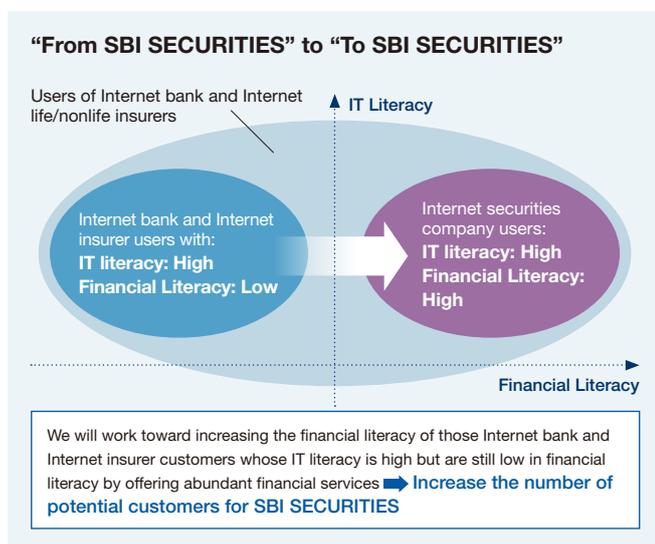
Since its inception in 1999, the SBIH Group has established various operating companies, including a number of joint ventures with various prominent partners in the financial field to broaden the scope of our financial ecosystem. Finally, we are able to complete the organization of an “Internet financial 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

**Q** What are your thoughts on “enhancing corporate value?”  
**A** 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.



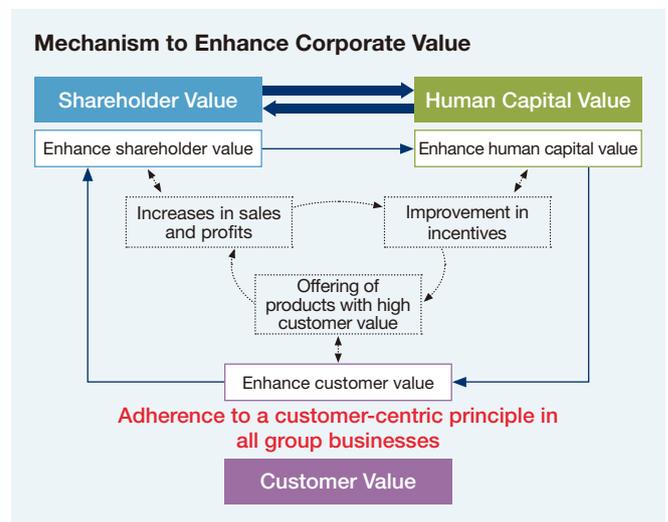
#### <The Concept of the SBIH Group’s “Corporate Value”>

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.



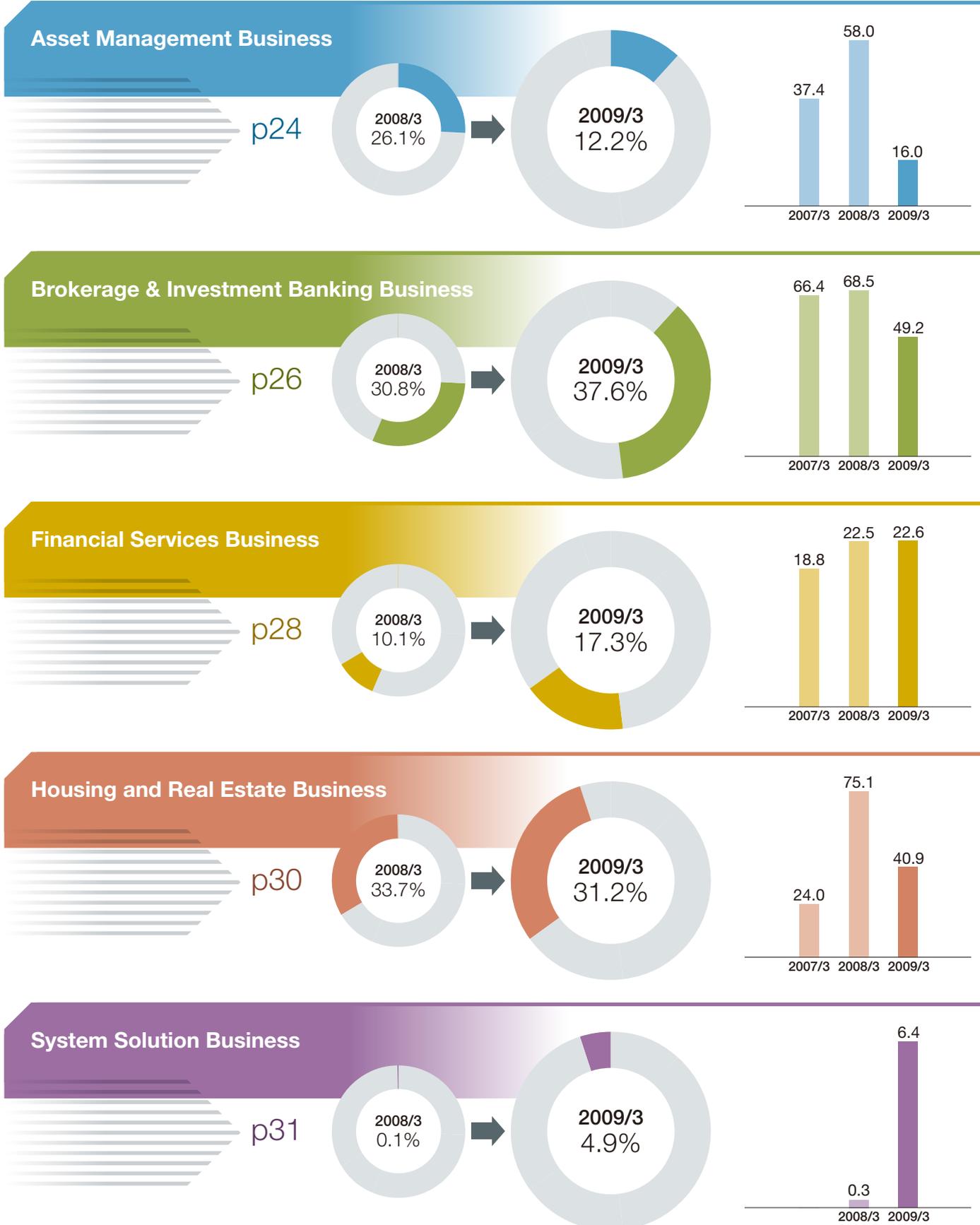
#### <Dividends>

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.

# The SBIH Group at a Glance

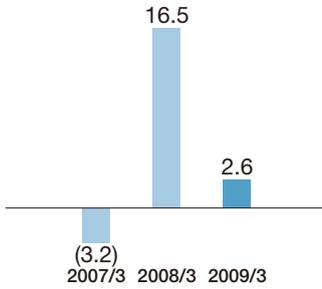
**Ratio of Operating Revenues to Total Consolidated Operating Revenues**  
(FY2007 and FY2008)

**Operating Revenues**  
(Billions of yen)



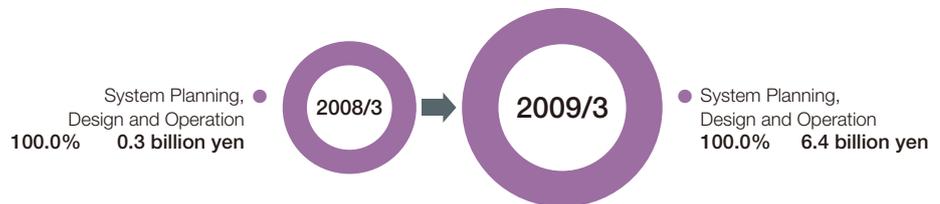
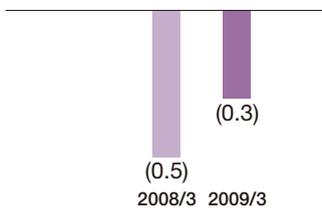
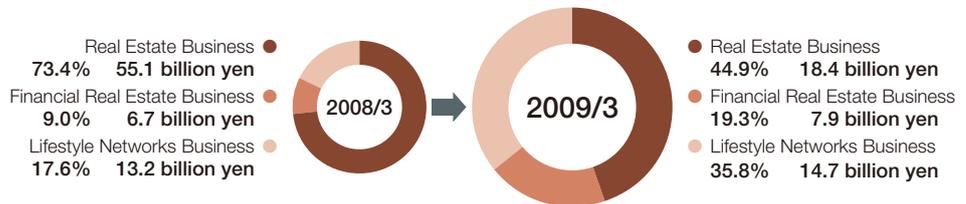
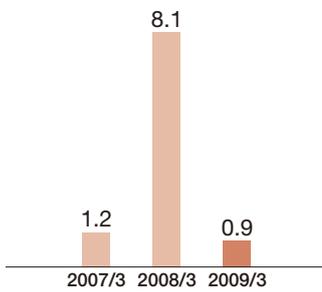
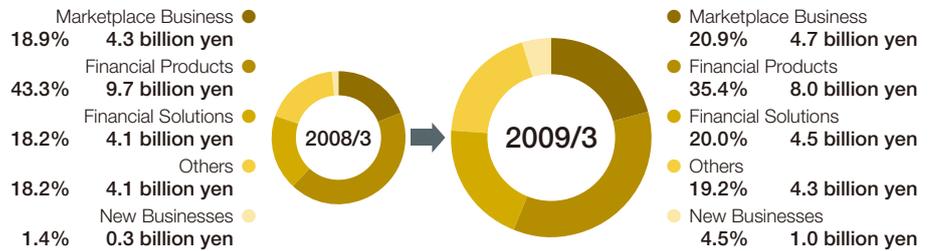
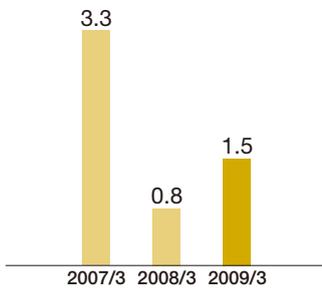
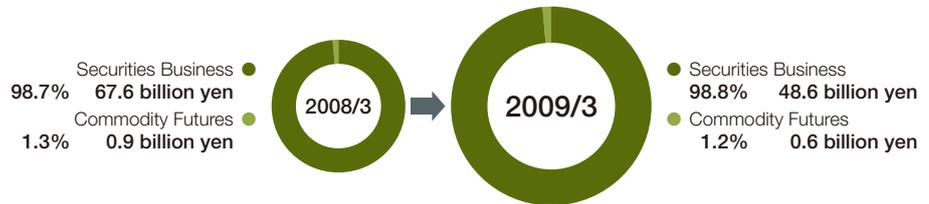
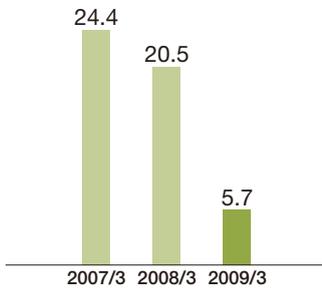
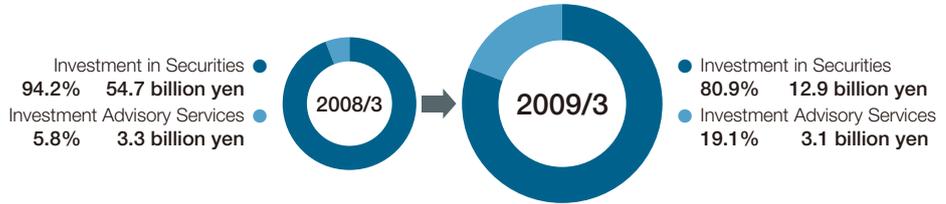
**Operating Income (Loss)**

(Billions of yen)



**Operating Revenues by Segments**

(Share of consolidated revenues in years ended March 31, 2008 and 2009)



# Review of Operations by Business Segments

## Asset Management Business

### Financial Results of FY2008

The Asset Management Business is comprised of two businesses, a securities investment business and investment advisory and other services business. The securities investment business involves investing in venture companies such as information technology, biotechnology, broadband networks, media and mobile communications, etc., as well as companies in need of restructuring. The investment advisory and other services business is primarily involved in managing mutual funds.

The Asset Management Business recorded operating revenue of ¥16.0 billion for FY2008, down 72% from FY2007. The primary reason for the decline was the sharp reduction in the number of IPOs from the previous fiscal year, leading to an operating income of ¥2.6 billion, down 84% from FY2007. While all of our competitors reported operating losses under such conditions, we were able to report an operating profit because the New Horizon Fund, which entered its harvesting period, contributed ¥4.6 billion in operating income.

### Further Deterioration of the IPO Market

FY2008 experienced an accelerated decline in the domestic stock market from the previous fiscal year, as all the domestic stock markets only produced 34 IPOs, a significant decline from the 99 IPOs in FY2007, attesting to the dramatic slowdown of the domestic IPO market.

Not only did the IPO market decline in Japan, there was a sharp decrease throughout the global stock markets, as reflected by the decline in global IPOs to 559 companies (approx. 26% of FY2007), and a decline in total funds raised to \$55 billion (approx. 19% of FY2007).

These conditions adversely affected the SBIH Group's portfolio companies, causing many to postpone their initial IPO plans and resulted in no IPOs for the Group portfolio companies in FY2008, including overseas companies.

### A Consistently High Level of Investments and High Operational Performance

The SBIH Group's investment funds are not restricted to investments in venture companies planning IPOs. For instance, SBI CAPITAL manages buyout funds that invest primarily in promising medium-size companies that are already listed on the emerging markets, as well as in high growth potential companies.

We believe that the harsh conditions under which the market malaise continues is an excellent market opportunity to make investments. So, for that reason the FY2008 investment amount by the SBIH Group managed funds totaled ¥82.0 billion with direct investments through SBI Holdings of ¥13.2 billion, for a total investment amount of ¥95.2 billion in 118 companies. This high level of investment follows the ¥101.0 billion invested in FY2007.

As shown in the table below, the SBIH Group-managed funds have recorded high operational performance results that significantly outperformed competitor venture capital companies in Japan.

### Track Records of Major Japanese Venture Capital Firms (Redeemed Funds)

	JAFCO			SBIH Group			Daiwa SMBC Capital		
	Established	Fund	IRR	Established	Fund	IRR	Established	Fund	IRR
Established 1990s	1991	JAFCO R1 (A) (B)	1.2	1995	Softven No. 2 Limited Partnerships <sup>*1</sup>	20.4	1990	NIF #8	3.4
	1991	JAFCO G5	4.2	1996	SOFTBANK Ventures SV Angel '96 Profit-Participation Bonds <sup>*2</sup>	20.5	1990	NIF #9	0.5
	1992	JAVP2	3.2		1991	NIF 10-A	3.0		
	1992	JAFCO R2	4.4	1997	SOFTBANK Contents Fund	5.0	1991	NIF 10-B	3.0
	1995	JAFCO R3	12.9				1991	ML-NIF1	5.4
	1995	JAFCO G6 (A) (B)	10.9				1992	NIF #11	1.9
	1997	JAFCO G7 (A) (B)	6.2						
Average IRR			6.1			15.3			2.9
					approx. 2.5 times				approx. 5.3 times
Established 2000s	2000 <sup>*3</sup>	JATF	0.9	2000	SOFTBANK Internet Technology Fund	6.5			
	2004	JAFCO MBO2	6.4	2001	SBI-LBO-Fund No. 1	18.3			
	2005	JATF III	11.3	2002	Enterprise Restructuring Fund No. 1	25.7			Not announced
				2002	VR Enterprise Restructuring Fund	27.7			
Average IRR			6.2			19.6			
					approx. 3.1 times				

Source: Based on companies materials. IRR taken directly from each company's IR material.

\*1. The original general partner of Softven No. 2 was Softbank Investment, which is now SBI Investment.

\*2. The original general partner of SOFTBANK Ventures SV Angel '96 was SOFTBANK Ventures, which is now SBI Investment.

\*3. JAFCO funds established after 2000 are funds currently under management and are included here as reference.

\*4. JAFCO funds with negative IRR are excluded.

Along with the trust and brand reputation that the Asset Management Business has cultivated thus far, it is expanding its alliances with prominent partners in Japan and overseas. In Japan, in addition to information technology and biotechnology, the scope of investment activities have been expanded to encompass the environment and energy sectors. Additionally, investments outside of Japan are increasing, with a current focus on Asian countries.

### Assets Under Management of the SBIH Group Funds

SBIH Group total assets under management for FY2008 were down ¥133.6 billion from FY2007 to ¥493.5 billion, of which ¥241.2 billion was private equity.

### Overview of the New Horizon Fund

The New Horizon Fund (with 6 of its 10 investee companies becoming listed from the start of operations in May 2005 through the end of FY2008), despite the decline in the Chinese stock market, has secured sufficient unrealized capital gains. Owing to the realization of some of the capital gains during FY2008, a ¥4.6 billion contribution to operating income was realized.

Going into 2009, the Chinese stock market is rapidly recovering, and consequently there has already been one completed IPO in the first quarter of FY2009. Under the circumstances, we are forecasting the possibility (as of July 28, 2009) of an ¥8.1 billion distribution during FY2009, with the potential of larger dividends depending on market conditions.

### Assets Under Management of the SBIH Group

#### AUM of the SBIH Group amounted to 493.5 billion yen (Incl. real estate)

(Billions of yen)

<b>Private equity</b>	<b>Total: 241.2</b>	<b>(Environment/Energy)</b>	<b>6.8</b>
<b>(IT/Biotechnology)</b>	<b>Total: 120.5</b>	<b>(Buyout/Mezzanine)</b>	<b>Total: 35.2</b>
Internet	6.7	Value Up	19.2
Broadband/Media	57.3	Mezzanine	16.0
Mobile services	27.7		
Biotech/Others	28.7		
<b>(Direct investment)</b>	<b>25.1</b>	<b>(Overseas)</b>	<b>Total: 53.6</b>
		China/Hong Kong	35.9
		Vietnam <sup>*1</sup>	8.2
		India <sup>*2</sup>	9.6
<b>(Investment trusts, others)</b>	<b>Total: 194.7</b>	<b>(Real estate, others)</b>	<b>Total: 57.6</b>
Investment trusts	31.0	Development	22.4
Investment advisory	161.5	Completed properties	35.2
Investment companies	2.2		

The figures for real estate investments reflect the total amount of investments, and investment trusts and investment advisory services reflect net assets at market value as of the end of March 2009. Figures for other funds reflect net assets at market value based on the most recent financial report for each fund as of March 2009. Figures are rounded to the nearest ¥100 million. Funds that do not close before the fiscal year end are calculated based on contribution commitments.

### Performance of New Horizon Fund

(Millions of U.S. dollars)

Portfolio companies	Investment Balance	Category	IPO/M&A (planned)	Capital Gain		
				End Mar. 08	End Mar. 09	As of Jul. 28, 2009
Sichuan Meifeng Chemical Industry	11.2	A-Class share		63.7	26.4	34.0
Changsha Zoomlion Heavy Industry Science & Technology Development	4.4	A-Class share		144.6	66.6	64.0
China Printing & Dyeing Holding	–	IPO		0.2	–	– <sup>*1</sup>
Yingli Green Energy Holding	–	IPO		4.5	–	–
Kingsoft	–	IPO		2.3	4.4	–
Goldwind Science and Technology	0.5	A-Class share		124.9	29.9	15.5
China Cord Blood Services Corporation	4.1	IPO		17.6	17.6	12.0
Jiangsu Ealong Biotech	2.5	Pre-M&A	2010	5.6	5.6	5.6
Shineway Group	20.4	Pre-IPO	2010	15.0	15.0	15.0
Cathay Industrial Biotech	12.0	Pre-IPO	2011	79.1	79.1	79.1
<b>Total</b>	<b>55.1</b>			<b>457.5</b>	<b>244.6</b>	<b>225.2</b>

IPO'd (market value)

Pre-IPO/M&A (estimated value)

[Received Dividends]<sup>\*2</sup> (Billions of yen)

[Estimated Dividends after FY2009] (As of July 28, 2009)

Foundation–FY2007	FY2008	FY2009	FY2010	FY2011	Total Estimated Dividends, after FY09
0.9	6.1	8.1	2.8	3.2	14.1

Note: The estimated dividends are not confirmed as they are based on estimated stock values of pre-IPO or M&A companies

\*1 In the course of liquidation

\*2 Sales amount after deduction of expenses associated with sales

### Principal Companies in the Asset Management Business

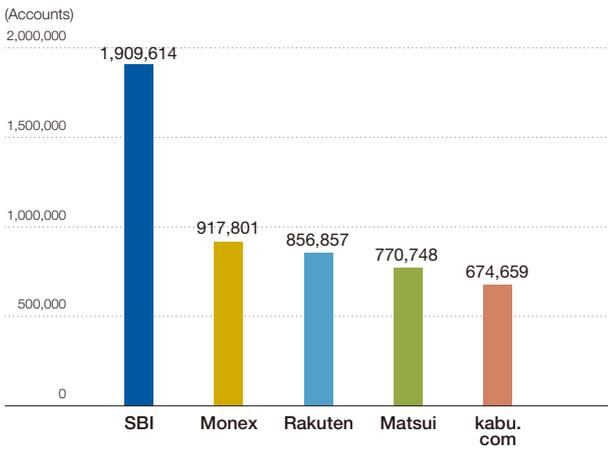
Company name	Business
SBI Investment Co., Ltd.	Venture capital fund management
SBI CAPITAL Co., Ltd.	Buyout and value up fund management
SBI Capital Solutions Co., Ltd.	Mezzanine fund management
SBI Asset Management Co., Ltd.	Investment trust management, investment advisory services
SBI VEN CAPITAL PTE. LTD.	Overseas investment activities

# Brokerage & Investment Banking Business

## Financial Results of FY2008

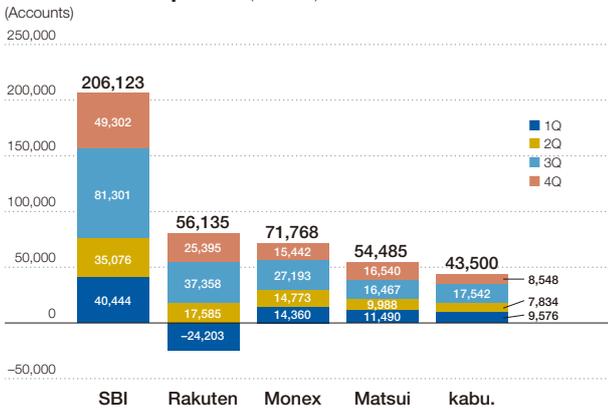
The Brokerage & Investment Banking Business in FY2008 was comprised of two businesses, the securities business and the commodity futures business. The securities business involves the brokerage of securities transactions, the underwriting and selling of IPOs and the placement and distribution of securities. The commodity futures business involved the trading of commodity futures contracts, however operation of this business ceased as of the end of July 2009.

### Customer Accounts of Five Major Online Securities Companies (As of end of June 2009)



Source: Compiled by SBIH based on websites and other public information for each company

### Comparison of New Accounts at Major Online Securities Companies (FY2008)



Source: Compiled by SBIH based on websites and other public information for each company

\*1. Rakuten Securities, Inc. closed certain customer accounts in June 2008 and changed its disclosure criteria to an account opening basis  
 \*2. Matsui Securities closed certain customer accounts (11,140 accounts) in December 2008

Operating revenues in the Brokerage & Investment Banking Business for FY2008 were down 28% to ¥49.2 billion. Of the total, ¥48.6 billion was contributed from the securities related operations of SBI SECURITIES and SBI Liquidity Market. The remaining ¥0.6 billion was recorded from the commodity futures business of SBI Futures.

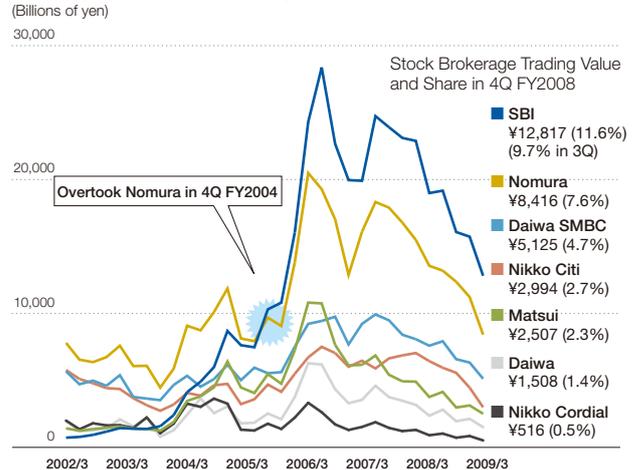
### SBI SECURITIES' Continuing Market Share Expansion Supported by a Dominant Customer Base

In spite of the difficult economic environment, customer accounts at the five major online securities companies continue to steadily increase, and during FY2008 SBI SECURITIES added 206,123 new customer accounts.

Also, within an environment where the overall individual stock brokerage trading value has declined, the share of the individual stock brokerage trading value held by the five major online securities companies has continued to increase, and encompassed a 73.2% market share for FY2008. Within this backdrop, SBI SECURITIES has also steadily increased its market share of the individual stock brokerage trading value to 38.7% for FY2008.

In terms of the overall stock brokerage trading value, including orders from institutional and foreign investors, SBI SECURITIES recorded an 11.6% market share for the fourth quarter of FY2008. From the fourth quarter of FY2004, when SBI SECURITIES overtook Nomura Securities, as well as the domestic conventional (face-to-face) securities companies and others, for the past 17 consecutive quarters SBI SECURITIES has retained the number one market share position in terms of overall stock brokerage trading value.

### Change in Stock Brokerage Trading Value for Major Securities Companies



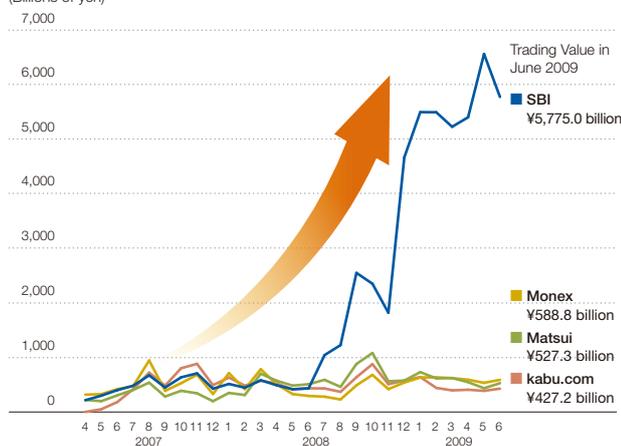
Source: Based on TSE and company materials (SBI SECURITIES includes orders from overseas investors)

**SBI SECURITIES**, with its firm commitment to the customer-centric principle, has continued to provide the “industry’s lowest level of commission rates and the industry’s highest level of quality service.” Furthermore, it is working to establish a new business model to become Japan’s first “Bricks-and-mortar, based-on-the-Internet securities company,” and with the backdrop of an outstanding market share in the brokerage business, the number of customer accounts has continued to increase.

### SBI Liquidity Market Has Contributed Substantively to Earnings in Only Four Months Since Its Inception

SBI Liquidity Market provides a convenient and liquid market infrastructure for foreign exchange (FX) margin trading, and was conceived to provide such a service for brokerage firms and financial instrument trading business firms, with operations commencing on November 17, 2008. As of the end of June 2009, 13 foreign and domestic financial institutions including Citibank and The Bank of Tokyo-Mitsubishi UFJ are counterparties in the operations, and provide SBI SECURITIES and SBI Futures’ customers with a very competitive FX trading operation. Going forward, SBI Sumishin Net Bank, as well as other non-Group financial companies, are expected to connect to the operations, eventually leading to an increased volume of FX trading.

**Foreign Exchange Margin Trading Value of the Four Major Online Securities Companies**  
(Billions of yen)



\*1 Four online securities firms that disclosed information (SBI SECURITIES, Monex, Matsui and kabu.com)

\*2 Trading value total of “SBI FX” and “SBI FXα” from Nov. 2008 to Feb. 2009  
Source: Compiled by SBIH from disclosed information

### The Start of Daytime Trading at SBI Japannext

The Japannext PTS, operated by SBI Japannext, through its highly accessible proprietary trading system (PTS), started nighttime trading in August 2007 and has since started daytime trading beginning in October 2008. Consequently, proceeds from trades increased significantly, with the June 2009 trading value reaching ¥149.2 billion, an historical monthly high. This is the result of the highly functional trading system, and a daytime tick size of one-tenth or less than that of the Tokyo Stock Exchange. Both of these factors have contributed to the recognition of the Japannext PTS as a facilitator of trades at advantageous prices. As it is conceivable that the trend toward superior execution will accelerate, with Japannext PTS’ highly functional trading system along with its offering of a smaller tick size, the operation is likely to continue to attract more investors. Consequently, through increased liquidity, the trading volume should increase as well.

### Further Diversification of the Revenue Base

Along with increasing the number of products and services available to continue the growth of the Brokerage & Investment Banking Business, SBI SECURITIES continues to diversify its revenue base.

SBI SECURITIES will increase its collaboration with companies such as SBI Liquidity Market, Japannext PTS, Morningstar Japan (which provides rating information on financial products), and SBI Fund Bank (which is a financial product agent primarily for investment trusts), as well as other companies both within and outside of the SBIH Group, to fully leverage synergistic effects and to strengthen its earnings power.

### Principal Companies in the Brokerage & Investment Banking Business

Company name	Business
<b>SBI SECURITIES Co., Ltd.</b> (Formerly SBI E*TRADE SECURITIES Co., Ltd., renamed on July 1, 2008)	Comprehensive online securities company
<b>SBI Liquidity Market Co., Ltd.</b>	Provision of market infrastructure to supply liquidity to FX margin trading
<b>SBI Futures Co., Ltd.</b> (Become a wholly owned subsidiary of SBI Holdings, Inc. on August 1, 2009)	Online commodity futures broker (currently online FX margin trading services) (Ceased commodity futures brokerage operations on July 31, 2009)
<b>SBI Japannext Co., Ltd.</b>	Operation of PTS (proprietary trading system)
<b>SBI Fund Bank Co., Ltd.</b>	Financial product agent with emphasis on investment trusts

## Financial Services Business

### Financial Results of FY2008

The Financial Services Business is comprised of the marketplace business and other existing businesses, and new businesses.

For FY2008, the Financial Services Business recorded operating revenue of ¥22.6 billion, up 1% from FY2007, and operating income of ¥1.5 billion, up 76% year-on-year. The shrinking of the deficit of new businesses by ¥0.9 billion as compared to FY2007 (with Internet life and nonlife insurance businesses improving by approx. ¥0.6 billion and credit card business improving by approx. ¥0.3 billion) contributed to an increase in the operating income.

### Existing Businesses

#### Performance of Publicly Owned Subsidiaries (consolidated)

(Millions of yen, Figures in parentheses are year-on-year change (%))

	Operating Revenues	Operating Income	Ordinary Income	Net Income
<b>Morningstar Japan*</b> (FY2008)	2,792	323	406	247
<b>SBI VeriTrans</b> (FY2008)	4,402 (+18.8)	921 (+21.5)	942 (+23.3)	561 (+25.0)

\* Morningstar Japan changed from a December to March fiscal year in 2007. The current fiscal period was the 15-month period from Jan. 1, 2007 through Mar. 31, 2008, therefore, year-on-year change is not available for the company.

#### ■ Morningstar Japan: Providing Rating Information on Various Financial Products

Morningstar Japan provides rating information on over 2,700 domestic and overseas investment trusts. On a consolidated basis, in conjunction with the slowdown of orders from financial institutions at subsidiary Gomez Consulting, operating revenue and income both declined from FY2007. However, on a non-consolidated basis, owing to the increase in the sales of reports and IR, investment trusts and stock data information, operating revenue increased 90.4% to ¥2.3 billion, and net income increased 11.5% to ¥0.3 billion, representing a significant increase in both revenue and profits.

The video transmission service, which has attracted over 200,000 cumulative viewers for the nine months from its start in July 2008 to March 31, 2009, and demonstrated a sharp increase in viewership by the end of June 2009, surpassing 320,000 viewers.

In addition, fee-based mobile phone transmission was started in April 2009. This service consists of a daily transmission of over 100 pieces of valuable information for asset management, such as the latest stock and fund information, global market information and foreign exchange information. The number of subscribers has been increasing steadily.

#### Video Report Transmission

Morningstar journalists and analysts in Japan and the U.S. comment on economic trends, stock market conditions, individual stock issue, investment trust overviews, etc. in a video format.

Morningstar Video Reports  
<http://www.morningstar.co.jp/news/video/>

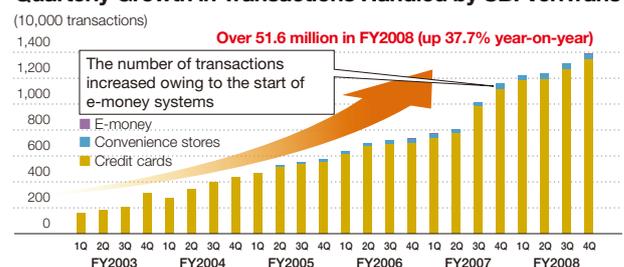


#### ■ SBI VeriTrans: Continues to Grow Along with the Rapid Growth in the E-commerce Market

SBI VeriTrans is a provider of Internet payment processing solutions. The company has continued to grow steadily along with the growth in the domestic Internet and e-commerce (EC) market, and for FY2008 reported consolidated results with over a 20% increase year-on-year in both operating income and net income.

From FY2007 SBI VeriTrans began processing transactions through "Mobile Suica" and "Mobile Edy," two widely used e-money systems in Japan. Owing in part to these additions, the number of transactions handled increased 37.7% to more than 51.6 million transactions for FY2008.

#### Quarterly Growth in Transactions Handled by SBI VeriTrans



Furthermore, overseas business development has been accelerated with a primary focus on China. Targeting mainland Chinese consumers, the China UnionPay Card settlement for Internet mail order sales has been implemented for the first time in Japan. Also, the company provides total operational support for mail order sales to Chinese consumers, from translation to logistics, through our "Buy-J.com" EC mall, which began operations in earnest from April 2009 enabling UnionPay Internet settlement.



Buy-J.com  
<http://www.buy-j.com/shop/>

In the Financial Services Business, the lineup of Internet financial services is being broadly expanded, in order to build a revenue base that is not entirely dependent on the stock market. By quickly developing the new major operating businesses of Internet banking, Internet nonlife insurance and Internet life insurance and fully leveraging the synergistic effects among the Group companies, a steady revenue source will be developed that will contribute significantly to earnings growth.

### ■ Steady Growth of the Marketplace Business (SBI Holdings)

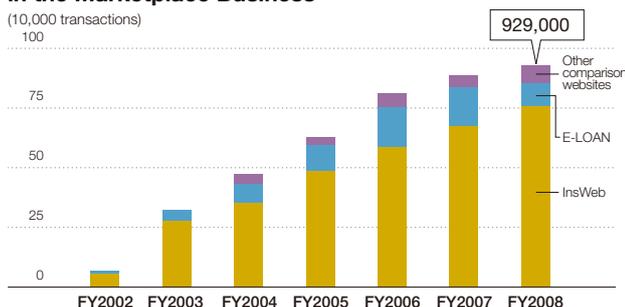
In the marketplace business, along with many other financial websites, SBI Holdings operates mainly the “InsWeb” and “E-LOAN” websites, which have grown to become Japan’s largest financial comparison and estimate websites. The number of InsWeb’s auto insurance estimates has steadily increased by 12.3% year-on-year, and along with other finance-related service websites (8 sites), the user transaction numbers\* increased 4.6% to 929,000, and continues to exceed the figures from each previous year. As a result, FY2008 operating revenues for the marketplace business were up 11% to ¥4.7 billion from FY2007.

\* Number of actual estimates (requests for estimates), provisional applications and other transactions conducted on the websites

#### Operating Japan’s Largest Financial Product Comparison Websites From a Neutral Perspective



#### Change in Transaction Volume in the Marketplace Business\*



### Principal Companies in the Financial Services Business

Company name	Business
<b>SBI Holdings, Inc. (Financial Services Business Division)</b>	Operating various financial comparison websites
<b>Morningstar Japan K.K.</b> Hercules Market of OSE (Code: 4765)	Providing rating information for financial products, primarily investment trusts
<b>Gomez Consulting Co., Ltd.</b> Hercules Market of OSE (Code: 3813)	Business support and evaluation of websites
<b>SBI VeriTrans Co., Ltd.</b> Hercules Market of OSE (Code: 3749)	Electronic settlement services for e-commerce businesses
<b>SBI Sumishin Net Bank, Ltd.</b>	Internet-based full service bank; jointly owned with The Sumitomo Trust & Banking Co., Ltd.
<b>SBI Insurance Co., Ltd.</b>	Internet nonlife insurer jointly owned with Aioi Insurance Co., Ltd. and SOFTBANK Corp.
<b>SBI AXA Life Insurance Co., Ltd.</b>	Japan’s first Internet-based life insurance company jointly owned with AXA Japan Holding Co., Ltd. and SOFTBANK Corp.
<b>SBI Card Co., Ltd.</b>	Credit card services and an issuer of the MasterCard-branded various SBI credit cards such as “SBI World Card”

### New Businesses

SBI Sumishin Net Bank began operations in September 2007, and by the end of FY2008 recorded a deposit balance of ¥629.9 billion (¥711.5 billion as of the end of July 2009), with a total of 418,419 customer accounts (510,962 accounts as of the end of July 2009). The bank reported a profit on a quarterly basis in the fourth quarter, thereby largely exceeding all initial targets, and is moving toward achieving the FY2009 target of a single year profitability, which would significantly improve the equity in gains/losses of subsidiaries and associated companies (non-operating gains/losses).

SBI Insurance, which started operations in January 2008, has attained over 42,000 auto insurance contracts for FY2008 (68,000 cumulative as of the end of July 2009), positively affected by the reduction in premiums in March 2008, a renewed website in August 2008 and an expansion of alternative sales channels, among other factors.

SBI AXA Life Insurance, which started in April 2008, initiated a large-scale discount on term life insurance in October 2008. In March 2009 the company introduced a new income security insurance product, and effected other measures to improve its services quality and name recognition, to increase the number of contracts.

SBI Card, which issues various SBI credit cards with the MasterCard brand, leverages the industry’s top-class, high function credit cards to serve over 47,000 cardholders, in two years and four months since the start of its operations. With the planned issuance of VISA brand credit cards during FY2009, SBI Card anticipates the continued growth of its cardholder base.

As a result, operating revenues in the new businesses during FY2008 were up 219% to ¥1.0 billion from FY2007.

## Housing and Real Estate Business

### Financial Results of FY2008

The Housing and Real Estate Business consists of three businesses; the real estate business, the financial real estate business and the lifestyle networks business.

The operating revenue for FY2008 was adversely affected by the deteriorating domestic real estate market, and declined 46% to ¥40.9 billion, and operating income declined 89% year-on-year to ¥0.9 billion, owing to CEM Corporation's valuation loss on sales property and an allowance for doubtful accounts.

### The Real Estate Business (SBI Holdings and others)

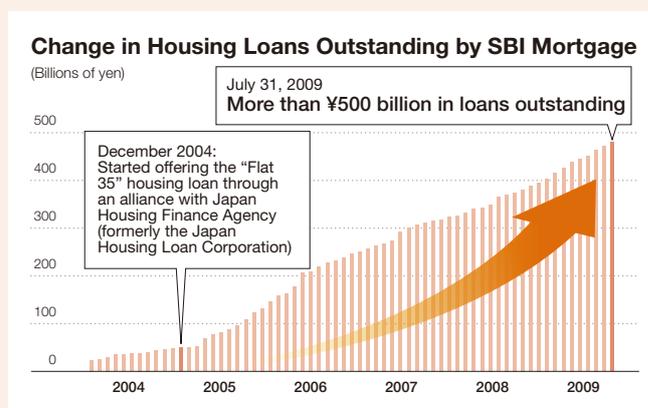
The Real Estate Business is involved in the development of investment properties primarily as supply for sale to investors, such as funds. Sales of such properties continued throughout FY2007, but were mostly finalized by the end of the first quarter of FY2008, consequently leading to a total decline in operating revenues of 67% to ¥18.4 billion. Although we will endeavor to continue to sell saleable investment properties, owing to the continuing deterioration of the real estate market new property investments are being restrained, and we will examine very carefully the timing of the resumption of such investments.

### Financial Real Estate Business (SBI Mortgage and others)

SBI Mortgage was established as Japan's first mortgage bank in 2001, and in conjunction with the Japan Housing Finance Agency continues to offer its "Flat 35" long-term, fixed-rate housing loan at the lowest level of interest rates in the industry (2.62% in July 2009), and its loans outstanding continues to grow steadily. At March 31, 2009, its loans outstanding amounted to a total of ¥463.9 billion (¥501.3 billion as of the end of July 2009), and the market share for the "Flat 35" product, as of June 2009 among 339 participating institutions, ranked number one with a 19%\* market share.

As a result, operating revenues in the financial real estate business for FY2008 were ¥7.9 billion, a 17% increase year-on-year.

\* Loan execution base (including guaranteed loans); Source: SBI Holdings



### Lifestyle Networks Business

The lifestyle networks business is engaged in the operation of websites for comparisons, searches and estimates of various products and services, as well as sales and services relating to beauty care, health food products, women's clothing and accessories, and other products. Total transactions\* have amounted to over 380,000 on its six lifestyle networks websites, which was up 33.4% year-on-year demonstrating a significant increase and a notable growth. Operating revenues for FY2008 were ¥14.7 billion, a 11% year-on-year increase.

Also, as of July 1, 2009, SBI Holdings' lifestyle networks business was partially transferred to SBI Life Living. SBI Life Living combines the existing property development business and the Internet-based lifestyle networks business, to build a new business model that produces a network value and will allow it to diversify its revenue base, which will also lead to an expansion of its business scope.

\* Number of actual estimates and sales transactions, etc. conducted on the websites

### Principal Companies in the Housing and Real Estate Business

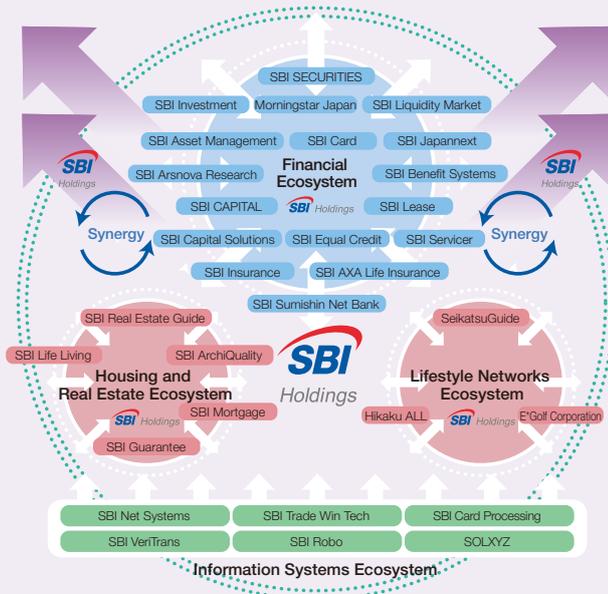
Company name	Business
<b>SBI Holdings, Inc. (Real Estate Business Division)</b>	Mainly real estate investments and development projects in Japan and overseas markets
<b>SBI Holdings, Inc. (Lifestyle Networks Business Division)</b> (Divested to SBI Life Living Co., Ltd. on July 1, 2009)	Operation of websites for comparisons, searches and estimates for a variety of life-related products and services
<b>SBI Mortgage Co., Ltd.</b>	Provision of long-term fixed-interest (to be securitized) housing loans
<b>SBI Life Living, Inc.</b> (formerly LIVING Corporation, Inc. until July 2009)	Development, planning, design and sales of income-producing properties for investors
<b>SBI Planners Co., Ltd.</b>	Architecture, construction, property design and consulting for real estate purchases and financial planning
<b>CEM Corporation</b>	Provision of real estate secured loans for individuals and companies

# System Solution Business

## Financial Results of FY2008

Operating revenues in the System Solution Business for FY2008 were ¥6.4 billion (¥0.3 billion in the previous fiscal year), mainly recorded by SBI Net Systems, demonstrating a year-on-year increase in operating revenues and reduction in operating loss, owing to favorable performance in consigned development and operation and maintenance businesses.

## Information Systems Ecosystem That Supports Internet Financial Services



## Strengthening the Information Systems Ecosystem That Supports Internet Financial Services

The SBIH Group leverages the Internet as its major distribution channel for its diverse lineup of financial products and services, making its systems and software vital components of the Group's business operations. Therefore, in order to supplement these components, an information systems ecosystem is being planned that will play a central role in building, monitoring and maintaining the IT systems used by the Group companies.

## SBI Net Systems to Be the Core of Our Information Systems Ecosystem

SBI Net Systems is expanding its business scope from the conventional information security business to include financial system development, through its subsidiaries SBI Technology and SBI Trade Win Tech. The company is working to become the core company of the information systems ecosystem as a total solution provider for financial systems.

## An Exclusive SNS for Businesses That Recommend the Use of Real Names SBI Business

<http://www.sbibusiness.com/> "SBI Business," operated by SBI Robo, is an exclusive SNS for businesses that supports network expansion and management efforts of business people operating their own SEOs (Search Engine Optimization) by posting their real names and creating and publicizing their own profiles. Since starting the service in January 2008, the number of members has steadily increased, and exceeded 90,000 members in June 2009.



## The Principal Company in the System Solution Business

Company name	Business
<b>SBI Net Systems Co., Ltd.</b> Mothers Market of TSE (Code: 2355)	R&D (Research and Development) of C4 encryption technology, confidential data dispersion technology and electronic watermarks, and provision of information security products

## Other SBIH Group Community-related Web Services

### SBI Finance Portal

<http://www.sbifinance.jp/>  
In January 2009, a financial portal website providing centralized information on the SBIH Group's securities, banking, insurance and other financial services was launched. Designed to convey financial information in an easy-to-understand manner, the website supports the "money life" of our various customers.



### A Community Website Specialized in Finance SBI Money World

<https://www.sbi-com.jp/>  
SBI Money World, a community website that began operations in April 2007, has significantly increased the volume of its content, and as of June 2009, approximately 90,000 members were registered. With such a scale, SBI Money World has already developed into one of Japan's largest SNS sites for the sharing of financial knowledge.



# Corporate Governance

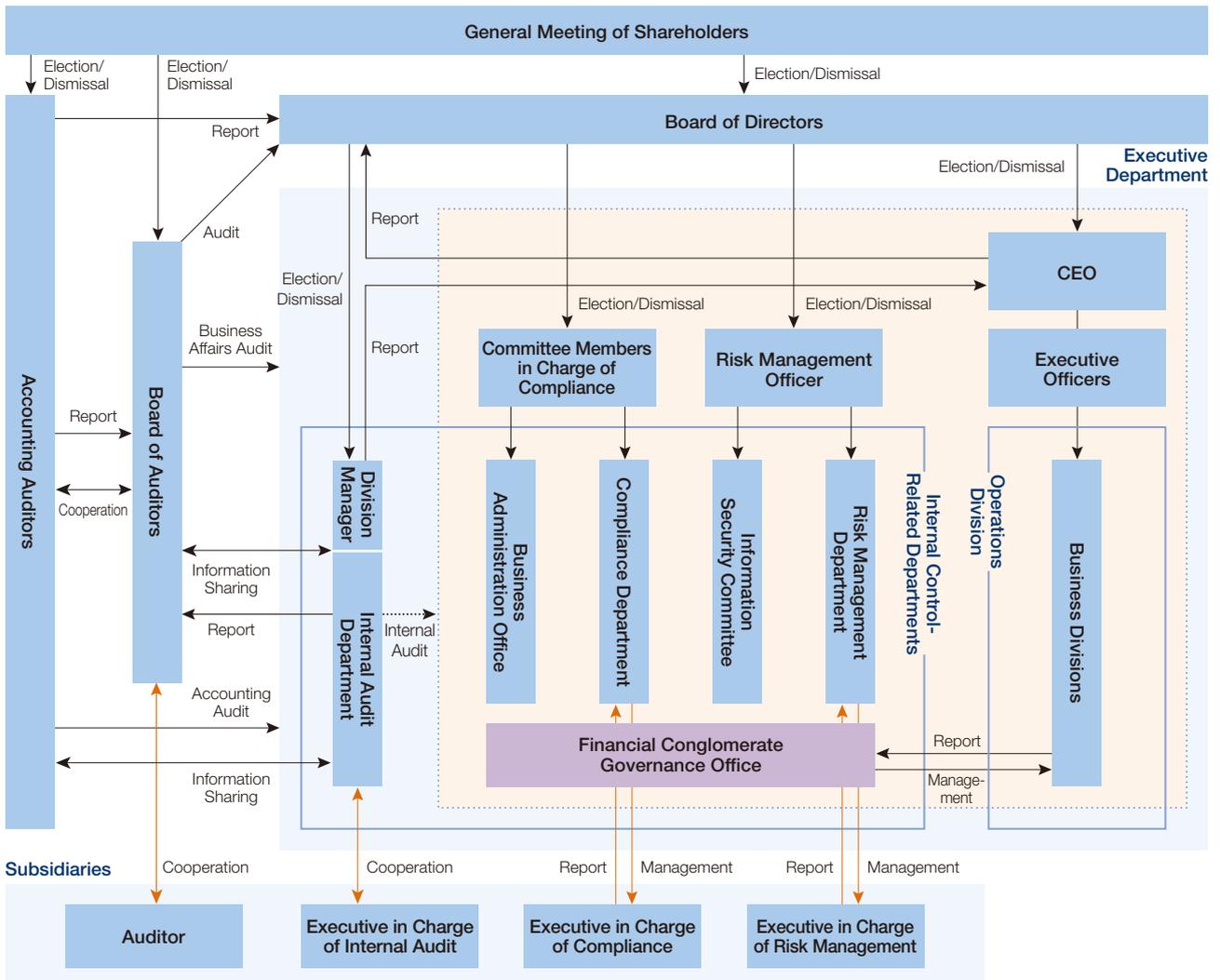
To enhance management transparency and corporate governance, SBI Holdings recognizes that one of its most crucial management tasks is to build and maintain an organizational structure capable of responding quickly to changes in the business environment, as well as a shareholder-oriented and fair management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

## Basic Framework for Corporate Governance

SBI Holdings' Board of Directors consists of 13 directors (as of June 26, 2009), and the company has adopted the Executive Officer System to clarify the functions and responsibilities of directors and the Board of Directors. Currently, the executive officers manage the execution of business affairs. These officers include the CEO, and the executive officers who manage each business division. By differentiating in this manner, SBI Holdings has built a flexible structure for executing business affairs that also facilitates quick responses to changes in the business environment. Moreover, one outside

director has been appointed to contribute to the maintenance and fortification of our governance framework from an independent perspective.

As a general rule, the Board of Directors convenes once per month to decide on material matters, and to monitor the status and progress regarding the execution of business operations. With four corporate auditors, the company strives to further reinforce the effectiveness of its corporate governance through systematically combining various types of audits by the accounting auditors, corporate auditors and the Internal Audit Department.



(As of March 31, 2009)

## Initiatives for Strengthening Corporate Governance

### Internal Controls

SBI Holdings recognizes the importance of conducting business activities in conjunction with a sound internal control system. The company has an internal control structure that preserves the transparency of management and enhances corporate governance. The representative director of the company is responsible for making all managers and employees aware of the importance of compliance with laws and regulations, as well as ethical standards. Compliance and ethics are both vital aspects of operating within the SBIH Group's Management Philosophy and Corporate Vision.

In accordance with regulations for the Board of Directors, the board holds regular monthly meetings, and convenes for other meetings as required. This facilitates close communications among the directors and permits supervision of the performance of the representative director. A director has been appointed to be responsible for compliance matters, and SBI Holdings has a Compliance Department that directly manages compliance activities. Further, SBI Holdings has established a system for submitting reports involving compliance matters directly to the Internal Audit Department and the corporate auditors. This reporting system allows directors and employees to provide information concerning violations of laws, regulations and the Articles of Incorporation, as well as other matters involving compliance.

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

### Risk Management

SBI Holdings manages risks that may impede the execution of business operations, and the attainment of the company's Management Philosophy and Corporate Vision. The Board of Directors appoints a director to be in charge of risk management in accordance with crisis management, risk management and group risk management regulations. In addition, the Risk Management Department monitors, properly evaluates and manages risk for the entire SBIH Group.

In the event of any potential or actual management crisis threatening the company's existence, the director in charge of risk management, appointed by the Board of Directors, as the person with overall responsibility, will gather pertinent information and consider and implement countermeasures and measures to prevent reoccurrences, while reporting on the situation and

disclosing information to relevant institutions. For all the processes involved in these business activities, we have in place a checks and balances framework involving multiple departments and a system to maximize compliance efforts, all to assure not only that we comply with relevant laws and regulations but also abide by all the terms and conditions of agreements.

In addition, concerning information management and computer system risk, SBI Holdings has established a structure for the overall management of information, including customer information, and has been strengthening its information management functions. As a part of these efforts, the company has established the Group Information System Committee composed of members appointed from each division, with the director in charge of risk management as the chairman. Especially from the standpoint of business continuity, the company also has built a structure to respond to any type of contingency through redundant systems and backup structures at multiple locations.

### Audits by the Corporate Auditors, Internal Audits and Accounting Audits

The Board of Corporate Auditors receives explanations from the accounting auditors on the annual auditing plan and other matters based on the Audit Report, when financial statements for the second quarter and full fiscal year are prepared. When necessary, the Board of Corporate Auditors also shares information and engages in discussions with the accounting auditor and the Internal Audit Department.

SBI Holdings has established an Internal Audit Department composed of five auditors by resolution of the Board of Directors. The Internal Audit Department audits the execution of duties by the directors and employees, working to prevent any violation of laws, ordinances or the Articles of Incorporation, if necessary in cooperation with external specialists. The results of internal audits are reported to the Board of Directors through the representative director once every six months. Also, when required, the Internal Audit Department shares information with the corporate auditors and the accounting auditors regarding management-related issues or problems.

### Compensation for Directors and Corporate Auditors

A breakdown of compensation for directors and corporate auditors is as follows.

Directors	14 directors	¥358 million (including ¥9 million for one outside director)
Corporate auditors	3 auditors	¥23 million (including ¥13 million for two outside corporate auditors)

\* The above includes compensation for directors and corporate auditors who have retired during the fiscal year.

## **Initiatives During the Past Year to Enhance Corporate Governance**

The Board of Directors has continued to fulfill its responsibilities of reaching fair decisions and supervising management activities during the fiscal year by holding at least one meeting each month. Also, to reinforce management oversight functions, corporate auditors perform audits covering many items during each fiscal year based on an auditing plan. Furthermore, the Internal Audit Department, in conjunction with external specialists, conducts comprehensive internal audits that include the Group companies. In addition, in order to meet the demand for a “system of internal control over financial reporting” stipulated in Article 24-4-4 of the Japanese Financial Instruments and Exchange Law, companywide efforts were made to design and operate internal controls over financial reporting, whose implementation status is evaluated independently by the Internal Audit Department. Through these activities, the company worked to further improve its operating efficiency and to prevent the occurrence of improper activities and errors.

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

Earnings releases, press releases, along with streaming videos of quarterly earnings announcements and information meetings, as well as other relevant materials are quickly posted on the SBI Holdings website. The “SBI Channel” is another example of the company's firm commitment to the disclosure of information. This channel, found on the SBI Holdings website, gives investors the opportunity to view streaming videos where the representative discusses the Group's performance and recent events.

## The SBIH Group's CSR Activities

### CSR Initiatives

As a member of society, each company owes its own existence to the very existence of society. Consequently, no company can function as a going concern without contributing to the sustained development of society. The SBIH Group has a strong awareness of the "social nature of companies" and the need to be a "strong and respected company." With this in mind, the Group is aggressively conducting many corporate social responsibility (CSR) programs.

### Strengthening CSR Activities Through The SBI Children's Hope Foundation

As a direct social contribution, the SBIH Group has established a fundamental policy of donating a reasonable portion of its earnings to support child welfare facilities. The SBI Children's Hope Foundation received authorization from the Ministry of Health, Labour and Welfare and was established in October 2005 to administer such donations. As our core CSR activities, the foundation is actively involved in child welfare issues in Japan.

#### ■ Activities

##### 1. Donations to Child Welfare Facilities

To improve conditions at facilities that care for abused children, the SBIH Group companies donated ¥44 million to 34 facilities in FY2008.

	Donations (Millions of yen)	Facilities
FY2008	44	34
FY2007	216	137
FY2006	259	174
FY2005	155	105
FY2004	167	173

Note: FY2004 donations are by the SBIH Group. All subsequent donations are by the Foundation.

##### 2. Training for Child Care Personnel

The Foundation sponsors training for about 50 specially selected care workers at child care facilities, conducting separate programs in eastern and western Japan. The objective is to provide on-the-job training programs that give personnel at facilities the knowledge and skills required to help abused children heal their emotional scars. In FY2008, there were two seminars in eastern Japan and four in western Japan, for a total of six.

##### 3. Support for Self-Reliance

The foundation donated ¥28 million to seven facilities and four foundations for programs that assist children to live on their own after leaving a care facility.

##### 4. Public Awareness Activities to Prevent Child Abuse

From FY2004, the foundation has supported the Orange Ribbon Campaign, which implements a nationwide child abuse prevention network to raise public awareness of this social problem. Every November, which is Child Abuse Prevention Month, SBI Holdings CEO Yoshitaka Kitao and other SBIH Group executives

and employees wear orange ribbons, raising awareness of this issue within the Group and elsewhere. In FY2008, the SBIH Group collected donations totaling ¥700,000 by distributing 2,064 orange ribbons, 715 orange ribbon badges, 621 name stickers and 86 magnets.



### Major SBIH Group CSR Activities Associated with Business Operations

#### ■ Operation of the Environment and Energy Fund

The SBIH Group established an Environment and Energy Fund in September 2007 with commitments for contributions totaling about ¥7.5 billion. The fund invests in Japanese and foreign companies that are associated with the environment and energy.

As one of Japan's largest venture capitalists, the SBIH Group has much experience in investing in and nurturing small companies. Information technology and biotechnology currently account for a large share of our investments. The SBIH Group plans to make environment and energy its third core investment sector, owing to its excellent prospects for future growth, and through these venture capital investments, the group plans to nurture the development of new industries and increase the value of portfolio companies.

#### ■ The Morningstar Japan SRI Index

As of June 30, 2009, five SRI (socially responsible investing) funds utilizing Morningstar Japan data managed their funds whose net assets totaled approximately ¥5.3 billion. Morningstar Japan's SRI index encourages companies to promote their CSR activities. The index also creates an environment conducive to socially responsible investing by providing a benchmark for SRI funds and supplying information for investors.

#### ■ CSR at SBI SECURITIES

Customers of SBI SECURITIES may use the points they accumulate under its points program for donations to the SBI Children's Hope Foundation, which supports facilities for abused children, and the Green Fund of the National Land Afforestation Promotion Organization, which promotes a tree-planting campaign. Offering these options for using points provides customers with further awareness of important social issues, such as child welfare and environmental problems.

In July 2008, SBI SECURITIES sold Eco-Link Bonds (bonds are linked to the price of emission futures). These bonds gave individuals an indirect means of participating in the emissions trading market, since direct participation is usually not practical. This provided another way for individuals to protect the environment.

In June 2009, SBI SECURITIES sold "Vaccine Bonds," which aim to save the lives of children in developing countries. Funds procured from Vaccine Bonds will be used to provide medical treatment and preventive vaccination services in over 70 developing countries.

# Approach to Nurturing Human Capital

## What the SBIH Group Considers as “Promising Individuals”

“Promising” does not refer solely to an individual’s ability to contribute to the earnings of a single division or company. The SBIH Group also wants to nurture individuals, those who have a strong desire to contribute to the economy and society in many ways. Such individuals must acquire resolute ethical values, outstanding business expertise, an international perspective, and the capacity to make bold business decisions. The SBIH Group strives to develop as many “promising individuals” as possible who will play important roles in leading Japan’s future.

Until recently, the SBIH Group hired primarily experienced individuals, however, in FY2005, the Group started recruiting university graduates for the first time, which resulted in 196 new university graduates joining the SBIH Group over the four years since FY2006. The objective is to recruit individuals with the potential to advance to senior executive positions, where they will oversee the continued growth of the SBIH Group, and to increase the number of employees who will pass on the Group’s unique corporate culture to the next generation of employees.

## Classes Begin at the SBI Graduate School

The SBIH Group comprehensively supports SBI Graduate School, which was established to engage fully in nurturing human capital.

Yoshitaka Kitao, CEO of SBI Holdings, serves as president of the school and chairman of the Board of Regents. Courses cover a broad spectrum of subjects, including Mr. Kitao’s philosophy concerning contributions to society. A central objective of the graduate school is to nurture the development of individuals who have a thorough grounding in ethical values and scientific management theory. To accomplish this, the SBI Graduate School emphasizes both “moral education” and “practical lessons.” By nurturing management with such talents, we will not only ensure the sound

development of the Japanese economy, but also contribute to the creation of professionals capable of demonstrating leadership on the world stage.

The SBI Graduate School’s goal is to assist individuals to quickly develop into leaders who can play key roles in Japan’s future. This is why the school welcomes applications from a broad range of individuals who already have working experience. To make classes accessible to individuals with full-time jobs, the school provides Internet-based e-learning, where most classes have no restrictions in terms of time and location.

## Major Events at the SBI Graduate School

- May 2006 : **Establishment of SBI University Co., Ltd. to nurture human capital**
  - Open-door seminars led by instructors who can guide students to develop their skills, for example, Kong Jian, Steve Chang (the founder of Trend Micro) and Masayasu Yasuoka
  - Preparation for the establishment of a graduate school
- April 2007 : Submitted application to Ministry of Education, Culture, Sports, Science and Technology to establish a graduate school
- Dec. 2007 : Received permission to establish the SBI Graduate School
- April 2008 : **Began operation of the SBI Graduate School**
  - A professional educational institution for the development of entrepreneurs
  - Education system utilizing e-learning based on the latest advances in technology

### In the Future:

#### Serve as a learning hub for Asia

- Become a forum for exchanging information on research involving Internet technology and start-up companies backed by venture capital
- Promote joint research projects with Asian countries

#### Establish alliances with business schools in China, India and other countries



## Financial Section

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# Management's Discussion & Analysis

## Analysis of Business Results for the Fiscal Year

### Overview

#### Asset Management Business

In the Asset Management Business, the SBIH Group endeavors 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, primarily in the information technology sector. The SBIH Group provides risk capital to portfolio companies, mainly through investment funds managed by group companies. The SBIH 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 SBIH Group assists portfolio companies in forming business and equity alliances with each other, and conduct other forms of collaboration. The SBIH Group also provides portfolio companies with 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.

In Japan, the SBIH Group is using the Broadband Fund, the Media Fund, the Mobile Fund, the Biotechnology Fund, the Environment and Energy Fund, and other funds to make investments in emerging companies that are active in business fields with superior growth prospects. Targeted business fields include broadband networks, media and mobile communications, biotechnology, and environment and energy.

Overseas, the SBIH Group is placing priority on working more diligently on capitalizing on investment opportunities in Asian countries with rapidly growing economies. In accordance with this policy, the SBIH Group is using Singapore as the base for establishing funds that are managed jointly with prominent local partners, and for preparing to establish these funds. The SBIH Group will establish, as quickly as possible, a fully integrated framework extending from the solicitation of fund contributions from overseas investors to the management of such fund assets.

In the current fiscal year, amidst an extremely difficult business environment under which stock markets have cooled down and the number of new listings has drastically declined, there were no IPOs or M&As for the SBIH Group portfolio companies. Nevertheless, the New Horizon Fund, which entered its period of returns, contributed to earnings and the total investment amount moved up to the high level of ¥95.1 billion.

#### Brokerage & Investment Banking Business

Domestic stock markets during the current fiscal year witnessed a drastic fall of the Nikkei Stock Average in October due to the significant deterioration of the economy in the wake of global financial uncertainties. Despite showing signs of a recovery by posting figures in the ¥9,000 range as 2009 began, the Nikkei turned back down again in March. Foreign exchange markets saw an overall increase in the value of the yen as pressure to sell off dollars, euros and other currencies mounted resulting in postings of ¥80-range and ¥110-range trading of the yen against the dollar and euro, respectively. Such deflated stocks and high yen exchange rates greatly affected Japanese corporate earnings leading to the further deterioration of business confidence. Policy rates set by governments worldwide were lowered and a significant number of measures were implemented to stimulate the economy causing the yen to decline from around February down to the upper ¥90 range against the dollar and exceeding ¥125 against the euro. Further, domestic stock markets showed signs of a recovery from mid-March as the Nikkei moved back to the ¥8,000 range posting ¥8,109 on March 31, 2009, ending market trading approximately 35% lower compared with the previous fiscal year.

Under these circumstances, the SBIH Group made efforts to provide appealing products, services and fee structures based on its "Customer-centric principle" and, as a result, acquired 204,457 new customer accounts during the current fiscal year bringing the total at March 31, 2009 to 1,866,508, with the number of loan accounts at 192,015 and deposit assets of ¥2,979.8 billion.

\* Number of accounts and deposit assets are of SBI SECURITIES Co., Ltd. on a non-consolidated basis.

## Financial Services Business

In the marketplace business, the number of auto insurance estimates received by our insurance portal, "InsWeb" increased 12.3% year-on-year and the number of users of financial service websites grew 4.6% to 929,000.

In the financial products business, SBI Lease Co., Ltd. had leases outstanding of more than ¥74.8 billion at the end of March 2009, including subleasing and the arrangement of lease syndications. This represents leases of broadband communication infrastructure equipment and broadband content business equipment. The company also offers leases for mobile communication infrastructure equipment.

In the financial solutions business, SBI VeriTrans Co., Ltd., which offers online payment processing solutions for e-commerce businesses, continued to grow along with the

expansion of the Internet and e-commerce markets in Japan.

This company recorded a 37.7% increase in the number of transactions to more than 51.6 million. SBI Holdings, Inc. provides MoneyLook® technology to six companies. At the end of March 2009, there were more than 650,000 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., which provides evaluations of financial products, particularly investment trusts, is seeing increases in its sales of IR data, investment trust data and stock price data, while Gomez Consulting Co., Ltd., which provides website evaluation and ranking services and business support services, strives to create demand by strengthening its proposals in new areas such as consulting for accelerating website display speed.

## Operating Revenues by Segment

	Year ended 31st March, 2008		Year ended 31st March, 2009	
	Millions of Yen	%	Millions of Yen	%
<b>Asset Management Business</b>	¥ 58,008	26.1	¥ 15,982	12.2
Investment in Securities	54,670		12,924	
Revenue from Operational Investment Securities	53,446		11,804	
Fees from Funds	1,223		1,120	
Investment Advisory Services Fees and Others	3,338		3,057	
<b>Brokerage &amp; Investment Banking Business</b>	68,532	30.8	49,182	37.6
Revenue from Securities Transactions	67,625		48,613	
Revenue from Commodity Futures Transactions	905		568	
<b>Financial Services</b>	22,496	10.1	22,617	17.3
Marketplace Business	4,255		4,737	
Financial Products Business	9,748		8,015	
Financial Solutions Business	4,094		4,516	
Other Businesses	4,080		4,338	
New Businesses	316		1,008	
<b>Housing and Real Estate Business</b>	75,071	33.7	40,907	31.2
Real Estate Business	55,125		18,353	
Financial Real Estate Business	6,726		7,892	
Lifestyle Networks Business	13,218		14,661	
<b>System Solution Business</b>	322	0.1	6,354	4.9
<b>Intersegment Revenue</b>	(1,861)	(0.8)	(4,119)	(3.2)
<b>Total Operating Revenue</b>	¥222,568	100.0	¥130,923	100.0

In new businesses, SBI Card Co., Ltd., which issues a variety of MasterCard-branded SBI credit cards, used its skill in offering cards with some of the industry's best features to increase the number of cards issued to more than 47,000 (at the end of March 2009) after only 2 years and 4 months since starting operations. SBI Insurance Co., Ltd., which began operations in January 2008, is obtaining more auto insurance contracts owing to a decrease in premiums made in March of that year, a renewed website in August and an increase in new sales channels. SBI AXA Life Insurance Co., Ltd., which started in April 2008, is working to enhance services and increase the number of contracts by introducing a high premium policy discount program for term insurance starting in October of that year and commencing sales of income guarantee insurance, a new product, in March 2009.

### Housing and Real Estate Business

The real estate business, plagued by a deteriorating financial environment, a constricting real estate market and other factors, recorded significantly lower operating revenues and operating income due to unfavorable transactions with real estate funds, which are principal purchasers. It continued to make progress in building a stable base of operations by using alliances and other measures to increase the scale of operations, and to diversify its profit structure.

In the financial real estate business, SBI Mortgage Co., Ltd. has already established a distinctive identity as a provider of housing loans with fixed interest rates over the entire repayment period.

Housing loans continue to increase steadily, with the balance of loans amounting to ¥463.9 billion at the end of March 2009.

The lifestyle networks business supplies services designed to assist consumers at every stage and major event of their lives. The primary activity is the operation of comparison and search websites. In this fiscal year, the number of transactions using the six service sites of this business continued to grow, rising 33.4% to more than 380,000.

### System Solution Business

In the System Solution Business, the SBIH Group, as an internet-based financial conglomerate, is strengthening its system formulation and maintenance to serve as a base for providing various types of financial services, all the while working to integrate financial services with the internet. During the fiscal year under review, SBI Net Systems Co., Ltd., which provides information security services and solutions for financial institutions, saw increased operating revenues and a reduced operating loss compared to the previous fiscal year owing to favorable results from its contract development efforts and operation and maintenance services, among others.

### Operating Revenues

#### Asset Management Business

(Investment in Securities Business)

There are two components of operating revenues in this business. The first is revenue from operational investment securities, which is gains from the sales of securities that were purchased for the purpose of earning capital gains. The SBIH Group makes venture capital investments in industries such as information technology, biotechnology, broadband networks, media and mobile communications, and invests in companies in need of restructuring. The second is revenue from funds. This is the sum of fund establishment fees, which are a fixed percentage of a fund's initial contributions, fund management fees, which are normally a fixed percentage of initial investments or net assets, and success fees that are based on a fund's performance. When SBI Holdings, Inc. or its consolidated subsidiaries invest in a fund operated by the SBIH Group, revenue from funds that are consolidated is the entire amount of revenue from operational investment securities, including the portion corresponding to fund contributions from investors outside the SBIH Group.

For this fiscal year, revenue from operational investment securities decreased by 77.9% to ¥11,804 million. This was mainly attributable to revenue from consolidated funds, and the inclusion of New Horizon Fund, L.P. results. Revenue from funds was down 8.4% to ¥1,120 million. This primarily represents management fees from the SBI Broadband Capital Fund and the SBI BB Media Fund.

(Investment Advisory Services and Other Businesses)

Operating revenues from investment advisory services and other businesses decreased 8.4% to ¥3,057 million primarily owing to the growth of income from investment trusts and in interest income from loans receivable.

### Brokerage & Investment Banking Business

(Securities Business)

Operating revenues in this business are 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.

Operating revenues decreased by 28.1% to ¥48,613 million. This revenue represents the operations of SBI SECURITIES Co., Ltd. (formerly SBI E\*TRADE SECURITIES Co., Ltd.) and SBI Liquidity Market Co., Ltd.

(Commodity Futures Business)

Operating revenues in this business consists of fees received from commodity futures transactions.

Revenue decreased by 37.2% to ¥568 million, all of which represents the operations of SBI Futures Co., Ltd.

### Financial Services Business

There are five components of revenue in this business. The marketplace business operates Japan's largest comparison and estimate portal websites 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 for the financial services industry.

Other businesses include financial information evaluations and consulting, primarily involving investment trusts and website evaluations and rankings. New businesses include the credit card business and the nonlife insurance business, and the life insurance business, which started operations on April 7, 2008.

Marketplace business revenue increased 11.3% to ¥4,737 million, financial products business revenue decreased 17.8% to ¥8,015 million, financial solutions business revenue increased 10.3% to ¥4,516 million, other businesses revenue increased 6.3% to ¥4,338 million, and new businesses revenue increased 219.1% to ¥1,008 million.

### Housing and Real Estate Business

There are three components of operating revenues in this business. The first is the real estate business, which basically includes real estate investments and real estate development projects. The second is the financial real estate business, which mainly represents the provision of long-term, fixed-rate housing loans and loans secured by real estate. The third is the lifestyle networks business. The main activities are the operation of websites for comparisons, searches and estimates of various products and services, and the sales and services for beauty care and health food products, women's accessories and other products.

Real estate business revenue decreased 66.7% to ¥18,353 million, financial real estate business revenue increased 17.3% to ¥7,892 million, and lifestyle networks business revenue increased 10.9% to ¥14,661 million.

### System Solution Business

Operating revenues in the System Solution Business over the fiscal year under review amounted to ¥6,354 million (¥322 million in the previous fiscal year), mainly consisting of contributions from SBI Net Systems Co., Ltd. (formerly C4 Technology, Inc.) and SBI Robo Corp.

\* Note that operating revenues by segment is represented prior to deducting inter-segment, internal operating revenues.

## Operating Costs

### Asset Management Business

The operating costs in the Asset Management Business during the fiscal year under review amounted to ¥10,333 million (down 73.0% year-on-year), mainly consisting of cost of operational investment securities including a valuation loss on operational investment securities.

### Brokerage & Investment Banking Business

The operating costs in the Brokerage & Investment Banking Business during the fiscal year under review amounted to ¥5,452 million (down 17.6% year-on-year), mainly consisting of financial costs such as interest expenses and rental fees incurred in loan and leasing transactions.

### Financial Services Business

The operating costs in the Financial Services Business during the fiscal year under review amounted to ¥14,276 million (up 8.5% year-on-year), mainly consisting of leasing costs.

### Housing and Real Estate Business

The operating costs in the Housing and Real Estate Business during the fiscal year under review amounted to ¥29,074 million (down 49.7% year-on-year), mainly consisting of cost of sales of real estate developed for sale.

### System Solution Business

The operating costs in the System Solution Business during the fiscal year under review amounted to ¥5,083 million (¥249 million in the previous fiscal year), mainly consisting of contributions from SBI Net Systems Co., Ltd. (formerly C4 Technology, Inc.) and SBI Robo Corp.

\* Note that operating revenues by segment is represented prior to deducting inter-segment, internal net sales.

### Selling, General and Administrative Expenses

During the fiscal year under review, selling, general and administrative expenses amounted to ¥62,885 million (down 2.7% year-on-year), mainly comprising of personnel costs and securities system consignment costs.

### Other Income (Expenses)

Net other loss was ¥20,536 million (net other loss of ¥13,788 million in the previous fiscal year) mainly owing to impairment losses of investment securities of ¥7,548 million, equity in loss of unconsolidated subsidiaries and affiliated companies of ¥2,508 million and interest expense of ¥2,450 million.

## Cash Flows

Cash and cash equivalents totaled ¥126,313 million at the end of March 2009, a net decrease of ¥32,694 million compared with the balance of ¥159,007 million at the end of March 2008. The equity ratio increased by 13.0 points to 32.8% compared with 19.8% in the previous fiscal year.

The following is a summary of cash flows.

### Operating Activities

Net cash provided by operating activities amounted to ¥103,035 million (net cash provided in the previous fiscal year amounted to ¥50,074 million). This is mainly due to ¥108,341 million in net changes in margin transaction assets and liabilities despite decreasing factors such as a ¥16,132 million loss before income taxes and minority interests and changes in operational investment securities resulting in a ¥20,646 million expense.

### Investing Activities

Net cash used by investing activities amounted to ¥1,104 million (net cash used in the previous fiscal year amounted to ¥20,610 million). This is mainly due to ¥7,345 million in purchases of investment securities, ¥5,621 million in investments in subsidiaries and ¥4,636 million in net changes in loans receivable despite increasing factors such as ¥19,341 million in proceeds from sales of subsidiaries' stock associated with a change in the scope of consolidation as a result of the sale of E\*TRADE Korea Co., Ltd. stock.

### Financing Activities

Net cash used by financing activities amounted to ¥137,515 million (net cash used in the previous fiscal year amounted to ¥9,957 million). This is mainly due to factors such as ¥108,366 million in bond redemptions.

## Risk Information

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

### **Impact of Changes and Other Events in the Operating Environment**

The SBIH Group is engaged in a diverse range of businesses that include investments, housing and real estate, financial instrument trading, proprietary trading system, banking, insurance, housing loan, and leasing businesses. Accordingly, there is a possibility that trends in such related markets as the stock markets, money markets, foreign exchange market and real estate markets as well as political, economic and industry trends may have a significant impact on the SBIH Group. Therefore, such external factors over which the SBIH Group has no control could cause changes in business results and have a major impact on the SBIH Group's overall business results. Furthermore, the Company's business results may experience substantial fluctuations in the event that investment gains/losses are concentrated in certain time periods.

Additionally, governments, government ministries and agencies, as well as various financial markets are proceeding with system reforms and amendments to laws concerning stock markets and other markets related to the SBIH 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 SBIH Group's business results.

### **Competition**

The SBIH 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 new participants continue to enter these fields. Consequently, there is no assurance that the SBIH Group can remain competitive in the event of excessive competition that exceeds market growth. The SBIH Group will continue to endeavor in its efforts to maintain and increase its current competitive business advantages. However, the emergence of strong competitors could cause the SBIH Group to lose its dominant position, and therefore have an impact on its business results.

### **System Risk**

The SBIH Group extensively utilizes the Internet in carrying out its businesses. Since a large portion of business activities depend on computer systems, the SBIH Group has devised various countermeasures that include the build-up of backup computer systems. Nevertheless, the SBIH Group's business results may 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, the SBIH Group recognizes that ensuring the stability of its system for online transactions is the most crucial management issue. The SBIH 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 SBIH Group's systems and support structure. This, in turn, may result in the loss of a large number of customers.

The businesses in which the SBIH Group is engaged involve various intellectual property rights such as patent rights and copyrights. The inadequate safeguarding of the SBIH Group's intellectual property rights or the lack of proper licensing for the use of intellectual property rights owned by a third party may complicate technological development efforts or the provision of services.

### Investment Risk

In the Asset Management Business, the portfolio companies of the investment associations managed by the SBIH Group include numerous emerging companies and companies undergoing restructuring. These companies face numerous challenges regarding their future performance, resulting in the possibility of a change in the business results of these portfolio companies 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, or the failure of portfolio companies to disclose crucial information.

In the Real Estate Business, the SBIH Group conducts 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.

In addition, investment activities outside Japan may be affected by changes in local economies, politics and legal systems, terrorism, or unforeseen social unrest. The SBIH Group is thoroughly studying and analyzing conditions in other countries in order to reduce exposure to country risk. However, since it is difficult to completely avoid the effects of these risks, the occurrence of any of these problems may have an impact on the SBIH Group's business results.

### Protection of Personal Information

By extensively utilizing the Internet, the SBIH Group carries out wide-ranging business activities that include Financial Services, Real Estate and Lifestyle Networks businesses. In the course of these activities, the SBIH Group obtains and uses information on numerous customers. The SBIH Group is engaged in financial service businesses, including the recently started banking and insurance operations. Since financial service

businesses demand confidence, stability and safety, the SBIH Group believes that preventing damage from leaks of customer information and unauthorized access is extremely crucial. The SBIH Group thus recognizes that information security is its most crucial issue for ensuring that customers may use its services with confidence.

The SBIH Group has established an internal management structure, and is constantly working on making improvements for the purpose of complying with Japan's Personal Information Protection Act and associated regulations. In the event of a violation of a law or regulation at the SBIH Group, or an information leak, the resulting loss of trust among customers and other consequences may have an impact on the SBIH Group's business results.

### Business Reorganization

As a "Strategic Business Innovator," one of the SBIH Group's basic policies is to perpetuate "Self Evolution."

During the fiscal year under review, SBI E\*TRADE SECURITIES Co., Ltd. changed its trade name to SBI SECURITIES Co., Ltd. in July 2008 and became a wholly owned subsidiary of the SBIH Group through a stock swap in August of that year.

Further, SBI Futures Co., Ltd. abolished its commodities transactions brokerage business in July 2009 and became a wholly owned subsidiary of the SBIH Group through a stock swap in August of that year.

Going forward, the SBIH Group will actively expand its business portfolio by taking actions that include M&A activities in fields that can produce synergies with the SBIH Group's core businesses. Nevertheless, despite sufficient prior investment analysis and detailed diligence, there is a possibility that this business reorganization and expansion in the range of business activities may have unanticipated results that impact the SBIH Group's business results.

In the fiscal year that ended in March 2007, the SBIH 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 SBIH Group began treating as consolidated subsidiaries several funds that the SBIH Group manages.

Therefore, all assets, liabilities and other items at these funds are now included in the consolidated balance sheets 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 through this 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 SBIH Group's ownership. An adjustment is made through minority interests in net income for the portion of revenues and expenses corresponding to external investors.

Consequently, the above changes caused by the application of "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations" must be taken into consideration when comparing the SBIH Group's consolidated financial condition, and results of operations in past fiscal years.

### Entering New Businesses

Based on the management principle of "Aiming to Be a New Industry Creator," the SBIH Group is aggressively creating and cultivating core industries of the 21st century. The SBIH Group is entering a broad spectrum of new businesses. However, an inadequate risk management system may prevent a business from operating as planned. Furthermore, the inability of new businesses to attain initially forecasted targets, or the failure to achieve sufficient future profits commensurate with initial investments may have an adverse impact on the SBIH Group's business results. In addition, these new businesses could become subject to new laws or placed under the guidance of regulatory authorities. Subsequent violations of such laws with any resulting administrative actions, or other punishment could impede the performance of these businesses.

### Status as a Financial Conglomerate

The SBIH Group is classified as a financial conglomerate as defined by regulations of the Financial Services Agency. As a result, the SBIH Group is further strengthening its risk management and compliance systems in order to maintain financial soundness, and to conduct business activities properly. However, if the SBIH Group is subject to an administrative action or

other punishment by the Financial Services Agency, for whatever reason, the SBIH Group may have difficulty conducting its business operations.

### Funding Liquidity Risk

The SBIH Group secures the funds required for its business operations by procuring equity capital from capital markets, taking out loans from financial institutions, issuing bonds, and taking other actions. The SBIH Group's ability to procure funds at the required time and desired terms may be restricted, and the cost of fund procurement may rise in the event of turmoil in financial markets, the reluctance of financial institutions to extend credit, a reduction in SBI Holdings' credit rating, or other events. Such events may have an impact on the SBIH Group's business results.

### Reliance on Key Personnel

The SBIH 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 SBIH Group's business activities, there could be an adverse impact on the SBIH Group's business results.

### Employees

The SBIH Group has always hired talented personnel under its management, which possesses strong leadership capabilities, however, its results may be negatively impacted should the continuous hiring of such personnel be rendered impossible.

# 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
<b>CURRENT ASSETS:</b>			
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)
<b>Total current assets</b>	<b>1,069,271</b>	<b>851,409</b>	<b>8,664,855</b>
<b>PROPERTY AND EQUIPMENT—Net</b> (Notes 10 and 12)	<b>5,728</b>	<b>8,578</b>	<b>87,297</b>
<b>LEASED ASSETS—Net</b> (Note 2.k)	<b>7,877</b>		
<b>INVESTMENTS AND OTHER ASSETS:</b>			
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)
<b>Total investments and other assets</b>	<b>136,371</b>	<b>219,247</b>	<b>2,231,295</b>
<b>TOTAL</b>	<b>¥1,219,247</b>	<b>¥1,079,234</b>	<b>\$10,983,447</b>

LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2009	2009
<b>CURRENT LIABILITIES:</b>			
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
<b>Total current liabilities</b>	<b>740,634</b>	<b>623,449</b>	<b>6,344,884</b>
<b>LONG-TERM LIABILITIES:</b>			
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
<b>Total long-term liabilities</b>	<b>82,880</b>	<b>29,193</b>	<b>297,103</b>
<b>STATUTORY RESERVES (Note 18):</b>			
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
<b>Total statutory reserves</b>	<b>7,967</b>	<b>7,253</b>	<b>73,815</b>
<b>EQUITY (Notes 19 and 20):</b>			
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)
<b>Total</b>	<b>241,220</b>	<b>353,531</b>	<b>3,597,909</b>
Minority interests	146,546	65,808	669,736
<b>Total equity</b>	<b>387,766</b>	<b>419,339</b>	<b>4,267,645</b>
<b>TOTAL</b>	<b>¥1,219,247</b>	<b>¥1,079,234</b>	<b>\$10,983,447</b>

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
<b>OPERATING REVENUES</b> (Notes 21 and 30)	¥144,581	¥222,568	¥130,923	\$1,332,412
<b>OPERATING COSTS</b> (Note 22)	68,745	115,344	63,634	647,606
Gross profit	75,836	107,224	67,289	684,806
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b> (Note 23)	52,741	64,617	62,885	639,988
Operating income	23,095	42,607	4,404	44,818
<b>OTHER INCOME (EXPENSES):</b>				
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)
<b>INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS</b>	62,042	28,819	(16,132)	(164,178)
<b>INCOME TAXES</b> (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
<b>MINORITY INTERESTS IN NET (INCOME) LOSS</b>	(776)	(7,317)	3,906	39,748
<b>NET INCOME (LOSS)</b>	¥ 46,441	¥ 4,229	¥ (18,375)	\$ (187,007)
			Yen	U.S. Dollars
	2007	2008	2009	2009
<b>PER SHARE OF COMMON STOCK</b> (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
<b>BALANCE, APRIL 1, 2006</b>	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
<b>BALANCE, MARCH 31, 2007</b>	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
<b>BALANCE, MARCH 31, 2008</b>	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)
<b>BALANCE, MARCH 31, 2009</b>	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
<b>BALANCE, MARCH 31, 2008</b>	\$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)
<b>BALANCE, MARCH 31, 2009</b>	<b>\$561,925</b>	<b>\$2,228,903</b>	<b>\$121</b>	<b>\$ 884,041</b>	<b>\$ (60,514)</b>	<b>\$(262)</b>	<b>\$ (9,832)</b>	<b>\$ (6,473)</b>	<b>\$3,597,909</b>	<b>\$ 669,736</b>	<b>\$4,267,645</b>

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
<b>OPERATING ACTIVITIES:</b>				
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
<b>INVESTING ACTIVITIES:</b>				
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
<b>FINANCING ACTIVITIES:</b>				
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)
<b>CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES</b>				
	22,175	25,365	2,875	29,263
<b>CASH AND CASH EQUIVALENTS DECREASED DUE TO EXCLUSION FROM CONSOLIDATION</b>				
		(24)	(107)	(1,089)
<b>CASH AND CASH EQUIVALENTS OF NEWLY MERGED COMPANIES</b>				
			224	2,273
<b>FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS</b>				
	(57)	(933)	(102)	(1,042)
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(17,453)	43,915	(32,694)	(332,736)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	132,545	115,092	159,007	1,618,232
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	¥115,092	¥159,007	¥ 126,313	\$ 1,285,496
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION (Note 2.a):</b>				
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.

# Notes to Consolidated Financial Statements

SBI Holdings, Inc. and Consolidated Subsidiaries

## 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 businesses 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 & 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 & investment banking businesses are principally carried out by the Company's subsidiary, SBI SECURITIES Co., Ltd. (formerly known as SBI E\*TRADE SECURITIES Co., Ltd.) ("SBISEC"), one of the largest online securities companies in Japan by number of accounts, deposits in customer accounts and daily average revenue from trades. Brokerage & investment banking businesses involve the provision of brokerage services as well as investment banking services such as underwriting, securitizations, 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 services such as leasing and loans for individuals and business owners; credit cards; payment settlement services; development of financial software; investment trust evaluation; operation of insurance and loan product comparison websites; and many others.

SBI's housing and real estate business is principally executed by the Company, Living Corporation ("LIVING"), SBI Mortgage Co., Ltd. and CEM Corporation ("CEM"). The housing and real estate business consists of housing loan brokerage; real estate investments and property development; establishment and operation of funds, mainly to invest in real estate; venture capital investments in companies associated with real estate; and Internet network operations to meet lifestyle needs of individuals.

SBI's system solution business is principally executed by the Company, SBI Net Systems Co., Ltd. (formerly known as C4 Technology, Inc. ("C4T")) ("SBINET") and SBI Robo Corp. The system solution business involves system related businesses 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 Act 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 from 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 and 2008 financial statements to conform to the classifications used in 2009.

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 ¥98.26 to \$1, the approximate rate of exchange at March 31, 2009. 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 of March 31, 2009 include the accounts of the Company and its 82 significant (74 in 2008, 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 (1 in 2008, 5 in 2007) unconsolidated subsidiary and 7 (7 in 2008, 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 amortized by the straight-line method over the estimated useful life of goodwill, while goodwill is amortized 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 such subsidiaries, is being amortized by the straight-line method over periods appropriate to the circumstances of the respective acquisitions. Immaterial goodwill or negative goodwill is charged to income when incurred.

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

In September 2006, the Accounting Standards Board of Japan (the "ASBJ") issued Practical Issues Task Force ("PITF") No. 20, "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations." 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 March 31, 2007.

Investments in 51 (47 in 2008, 33 in 2007) companies and 1 (1 in 2008, 1 in 2007) 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.

The operating investments in funds that are classified as subsidiaries under PITF No. 20, but are not consolidated are included in investments in unconsolidated subsidiaries and affiliated companies on the consolidated balance sheet. Those that are not classified as subsidiaries under PITF No. 20 are included in operating investment securities. In either case, they are accounted for by using the equity method based on SBI's percentage share in the contributed capital, while SBI consolidates the revenue and expenses of these funds in its consolidated statements of operations. Revenues and expenses stated on the profit and loss statements of the funds are recorded in SBI's consolidated statements of operations based on SBI's percentage share in each partnership's contributed capital.

Non-operational investments in funds included in investment securities on the consolidated balance sheet are accounted for by 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 consolidated.

Upon resolution and approval of the Board of Directors on May 12, 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. As a result, NEXUS became an affiliated company accounted for by the equity method from June 2006. Then, upon resolution and approval of the Board of Directors on November 12, 2007, NEXUS resolved to allot 55,865 new shares to a third party on November 27, 2007. As a result, the Company's equity interest in NEXUS was reduced to 16.1 percent. Accordingly, NEXUS was no longer an affiliate of the Company subject to equity method accounting from December 2007.

Upon resolution and approval of the Board of Directors on January 30, 2007, the Company acquired 505 shares of common stock of CEM in the aggregate amount of ¥2,967 million on February 16, 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 on the same day. As a result, CEM became a consolidated subsidiary of the Company from February 2007.

The Company acquired common stock of LIVING through a Take Over Bid ("TOB"). The TOB was officially approved by the Company's Board of Directors on July 31, 2007 and was executed from August 1, 2007 through September 3, 2007. The number of shares acquired through the TOB was 8,700, and the aggregate investment amount was ¥2,784 million. As a result, the equity interest of LIVING held by the Company became 54.4 percent and LIVING was consolidated from September 2007.

Upon resolution and approval of the Board of Directors on February 15, 2008, the Company accepted new shares of SBINET and acquired 105,200 shares of common stock for the aggregate amount of ¥1,368 million, while SBISEC accepted new shares of SBINET and acquired 26,300 shares of common stock for the aggregate amount of ¥342 million. As a result, SBINET became a consolidated subsidiary of the Company from March 2008.

Upon approval of the Board of Directors on January 15, 2008 and general shareholders' meeting on June 27, 2008, the Company issued 4,319,212 new shares of its common stock and allotted 1,109,000 shares of treasury stock to SBISEC's shareholders at an exchange ratio of 3.55 shares for each outstanding share of SBISEC's common stock. As a result of this share exchange, SBISEC became wholly owned by the Company.

Upon resolution and approval of the Board of Directors on April 10, 2008, SBISEC sold all its shares of E\*TRADE KOREA Co., Ltd. ("ETK") on September 29, 2008. Accordingly, ETK was no longer a consolidated subsidiary of SBISEC and was eliminated from its scope of consolidation from October 2008.

The Company sold all its shares of ZEPHYR CO., LTD. ("ZPYR"). Accordingly, ZPYR was no longer an affiliate of the Company subject to the equity method accounting from July 2008.

**b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements**—In 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." PITF No. 18 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 generally accepted accounting principles in the United States of America 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: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of cost model accounting; (e) recording the prior years' effects of changes in accounting policies in the statements of operations where retrospective adjustments to financial statements have been incorporated; and (f) exclusion of minority interests from net income, if contained. PITF No. 18 was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The Company applied this accounting standard effective April 1, 2008. The effect of this change was not considered material to net income for the year ended March 31, 2009.

**c. Business Combination**—In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations," and on December 27, 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." 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.

**d. 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.

**e. 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 unrealized gains and losses included in earnings and (2) available-for-sale securities, which are not classified as trading securities, are reported at fair value, with unrealized 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 realizable value by a charge to income.

In accordance with PITF No. 20, investments in funds which are determined to be subsidiaries under PITF No. 20 but are not 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 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.

In accordance with the Commodities Exchange Act, 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
Listed corporate bonds:	65 percent of face value
Equity securities listed on the first section market:	70 percent of fair value
Warehouse certificates:	70 percent of fair value

**f. Valuation Allowance for Operational Investment Securities, Investments in Unconsolidated Subsidiaries and Affiliated Companies and Investment Securities**—Valuation allowance for operational investment securities, investments in unconsolidated subsidiaries and affiliated companies and investment securities is provided at an estimated amount for possible losses from investments based on the financial condition of investees.

**g. Real Estate Inventory**—Prior to April 1, 2008, inventories were stated at cost, determined by the specific identification method. In July 2006, the ASBJ issued ASBJ Statement No. 9, “Accounting Standard for Measurement of Inventories.” 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 was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

SBI applied this new accounting standard for measurement of inventories effective April 1, 2008. For real estate inventory, the effect of this change was to decrease operating income by ¥409 million (\$4,161 thousand) and increase loss before income taxes and minority interests by ¥1,393 million (\$14,179 thousand).

**h. 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 receivables outstanding.

**i. Property and Equipment**—Property and equipment are stated at cost less accumulated depreciation. Depreciation of property and equipment by 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 April 1, 1998 and the property and equipment of consolidated foreign subsidiaries. The range of useful lives is principally from 3 to 50 years in 2007 and 2008 and from 3 to 47 years in 2009 for buildings and leasehold improvements and from 2 to 20 years for furniture and equipment.

**j. Long-lived Assets**—The Company and its domestic subsidiaries review their 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 is recognized 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 is 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.

**k. Lease Accounting**—In March 2007, the ASBJ issued ASBJ Statement No. 13, “Accounting Standard for Lease Transactions,” which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

(1) *Lessee*—Under the previous accounting standard, finance leases that deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain “as if capitalized” information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and did not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

SBI continued to account for leases which existed at the transition date and did not transfer ownership of the leased property to the lessee as operating lease transactions.

- (2) *Lessor*—Under the previous accounting standard, finance leases that deemed to transfer ownership of the leased property to the lessee were treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain “as if sold” information was disclosed in the note to the lessor’s financial statements. The revised accounting standard requires that all finance leases that deem to transfer ownership of the leased property to the lessee be recognized as lease receivables, and that all finance leases that deem not to transfer ownership of the leased property to the lessee be recognized as lease investment assets.

SBI applied the revised accounting standard effective April 1, 2008. The effect of this change was not considered material to net income for the year ended March 31, 2009.

Tangible and intangible lease receivables and lease investment assets are stated at cost less accumulated depreciation. Depreciation is computed by using the straight-line method over the lease term with residual value of zero.

***l. Software***—Software is recorded at cost, less accumulated amortization. Amortization 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, amortization 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.

***m. Other Assets***—Stock issuance costs are amortized by the straight-line method over 3 years. Bond issuance costs are amortized by the straight-line method over the bond term. Intangible assets are amortized by using the straight-line method. Amortization of deferred assets under Section 113 of the Insurance Business Act is calculated in accordance with the articles of incorporation of a certain subsidiary which manages insurance business.

***n. Statutory Reserve for Financial Products Transaction Liabilities and Liability for Securities Transactions***—Pursuant to Article 51 of the former Securities and Exchange Law, a statutory reserve is provided against possible losses resulting from execution errors. The amount is calculated in accordance with Article 35 of the “Cabinet Office Ordinance concerning Securities Companies” for the year ended March 31, 2008.

Applying the Japanese Financial Instruments and Exchange Act enacted September 30, 2007, which reformed and replaced the Japanese Securities and Exchange Law, “Reserve for liability for securities transactions” in accordance with Article 51 of the former Japanese Securities and Exchange Law was replaced and recorded as “Reserve for financial products transaction liabilities” pursuant to Article 46-5 of Japanese Financial Instruments and Exchange Act from April 1, 2008.

Pursuant to Article 46-5 of the Japanese Financial Instruments and Exchange Act, a statutory reserve is provided against possible losses resulting from execution errors. The amount is calculated in accordance with Article 175 of the “Cabinet Office Ordinance concerning Financial Instruments Business.”

The effect of this change was to decrease loss before income taxes and minority interests by ¥624 million (\$6,354 thousand) for the year ended March 31, 2009.

***o. Statutory Reserve for Liability for Commodity Transaction***—A statutory reserve is provided against possible losses resulting from commodity future transaction errors in accordance with Article 221 of the Commodities Exchange Act.

***p. Statutory Reserve for Price Fluctuations***—A statutory reserve is provided against possible losses resulting from stock price fluctuations in accordance with Article 115 of the Insurance Business Act.

***q. 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.

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

**s. Stock Options**—ASBJ Statement No. 8, “Accounting Standard for Stock Options” and related guidance are applicable to stock options granted on and after May 1, 2006.

This standard requires companies to recognize 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 this accounting standard for stock options to those granted on and after May 1, 2006.

**t. Presentation of Equity**—On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities or assets, as the case may be, are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gains or losses on derivatives accounted for under hedge accounting. This standard was effective for fiscal years ending on or after May 1, 2006. The balances of such items as of March 31, 2006 were reclassified as separate components of equity as of April 1, 2006 in the consolidated statement of changes in equity.

**u. 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 recognized 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-down 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 recognized at the balance sheet date for quoted and unquoted securities if impairment of value has occurred and has been deemed other than temporary, and operational investment securities are reduced to their net realizable 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 organization, management fees and success fees from funds under management. Establishment fees for fund organization are recognized when a fund organized by SBI is established and funded by investors. Management fees are recognized 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 realized gains and losses on and write-down 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 and whose contract periods exceed 1 year is recorded on the percentage-of-completion method while all other construction projects are recorded on the 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 offerings 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 recognized when related services are rendered.

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

**Revenue from finance lease transactions**—Revenue from finance lease transactions is recognized when the lessor receives lease revenue.

**Financial charges and cost of funding**—Financial charges mainly related to brokerage & 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 categorized into either interests related to operating assets, such as lease receivables and investment 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 of a project, interest expenses related to long-term and large-scale real estate developments is included in the acquisition cost of the real estate inventory.

**v. Bonuses to Directors and Corporate Auditors**—Bonuses to directors and corporate auditors are accrued at the year end to which such bonuses are attributable.

**w. Income Taxes**—The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. The asset and liability approach is used to recognize 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 realize their benefits, or that future deductibility is uncertain.

**x. 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 operations. 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.

**y. 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 recognized in the consolidated statements of operations to the extent that they are not hedged by forward exchange contracts.

**z. Foreign Currency Financial Statements**—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of 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.

**aa. 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, bond futures and foreign exchange margin transactions.

Derivatives are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transaction are recognized in the consolidated statements of operations; 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 utilized 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 is recognized and included in interest expense or income.

**ab. 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 operations are dividends applicable to the respective years including dividends to be paid after the end of the year, retroactively adjusted for stock splits.

#### **ac. New Accounting Pronouncements**

**Business combinations**—On December 26, 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, “Accounting Standard for Business Combinations.” Major accounting changes under the revised accounting standard are as follows:

- (1) The current accounting standard for business combinations allows companies to apply the pooling of interests method of accounting when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. The revised standard requires accounting for such business combinations by the purchase method and the pooling of interests method of accounting is no longer allowed.
- (2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development (IPR&D) acquired by the business combination is capitalized as an intangible asset.
- (3) The current accounting standard requires a bargain purchase gain (negative goodwill) to be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

This standard is applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

**Unification of accounting policies applied to foreign affiliated companies for the equity method**—The current accounting standard requires unification of accounting policies within the consolidation group. However, the current guidance allows application of the equity method for the financial statements of foreign affiliated companies which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions without unification of accounting policies.

On December 26, 2008, the ASBJ issued ASBJ Statement No. 16 (Revised 2008), “Revised Accounting Standard for Equity Method of Accounting for Investments.” The new standard requires adjustments to be made to conform the affiliate’s accounting policies for similar transactions and events under circumstances similar to those of the parent company when the affiliate’s financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign affiliated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material: (1) amortization of goodwill; (2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (3) expensing capitalized development costs of R&D; (4) cancellation of fair value model accounting for property, plant and equipment and investment properties and incorporation of cost model accounting; (5) recording the prior years’ effects of changes in accounting policies in the statement of operations where retrospective adjustments to the financial statements have been incorporated; and (6) exclusion of minority interests from net income, if contained.

This standard is applicable to the equity method of accounting for investments effective on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

**Asset retirement obligations**—On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No. 18 “Accounting Standard for Asset Retirement Obligations” and ASBJ Guidance No. 21 “Guidance on Accounting Standard for Asset Retirement Obligations.” Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset

retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

**Construction contracts**—Under current Japanese GAAP, either the completed-contract method or the percentage-of-completion method is permitted in accounting for construction contracts. In December 2007, the ASBJ issued a new accounting standard for construction contracts. Under this new accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for loss on construction contracts. This standard is applicable to construction contracts and software development contracts and effective for fiscal years beginning on or after April 1, 2009 with early adoption permitted for fiscal years beginning on or before March 31, 2009 but after December 27, 2007.

### 3. Business Combinations

#### (1) Application of Purchase Method

##### *LIVING Corporation*

On September 10, 2007, the Company acquired 54.4 percent of the shares of LIVING through a TOB. LIVING provides design and construction services to the real estate and commercial sectors and offers planning and design services regarding investment in real estate properties. This acquisition was made to advance the real estate business strategy by sharing technology and information relating to investment in real estate properties. The operating results of LIVING are included in the Company's consolidated statement of operations for the period from October 1, 2007 to March 31, 2008.

The Company accounted for this business combination by the purchase method of accounting.

The total acquisition cost was ¥2,849 million, which consists of ¥2,784 million for the common stock of LIVING and ¥65 million of related expenses such as brokerage commissions. The difference between the acquisition cost and the fair value of the net assets of LIVING at the acquisition date was recognized as goodwill. Goodwill recorded in connection with the acquisition totaled ¥2,140 million and is being amortized by the straight-line method over 20 years.

The amounts of the assets acquired and the liabilities assumed at the acquisition date are as follows:

	Millions of Yen
Current assets	¥7,055
Non-current assets	90
<b>Total assets acquired</b>	<b>¥7,145</b>
Current liabilities	¥5,795
Non-current liabilities	24
<b>Total liabilities assumed</b>	<b>¥5,819</b>

##### *C4 Technology, Inc.*

On March 3, 2008, the Company acquired a 69.2 percent equity interest in C4T (currently known as SBINET), through a new common share allotment. C4T is in the business of developing and licensing proprietary C4 cipher, secret sharing scheme and digital watermarking, sale of information security products, and the distribution of information security solution services. This acquisition was made to strengthen the software system infrastructure in order to support the financial services that SBI provides through the Internet.

The Company accounted for this business combination by the purchase method of accounting. SBI consolidated only the balance sheet of C4T at March 31, 2008, as the acquisition was in March 2008 and the operations following the acquisition were not material to the Company.

The total acquisition cost was ¥1,714 million, which consisted of ¥1,709 million of consideration for the common stock of C4T and ¥5 million of related expenses such as research expenses. The difference between the acquisition cost and fair value of the net assets of C4T at the acquisition date is recognized as goodwill. Goodwill recorded in connection with the acquisition totaled ¥1,619 million and is being amortized by the straight-line method over 20 years.

The amounts of the assets acquired and the liabilities assumed at the acquisition date are as follows:

	Millions of Yen
Current assets	¥2,683
Non-current assets	1,217
Total assets acquired	¥3,900
Current liabilities	¥ 669
Non-current liabilities	3,088
Total liabilities assumed	¥3,757

#### **(2) Transaction under Common Control**

On October 1, 2007, SBI Securities Co., Ltd. ("SBI-SEC"), the Company's consolidated subsidiary in traditional securities brokerage business, merged into E\*TRADE SECURITIES Co., Ltd. ("ETS"), another financial service subsidiary specialized in online securities brokerage business, with ETS (currently, SBISEC) being the surviving corporation. This merger was conducted to achieve further growth as a comprehensive online securities company.

This merger is treated as a transaction with minority shareholders in accordance with the statement of opinion, "Accounting for Business Combinations" issued by the BAC in October 2003, and "Guidance for Accounting Standard for Business Combinations and Business Divestitures" (ASBJ Guidance No. 10 updated on December 22, 2006).

On August 1, 2008, the Company issued 4,319,212 new shares of its common stock and delivered 1,109,000 shares of treasury stock to SBISEC's shareholders at an exchange ratio of 3.55 shares for each outstanding share of SBISEC's common stock. As a result of this share exchange, SBISEC became a wholly owned subsidiary of the Company.

The total acquisition cost was ¥152,526 million (\$1,552,267 thousand) which consists of ¥152,500 million (\$1,552,007 thousand) for the common stock of the Company and ¥26 million (\$260 thousand) of related expenses such as research expenses. The difference between the acquisition cost and the fair value of the net assets of SBISEC at the acquisition date was recognized as goodwill. Goodwill recorded in connection with the acquisition totaled ¥83,852 million (\$853,367 thousand) and is being amortized by the straight-line method over 20 years.

This merger is treated as a transaction with minority shareholders in accordance with the statement of opinion, "Accounting for Business Combinations" issued by the BAC in October 2003, and "Guidance for Accounting Standard for Business Combinations and Business Divestitures" (ASBJ Guidance No. 10 updated on November 15, 2007).

## 4. Segregated Assets

At March 31, 2008 and 2009, assets required to be segregated in certain financial institutions according to the Commodities Exchange Act were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Cash required to be segregated under regulations	¥200	¥200	\$2,035

At March 31, 2008 and 2009, assets which belonged to assignors of customers' deposits as collateral for commodity futures and were segregated in compliance with the Commodities Exchange Act in 2008 and the Japanese Financial Instruments and Exchange Act in 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Cash required to be segregated under regulations	¥27	¥24	\$248

## 5. Real Estate Inventory

Real estate inventory at March 31, 2008 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Real estate for sale	¥ 7,372	¥10,983	\$111,776
Real estate for sale in progress	15,940	13,109	133,413
Real estate for development	8,071	2,853	29,033
Beneficial interest in real estate investment trust	1,512	9,570	97,394
Total	¥32,895	¥36,515	\$371,616

## 6. Operational Investment Securities and Investment Securities

Operational investment securities and investment securities at March 31, 2008 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Current (operational investment securities):			
Marketable equity securities	¥ 6,225	¥ 5,222	\$ 53,140
Non-marketable equity securities	69,321	78,778	801,733
Corporate bonds	2,471	874	8,899
Investment in funds	37,139	18,432	187,587
Trust fund investment		1,690	17,197
Others	561	240	2,443
Total	¥115,717	¥105,236	\$1,070,999

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Non-current (investment securities):			
Marketable equity securities	¥ 6,982	¥ 3,735	\$ 38,016
Non-marketable equity securities	1,786	1,589	16,168
Investment in funds	6,059	4,091	41,633
Government bonds	4		
Corporate bonds	510	235	2,387
Trust fund investment	571	425	4,330
Others	60	13	130
Total	¥15,972	¥10,088	\$102,664

The carrying amounts and aggregate fair values of operational investment securities and investment securities at March 31, 2008 and 2009 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>March 31, 2008</b>				
Securities classified as available-for-sale:				
Equity securities	¥19,608	¥183	¥6,584	¥13,207
Trust funds investments	607		36	571
Others	435		13	422
<b>March 31, 2009</b>				
Securities classified as available-for-sale:				
Equity securities	12,077	89	3,209	8,957
Trust funds investments	2,468		353	2,115
Others	133			133

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>March 31, 2009</b>				
Securities classified as available-for-sale:				
Equity securities	\$122,908	\$903	\$32,655	\$91,156
Trust funds investments	25,123		3,596	21,527
Others	1,349			1,349

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2008 and 2009 were as follows:

	Millions of Yen		Carrying Amount
	2008	2009	Thousands of U.S. Dollars
			2009
Available-for-sale:			
Equity securities	¥ 71,107	¥ 80,367	\$ 817,901
Investment in funds	43,198	22,523	229,220
Corporate bonds		1,109	11,286
Debt securities and other	3,184	120	1,224
<b>Total</b>	<b>¥117,489</b>	<b>¥104,119</b>	<b>\$1,059,631</b>

Proceeds from sales of available-for-sale securities for the years ended March 31, 2008 and 2009 were ¥51,063 million and ¥4,170 million (\$42,442 thousand), respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥19,002 million and ¥1,451 million, respectively, for the year ended March 31, 2008 and ¥1,758 million (\$17,891 thousand) and ¥1,313 million (\$13,362 thousand), respectively, for the year ended March 31, 2009.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at March 31, 2009 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	¥1,237	\$12,589
Due after one year through five years	1,084	11,028
Due after five years through ten years	1,250	12,716
Due in longer than ten years	202	2,057

Securities whose fair value declines below 50 percent of the acquisition cost are deemed to have suffered other than temporary declines and are reduced to net realizable value by a charge to income. For the years ended March 31, 2008 and 2009, impairment losses were recorded in the aggregate amount of ¥2,626 million and ¥9,705 million (\$98,767 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 March 31, 2008 and 2009, investments in funds consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
SBI BB Media Fund	¥ 1,719	¥ 1,372	\$ 13,960
NEW HORIZON FUND, L.P.	31,306	11,022	112,169
Other funds	10,173	10,129	103,091
<b>Total</b>	<b>¥43,198</b>	<b>¥22,523</b>	<b>\$229,220</b>

## 7. Trading Assets and Liabilities

At March 31, 2008 and 2009, trading assets and liabilities consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Trading assets:			
Equity securities	¥ 15	¥ 11	\$ 109
Debt securities	1,598	7,050	71,747
Derivatives	6	571	5,811
Others	109	93	949
Total	¥1,728	¥7,725	\$78,616
Trading liabilities—Derivatives	¥ 2	¥ 124	\$ 1,267

## 8. Securities Deposited and Received

Fair values of the securities deposited by SBI in securities-related businesses at March 31, 2008 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Securities loaned on margin transactions	¥62,849	¥91,588	\$932,096
Securities pledged for loans payable for margin transactions	79,920	53,957	549,124
Substitute securities for guarantee money paid	72,810	50,730	516,285
Securities loaned under agreement	33,019	42,106	428,520
Others	1,516		

Fair values of the securities received by SBI in securities-related businesses at March 31, 2008 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Securities pledged for loans receivable for margin transactions	¥221,469	¥115,264	\$1,173,054
Securities borrowed on margin transactions	17,919	43,113	438,765
Substitute securities for guarantee money received, which were agreed on as collateral for other transactions	221,047	178,488	1,816,483
Substitute securities for guarantee money received on futures	3,244	506	5,150
Others		36,570	372,175

## 9. Depository Assets

In substitution for transactional margin deposits, SBI had set aside to Japan Commodity Clearing House Co., Ltd. securities in the aggregate amount of ¥259 million and ¥209 million (\$2,131 thousand) as of March 31, 2008 and 2009, respectively, which were recorded as securities in custody included in other current assets or as customers' deposits as collateral for commodity futures or as consignment guarantee money received for margin transactions on the consolidated balance sheets.

## 10. Property and Equipment

Property and equipment at March 31, 2008 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Land	¥ 887	¥ 2,953	\$ 30,056
Buildings and leasehold improvements	4,421	5,162	52,529
Furniture and equipment	6,404	5,551	56,495
Others	66	791	8,050
Total	11,778	14,457	147,130
Less accumulated depreciation	(6,050)	(5,879)	(59,833)
Property and equipment—net	¥ 5,728	¥ 8,578	\$ 87,297

## 11. Investments in Unconsolidated Subsidiaries and Affiliated Companies

Investments in unconsolidated subsidiaries and affiliated companies at March 31, 2008 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Common stock of unconsolidated subsidiaries	¥ 7,471	<b>¥11,714</b>	<b>\$119,209</b>
Common stock of affiliated companies	18,387	<b>11,457</b>	<b>116,602</b>
Unconsolidated investments in fund	65	<b>610</b>	<b>6,212</b>
Total	¥25,923	<b>¥23,781</b>	<b>\$242,023</b>

## 12. Long-Lived Assets

SBI recognized an impairment loss included in other—net of ¥53 million for the year ended March 31, 2007 on certain 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 administered by the head office and Kumagaya 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 administered by ETS's subsidiaries in Korea.

The value of the aforementioned lease properties in Hanyu city was found to be significantly impaired as a result of 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, ¥43 million was recorded as an impairment loss for the relevant land for the year ended March 31, 2007.

SBI-SEC has grouped its long-lived assets based 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 sales branch assets in Itami city were reduced to recoverable amounts as a decision had been reached to relocate the branch. The recoverable amounts were determined based on net realizable values, which were nil as the relevant assets were to be abandoned. As a result, ¥7 million was recorded as an impairment loss for the year ended March 31, 2007. The abovementioned impairment loss consisted of the following:

	Millions of Yen
Buildings	¥7

Similarly, the carrying amount of the sales branch in Tama city was reduced to recoverable amounts which were nil as the branch was to be relocated and the relevant assets were to be abandoned. As a result, ¥3 million was recorded as an impairment loss for the year ended March 31, 2007. The abovementioned impairment loss consisted of the following:

	Millions of Yen
Buildings	¥2
Furniture and equipment	1
Total	¥3

No impairment loss was recognized in the years ended March 31, 2008 or 2009.

## 13. Short-term Borrowings and Long-term Debt

Short-term borrowings at March 31, 2008 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Short-term borrowings:			
From banks, 1.38 to 2.88 percent in 2008 and 1.29 to 4.49 percent in 2009	¥41,534	<b>¥34,389</b>	<b>\$349,987</b>
From other, 1.98 to 6.26 percent in 2008 and 0.00 to 3.92 percent in 2009	12,298	<b>20,269</b>	<b>206,277</b>
Total	¥53,832	<b>¥54,658</b>	<b>\$556,264</b>

Weighted average interest rates of loans payable for margin transactions for the years ended March 31, 2008 and 2009 were 1.10 percent and 0.96 percent, respectively.

Long-term debt at March 31, 2008 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Zero coupon unsecured Japanese yen convertible bonds with warrants due November 2008	¥ 5,940		
Zero coupon unsecured Japanese yen convertible bonds with warrants due April 2009	12,770	¥ 11,480	\$ 116,833
Unsecured Japanese yen bonds with a fixed interest rate of 0.29 percent	20		
Unsecured Japanese yen bonds with a fixed interest rate of 0.72 percent	200		
Secured Japanese yen bonds with a fixed interest rate of 0.91 percent	300		
Unsecured Japanese yen bonds with a fixed interest rate of 1.23 percent	50,000		
Unsecured Japanese yen bonds with a fixed interest rate of 1.24 percent	50,000		
Unsecured Japanese yen bonds with a fixed interest rate of 1.70 percent	300	300	3,053
Unsecured Japanese yen bonds with a fixed interest rate of 2.08 percent	30,000	30,000	305,312
Unsecured Japanese yen convertible bonds with warrants	500		
Unsecured loans from financial institutions, due serially through February 2016 with a weighted average floating interest rate of 1.43 percent in 2008 and 1.16 percent in 2009 and a weighted average fixed interest rate of 2.19 percent in 2008 and 2.14 percent in 2009	39,862	34,837	354,538
Total	189,892	76,617	779,736
Less current portion	(112,743)	(63,033)	(641,493)
Long-term debt, less current portion	¥ 77,149	¥ 13,584	\$ 138,243

Annual maturities of long-term debt as of March 31, 2009 for the next five years and thereafter were as follows:

Year Ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2010	¥63,033	\$641,493
2011	12,519	127,405
2012	710	7,226
2013	140	1,425
2014	140	1,425
2015 and thereafter	75	762
Total	¥76,617	\$779,736

On April 8, 2004, the Company issued ¥20,000 million of zero coupon unsecured Japanese yen convertible bonds with warrants mainly in the Euro market. The bonds were due April 8, 2009. All the unexercised warrants expired on March 18, 2009, due to expiration of the term.

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

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

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

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

SBI has bank overdraft facilities of ¥125,500 million (\$1,277,224 thousand) available for working capital use, ¥103,657 million (\$1,054,926 thousand) of which was unused at March 31, 2009.

## 14. Pledged Assets

The carrying amounts of assets pledged as collateral for short-term borrowings of ¥22,495 million and ¥29,246 million (\$297,639 thousand) at March 31, 2008 and 2009, current portion of long-term debt of ¥4,132 million and ¥4,280 million (\$43,555 thousand) at March 31, 2008 and 2009 and for long-term debt, including bonds of ¥3,366 million and ¥1,011 million (\$10,291 thousand) at March 31, 2008 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Cash and cash equivalents	¥ 111	¥ 276	\$ 2,812
Real estate inventory	12,463	11,188	113,864
Operational loans receivable	21,214	15,261	155,310
Notes and accounts receivable—trade	439	574	5,843
Prepaid expenses and other current assets		14,455	147,103
Total	¥34,227	¥41,754	\$424,932

Securities received as collateral for financing from broker's own capital of ¥8,474 million and ¥475 million (\$4,834 thousand) were pledged as collateral for loans payable for margin transactions at March 31, 2008 and 2009, respectively.

## 15. Unearned Income

Unearned income at March 31, 2008 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
SBI BB Media Fund	¥ 472	¥ 473	\$ 4,809
SBI BROADBAND CAPITAL K.K.	240	232	2,365
Others	1,181	1,380	14,047
Total	¥1,893	¥2,085	\$21,221

## 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. Certain of the Company's domestic consolidated subsidiaries have a non-contributory funded defined benefit pension plan and either a contributory funded defined benefit pension plan or a defined contribution pension plan for the employees' retirement plan. During this fiscal year, the advance payment system that certain consolidated subsidiaries adopted was abolished by integrating the retirement benefit systems. A certain foreign consolidated subsidiary that adopted the termination allowance plan is excluded from the consolidation scope due to sales of shares in October 2008.

Under the contributory or non-contributory funded defined benefit pension plans, employees terminating their employment are, in most circumstances, entitled to pension payments based on their 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 of March 31, 2008, fair values of plan assets and actuarial pension liabilities under the contributory funded defined benefit pension plan managed by Kanto IT Software Health Insurance Society were ¥146,083 million and ¥112,700 million, respectively.

As of March 31, 2008, fair values of plan assets and actuarial pension liabilities under the contributory funded defined benefit pension plan managed by the Association of Welfare Pension Fund in the Commodity Futures Industry were ¥81,621 million and ¥61,610 million, respectively.

As of March 31, 2008, fair values of plan assets and actuarial pension liabilities under the contributory funded defined benefit pension plan managed by Tokyo Media Industry Pension Fund were ¥92,772 million and ¥93,592 million, respectively.

As of March 31, 2009, fair values of plan assets and actuarial pension liabilities under the contributory funded defined benefit pension plan managed by Kanto IT Software Health Insurance Society were ¥145,958 million (\$1,485,426 thousand) and ¥140,968 million (\$1,434,643 thousand), respectively.

As of March 31, 2009, fair values of plan assets and actuarial pension liabilities under the contributory funded defined benefit pension plan managed by the Association of Welfare Pension Fund in the Commodity Futures Industry were ¥66,701 million (\$678,821 thousand) and ¥63,454 million (\$645,779 thousand), respectively.

The liability for employees' retirement benefits included in other long-term liabilities at March 31, 2008 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Projected benefit obligation	¥ 285	¥227	\$ 2,308
Fair value of plan assets	(183)	(99)	(1,003)
Net liability	¥ 102	¥128	\$ 1,305

The components of net periodic benefit costs for the years ended March 31, 2007, 2008 and 2009 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2007	2008	2009	2009
Service cost	¥155	¥193	¥211	\$2,151
Net periodic benefit costs	155	193	211	2,151
Contributions to the defined contribution pension plan and advance retirement payments	208	228	252	2,562
Total	¥363	¥421	¥463	\$4,713

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 terminated 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.

## 17. Retirement Allowance for Directors

Retirement allowance for directors is paid subject to approval of the shareholders in accordance with the Companies Act of Japan (the "Companies Act").

A certain subsidiary recorded liabilities of ¥3 million and nil for its unfunded retirement allowance plan covering all of its directors at March 31, 2008 and 2009, respectively, which was included in other long-term liabilities.

## 18. Statutory Reserves

According to the Japanese Financial Instruments and Exchange Act, the Commodities Exchange Act of Japan and Insurance Business Act of Japan, securities companies, commodities companies and insurance companies are required to set aside reserves in proportion to their securities or commodities transactions and other related trading to cover possible customer losses incurred by default of the securities companies on securities transactions or the commodities companies on commodities transactions or to cover possible losses incurred by stock price fluctuations. As mentioned in Note 2.n, the "Reserve for liability for securities transactions" in accordance with Article 51 of the former Japanese Securities and Exchange Law was replaced and recorded as "Reserve for financial products transaction liabilities" from the year ended March 31, 2009.

## 19. Equity

Since May 1, 2006, Japanese companies have been subject to the Companies Act. The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

### a. Dividends

Under the Companies Act, 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) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual 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 Companies Act 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 Companies Act 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 Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act 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 Companies Act 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 a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act 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.

During the year ended March 31, 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 its stock option plans. As a result, the Company's common stock and capital surplus increased by ¥685 million and ¥827 million, respectively.

During the year ended March 31, 2008, the Company issued 36,113 shares of its common stock pursuant to the exercise of warrants attached to various unsecured corporate bonds already redeemed and options granted based on its stock option plans. As a result, the Company's common stock and capital surplus increased by ¥244 million and ¥243 million, respectively.

During the year ended March 31, 2009, the Company issued 14,237 shares of its common stock pursuant to the exercise of warrants attached to various unsecured corporate bonds already redeemed and options granted based on its stock option plans. In addition, to make SBISEC a wholly-owned subsidiary, the Company issued 4,319,212 shares of its common stock to SBISEC's shareholders. As a result, the Company's common stock and capital surplus increased by ¥57 million (\$579 thousand) and ¥102,250 million (\$1,040,610 thousand), respectively.

## 20. Stock Option Plan

Stock options outstanding as of March 31, 2009 are as follows:

**Stock Option Issued by the Company**

Stock Option	Number of Options Outstanding	Date of Grant	Exercise Price	Exercise Period
2001 Warrant	11,394 shares	2002.2.1	¥20,796 (\$211.64)	From December 20, 2003 to December 19, 2011
2002 Stock Option (1)	13,032 shares	2002.12.20	¥5,984 (\$60.90)	From December 20, 2004 to December 19, 2012
2003 Stock Option (1)	19,368 shares	2003.9.25	¥17,879 (\$181.96)	From December 20, 2004 to December 19, 2012
2003 Stock Option (2)	57,006 shares	2003.9.25	¥17,879 (\$181.96)	From June 24, 2005 to June 23, 2013
2003 Stock Option (3)	15,813 shares	2003.10.23	¥27,655 (\$281.45)	From June 24, 2005 to June 23, 2013
2005 Stock Option (1)	24,845 shares	2005.7.28	¥35,078 (\$356.99)	From July 28, 2005 to June 29, 2013

**Stock Options Assumed by the Company Due to Mergers and Acquisitions**

Stock Option	Number of Options Outstanding	Date of Grant	Exercise Price	Exercise Period
E*TRADE Japan K.K. Stock Option	59,512.32 shares	2002.7.1	¥12,079 (\$122.93)	From June 21, 2004 to June 20, 2012
SBI HOME Planner Co., LTD. 2003 Stock Option	474 shares	2004.4.15	¥23,200 (\$236.11)	From June 28, 2005 to June 27, 2013
SBI HOME Planner Co., LTD. 2004 Stock Option	696 shares	2004.9.29	¥25,600 (\$260.53)	From October 2, 2006 to September 30, 2010
SBI HOME Planner Co., LTD. 2004 Stock Option	60 shares	2004.10.29	¥25,600 (\$260.53)	From October 2, 2006 to September 30, 2010
SBI Partners Co., Inc. 2005 Stock Option	550 shares	2005.11.29	¥37,060 (\$377.16)	From December 1, 2005 to October 31, 2013
FINANCE ALL CORPORATION 2002 Stock Option	3,840 shares	2002.9.25	¥4,465 (\$45.44)	From September 25, 2004 to September 24, 2012
FINANCE ALL CORPORATION 2003 Stock Option	9,080 shares	2003.8.2	¥4,465 (\$45.44)	From August 2, 2005 to August 1, 2013
WORLD NICHIEI Securities Co., LTD. 2003 Stock Option	172.50 shares	2003.7.15	¥17,392 (\$177.00)	From July 1, 2005 to June 26, 2013
WORLD NICHIEI FRONTIER Securities Co., LTD. 2004 Stock Option	19,928.35 shares	2004.6.29	¥50,174 (\$510.62)	From June 30, 2006 to June 29, 2014
WORLD NICHIEI FRONTIER Securities Co., LTD. 2004 Stock Option	40.25 shares	2004.12.22	¥31,914 (\$324.79)	From June 30, 2006 to June 29, 2014
SBI Securities Co., Ltd. 2005 Stock Option	20,033.00 shares	2005.7.4	¥46,957 (\$477.89)	From June 30, 2007 to June 29, 2015
SBIH (1) Stock Option*	51,088.05 shares	2008.8.1	¥12,477 (\$126.98)	From August 1, 2008 to June 21, 2010
SBIH (2) Stock Option*	7,987.50 shares	2008.8.1	¥12,477 (\$126.98)	From August 1, 2008 to June 21, 2010
SBIH (3) Stock Option*	13,142.10 shares	2008.8.1	¥48,287 (\$491.42)	From August 1, 2008 to June 23, 2013
SBIH (4) Stock Option*	2,321.70 shares	2008.8.1	¥56,518 (\$575.19)	From August 1, 2008 to June 23, 2013
<b>Total</b>	<b>330,383.77 shares</b>			

\* SBI Holdings, Inc. allotted and delivered stock acquisition rights of SBI Holdings, Inc. to the holders of stock acquisition rights of SBI SECURITIES Co., Ltd. to replace the stock acquisition rights of SBI SECURITIES Co., Ltd. held by them upon a stock swap.

**Stock Options Issued by Consolidated Subsidiaries**

Stock Option	Number of Options Outstanding (Non-vested)	Date of Grant	Exercise Price	Exercise Period
<b>SBI Mortgage Co., Ltd.</b>				
Stock Option (1)	4,700 shares (4,700 shares)	2005.5.25	¥7,500 (\$76.33)	From May 26, 2007 to May 25, 2015
<b>LIVING Corporation</b>				
Stock Option (2)	19 shares	2005.8.29	¥100,000 (\$1,017.71)	From August 30, 2007 to August 29, 2015
Stock Option (3)	960 shares	2008.6.1	¥270,834 (\$2,756.30)	From June 1, 2008 to March 31, 2013
Total	979 shares			
<b>SBI Biotech Co., Ltd.</b>				
Stock Option (1)	620 shares (620 shares)	2002.10.15	¥5,000 (\$50.89)	30 months after 6 months passed from the IPO
Stock Option (2)	536 shares (536 shares)	2002.10.15	¥5,000 (\$50.89)	From October 15, 2004 to August 31, 2012
Stock Option (5)	90 shares (90 shares)	2005.9.28	¥175,000 (\$1,780.99)	From September 29, 2005 to August 30, 2015
Total	1,246 shares (1,246 shares)			
<b>SBI Futures Co., Ltd.</b>				
Warrant (3)	289 shares	2001.8.15	¥64,516 (\$656.59)	From September 1, 2001 to August 15, 2009
Warrant (4)	65 shares	2001.8.15	¥64,516 (\$656.59)	From September 1, 2001 to August 15, 2010
Stock Option (3)	779 shares (183 shares)	2005.7.6	¥98,598 (\$1,003.44)	From June 17, 2007 to June 17, 2011
Total	1,133 shares (183 shares)			
<b>SBI VeriTrans Co., Ltd.</b>				
2004 Stock Option	1,632 shares	2004.2.13	¥5,741 (\$58.43)	From February 13, 2006 to February 12, 2014
<b>Morningstar Japan K.K.</b>				
2001 Warrant	256 shares	2001.5.18	¥320,375 (\$3,260.48)	From March 16, 2003 to March 15, 2011
2003 Stock Option (1)	2,448 shares	2003.11.5	¥57,500 (\$585.18)	From March 20, 2005 to March 19, 2013
2006 Stock Option (2)	250 shares	2006.4.21	¥133,500 (\$1,358.64)	From March 24, 2008 to March 23, 2016
Total	2,954 shares			

Stock Option	Number of Options Outstanding (Non-vested)	Date of Grant	Exercise Price	Exercise Period
<b>Gomez Consulting Co., Ltd.</b>				
2003 Stock Option	410 shares	2003.3.15	¥44,250 (\$450.34)	From March 15, 2005 to March 14, 2013
2005 Stock Option	294 shares	2005.6.15	¥100,000 (\$1,017.71)	From June 3, 2007 to June 2, 2015
Total	704 shares			
<b>HOMEOSTYLE, Inc.</b>				
Warrant (1)	4,990 shares (4,990 shares)	2002.4.5	¥9,636 (\$98.07)	From June 1, 2002 to March 12, 2012
Warrant (2)	979 shares (979 shares)	2004.8.24	¥9,636 (\$98.07)	From June 1, 2002 to March 12, 2012
Stock Option (3)	426 shares (426 shares)	2005.2.28	¥16,000 (\$162.83)	From March 1, 2007 to February 24, 2015
Stock Option (4)	8,423 shares (8,423 shares)	2006.3.31	¥19,000 (\$193.36)	From April 1, 2008 to March 25, 2016
<b>TK International Co., Ltd.</b>				
Stock Option (the stock option which was taken over by HOMEOSTYLE, Inc. due to the M&A)	4,081 shares (4,081 shares)	2004.7.2	¥11,903 (\$121.14)	From July 6, 2006 to June 30, 2014
Total	18,899 shares (18,899 shares)			

Stock Option	Number of Options Outstanding (Non-vested)	Date of Grant	Exercise Price	Exercise Period
<b>Autoc one K.K.</b>				
Stock Option (1)	6,300 shares (6,300 shares)	2002.12.27	¥10,000 (\$101.77)	From November 1, 2004 to September 30, 2012
Stock Option (2)	50 shares (50 shares)	2003.10.20	¥10,000 (\$101.77)	From November 1, 2005 to September 30, 2012
Stock Option (3)	1,500 shares (1,500 shares)	2004.10.29	¥50,000 (\$508.85)	From August 1, 2006 to May 31, 2014
Stock Option (4)	200 shares (200 shares)	2005.2.25	¥50,000 (\$508.85)	From August 1, 2006 to May 31, 2014
Stock Option (5)	100 shares (100 shares)	2005.4.20	¥50,000 (\$508.85)	From August 1, 2006 to May 31, 2014
Stock Option (6)	100 shares (100 shares)	2005.4.20	¥50,000 (\$508.85)	From August 1, 2006 to May 31, 2014
Stock Option (7)	1,330 shares (1,330 shares)	2006.4.20	¥50,000 (\$508.85)	From June 28, 2007 to June 27, 2015
Stock Option (8)	180 shares (180 shares)	2008.3.28	¥60,000 (\$610.63)	From June 29, 2009 to June 28, 2017
Total	9,760 shares (9,760 shares)			
<b>SBI Net Systems Co., Ltd.</b>				
2002 Stock Option	455 shares	2002.6.27	¥60,000 (\$610.63)	From June 28, 2004 to June 27, 2012
<b>TradeWin Co., Ltd.</b>				
Warrant (2)	1,000 shares (1,000 shares)	2000.10.20	¥50,000 (\$508.85)	From January 1, 2001 to April 16, 2012
Warrant (3)	320 shares (320 shares)	2002.4.17	¥460,000 (\$4,681.46)	From April 18, 2002 to April 16, 2012
Total	1,320 shares (1,320 shares)			

The stock option activity for the years ended March 31, 2007, 2008 and 2009 is as follows:

	SBI Holdings, Inc.	SBI Mortgage Co., Ltd.	LIVING Corporation	SBI Biotech Co., Ltd.	SBI Futures Co., Ltd.	SBI VeriTrans Co., Ltd. (Shares)
<b>For the Year Ended March 31, 2007</b>						
Non-vested:						
March 31, 2006—outstanding	72,167.50	60			2,322	9,648
Granted						
Cancelled	6,471.25	11			114	730
Vested	33,090.30				1,208	3,564
March 31, 2007—outstanding	32,605.95	49			1,000	5,354
Vested:						
March 31, 2006—outstanding	606,128.17				336	1,209
Vested	33,090.30				1,208	3,564
Exercised	108,505.20				563	1,794
Cancelled	184,749.29				7	
March 31, 2007—outstanding	345,963.98				974	2,979
<b>For the Year Ended March 31, 2008</b>						
Non-vested:						
March 31, 2007—outstanding	32,605.95	49	696	1,466	1,000	5,354
Granted						
Cancelled	112.70	2	5	90	13	
Vested	32,493.25		691		514	3,290
March 31, 2008—outstanding		47		1,376	473	2,064
Vested:						
March 31, 2007—outstanding	345,963.98				974	2,979
Vested	32,493.25		691		514	3,290
Exercised	36,123.04		632		159	2,538
Cancelled	57,750.65		25		28	
March 31, 2008—outstanding	284,583.54		34		1,301	3,731
<b>For the Year Ended March 31, 2009</b>						
Non-vested:						
March 31, 2008—outstanding		4,700 <sup>*2</sup>		1,376	473	2,064
Granted	75,923.85 <sup>*1</sup>		960			
Cancelled				130	86	
Vested	75,923.85		960		204	2,064
March 31, 2009—outstanding		4,700		1,246	183	
Vested:						
March 31, 2008—outstanding	284,583.54		34		1,301	3,731
Vested	75,923.85		960		204	2,064
Exercised	14,549.56					4,163
Cancelled	15,574.06		15		555	
March 31, 2009—outstanding	330,383.77		979		950	1,632

\*1 SBI Holdings, Inc. allotted and delivered stock acquisition rights of SBI Holdings, Inc. to the holders of stock acquisition rights of SBI SECURITIES Co., Ltd. to replace the stock acquisition rights of SBI SECURITIES Co., Ltd. held by them upon an exchange of stock.

\*2 This number is presented as the number of shares following a share split on August 27, 2008.

	Morningstar Japan K.K.	Gomez Consulting Co., Ltd.	HOMEOSTYLE, Inc.	Autoc one K.K.	SBI Net Systems Co., Ltd.	TradeWin Co., Ltd. (Shares)
<b>For the Year Ended March 31, 2007</b>						
Non-vested:						
March 31, 2006—outstanding	510	1,200 <sup>*3</sup>	19,793			
Granted						
Cancelled		60	227			
Vested		760				
March 31, 2007—outstanding	510	380	19,566			
Vested:						
March 31, 2006—outstanding	4,896					
Vested		760 <sup>*3</sup>				
Exercised	696	100				
Cancelled	524					
March 31, 2007—outstanding	3,676	660				
<b>For the Year Ended March 31, 2008</b>						
Non-vested:						
March 31, 2007—outstanding	510	380 <sup>*3</sup>	19,566	11,150		1,320
Granted				240		
Cancelled	260		391	480		
Vested	250	380				
March 31, 2008—outstanding			19,175	10,910		1,320
Vested:						
March 31, 2007—outstanding	3,676	660 <sup>*3</sup>			645	
Vested	250	380				
Exercised	68	126				
Cancelled	764	40			125	
March 31, 2008—outstanding	3,094	874			520	
<b>For the Year Ended March 31, 2009</b>						
Non-vested:						
March 31, 2008—outstanding			19,175	10,910		1,320
Granted						
Cancelled			276	1,150		
Vested						
March 31, 2009—outstanding			18,899	9,760		1,320
Vested:						
March 31, 2008—outstanding	3,094	874			520	
Vested						
Exercised						
Cancelled	140	170			65	
March 31, 2009—outstanding	2,954	704			455	

\*3 This number is presented as the number of shares following a share split on May 1, 2007.

	SBI CAPITAL Co., Ltd.	SBI Planners Co., Ltd.	E*GOLF CORPORATION	SBI E*TRADE SECURITIES Co., Ltd.	E*TRADE Korea Co., Ltd. (Shares)
<b>For the Year Ended March 31, 2007</b>					
Non-vested:					
March 31, 2006—outstanding		4,000,000	12		452,500
Granted	188				
Cancelled					70,500
Vested					
March 31, 2007—outstanding	188	4,000,000	12		382,000
Vested:					
March 31, 2006—outstanding				71,370	93,000
Vested					
Exercised				44,676	41,000
Cancelled				1,707	7,500
March 31, 2007—outstanding				24,987	44,500
<b>For the Year Ended March 31, 2008</b>					
Non-vested:					
March 31, 2007—outstanding	188	4,000,000	12		382,000
Granted					
Cancelled			12		7,500
Vested	188				374,500
March 31, 2008—outstanding		4,000,000			
Vested:					
March 31, 2007—outstanding				24,987	44,500
Vested	188				374,500
Exercised	188			2,565	417,000
Cancelled				195	2,000
March 31, 2008—outstanding				22,227	
<b>For the Year Ended March 31, 2009</b>					
Non-vested:					
March 31, 2008—outstanding		4,000,000			
Granted					
Cancelled		4,000,000			
Vested					
March 31, 2009—outstanding					
Vested:					
March 31, 2008—outstanding				22,227	
Vested					
Exercised				765	
Cancelled				21,462	
March 31, 2009—outstanding					

## 21. Revenue from Trading

Gain (loss) on trading included in operating revenues for the years ended March 31, 2007, 2008 and 2009 consisted of the following:

	Millions of Yen								
	2007			2008			2009		
	Realized Gain	Unrealized Gain (Loss)	Total	Realized Gain	Unrealized Gain (Loss)	Total	Realized Gain	Unrealized Gain (Loss)	Total
Equity securities	¥ 428	¥ (2)	¥ 426	¥ 360	¥ (5)	¥ 355	¥ 110	¥ (2)	¥ 108
Debt securities	1,462	1	1,463	1,512	5	1,517	869	(6)	863
Others	1,248	34	1,282	1,475	(17)	1,458	2,943	846	3,789
<b>Total</b>	<b>¥3,138</b>	<b>¥33</b>	<b>¥3,171</b>	<b>¥3,347</b>	<b>¥(17)</b>	<b>¥3,330</b>	<b>¥3,922</b>	<b>¥838</b>	<b>¥4,760</b>

	Thousands of U.S. Dollars		
	2009		
	Realized Gain	Unrealized Gain (Loss)	Total
Equity securities	\$ 1,119	\$ (16)	\$ 1,103
Debt securities	8,842	(59)	8,783
Others	29,951	8,607	38,558
<b>Total</b>	<b>\$39,912</b>	<b>\$8,532</b>	<b>\$48,444</b>

Gains on certain businesses other than securities-related business of ¥50 million, ¥43 million and ¥47 million (\$479 thousand) were included in gain on trading for the years ended March 31, 2007, 2008 and 2009, respectively.

## 22. Operating Costs

Operating costs for the years ended March 31, 2007, 2008 and 2009 consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2007	2008	2009	2009
Cost of operational investment securities	¥33,807	¥ 34,310	¥ 4,728	\$ 48,118
Provision for valuation allowance for operational investment securities	3,142	1,125	1,624	16,520
Financial charges	4,254	5,882	6,171	62,804
Rental and lease costs	6,230	5,069	3,627	36,915
Cost of sales arising from real estate business		41,163	12,051	122,647
Others, including administrative expenses	21,312	27,795	35,433	360,602
<b>Total</b>	<b>¥68,745</b>	<b>¥115,344</b>	<b>¥63,634</b>	<b>\$647,606</b>

The above cost of operational investment securities for the years ended March 31, 2007, 2008 and 2009 included write-downs of operational investment securities and securities held by funds of ¥8,943 million, ¥2,041 million and ¥2,702 million (\$27,499 thousand), respectively.

## 23. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2007, 2008 and 2009 consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2007	2008	2009	2009
Compensation for directors	¥ 1,285	¥ 1,796	¥ 1,564	\$ 15,914
Provision for allowance for doubtful accounts	881	2,768	3,181	32,373
Payroll and bonuses	7,089	8,812	10,018	101,957
Provision for retirement allowances for directors	30	24	35	359
Retirement benefit costs	56	61	53	534
Provision for accrued bonuses	233	495	50	511
Subcontracting fees	8,072	9,265	9,827	100,013
Research and development costs		1,106	615	6,255
Others	35,095	40,290	37,542	382,072
<b>Total</b>	<b>¥52,741</b>	<b>¥64,617</b>	<b>¥62,885</b>	<b>\$639,988</b>

## 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 March 31, 2008 and 2009.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2008 and 2009 were as follows:

	Millions of Yen		Thousands of
	2008	2009	U.S. Dollars
<b>Deferred tax assets:</b>			
Current:			
Write-down of operational investment securities	¥ 71	¥ 1,530	\$ 15,573
Valuation allowance for operational investment securities	843	753	7,659
Allowance for doubtful accounts	466	709	7,213
Accrued bonuses	118		
Tax loss carryforwards	299	1,387	14,119
Accrued enterprise taxes	79	256	2,610
Unrealized gain on available-for-sale securities		990	10,076
Other	438	800	8,143
Less valuation allowance	(201)	(510)	(5,194)
<b>Total</b>	<b>2,113</b>	<b>5,915</b>	<b>60,199</b>
Non-current:			
Tax loss carryforwards	5,668	13,706	139,490
Allowance for doubtful accounts	769	1,563	15,908
Write-down of investment securities	2,821	5,455	55,513
Reserve for liability for securities transactions	3,242	2,951	30,033
Loss of equity method investments	3,064		
Unrealized gain on available-for-sale securities	1,335		
Other	898	1,324	13,471
Less valuation allowance	(6,629)	(14,498)	(147,543)
<b>Total</b>	<b>11,168</b>	<b>10,501</b>	<b>106,872</b>
<b>Total</b>	<b>¥13,281</b>	<b>¥ 16,416</b>	<b>\$ 167,071</b>
<b>Deferred tax liabilities:</b>			
Current:			
Unrealized gain on available-for-sale securities	¥ 8,422		
Transfer of investment portion within SBI	1,504		
<b>Total</b>	<b>9,926</b>		
Non-current:			
Unrealized gain on available-for-sale securities		¥ 278	\$ 2,826
Transfer of investment portion within SBI	682		
Other	191	188	1,913
<b>Total</b>	<b>873</b>	<b>466</b>	<b>4,739</b>
<b>Total</b>	<b>¥10,799</b>	<b>¥ 466</b>	<b>\$ 4,739</b>

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of operations for the years ended March 31, 2007, 2008 and 2009 is as follows:

	2007
Normal effective tax rate	40.69%
Permanent differences	0.72
Amortization 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%
	2008
Normal effective tax rate	40.69%
Permanent differences	1.11
Amortization of goodwill	6.47
Investment loss on the equity method	6.52
Undistributed earnings of subsidiaries	7.44
Other—net	(2.29)
Actual effective tax rate	59.94%
	2009
Normal effective tax rate	<b>40.69%</b>
Permanent differences	<b>(1.47)</b>
Amortization of goodwill	<b>(17.83)</b>
Investment loss on the equity method	<b>(6.33)</b>
Change in valuation allowance	<b>(40.63)</b>
Other—net	<b>(12.55)</b>
Actual effective tax rate	<b>(38.12)%</b>

## 25. Leases

### Lessee

SBI leases certain office equipment, computer equipment, office space and other assets.

Total rental expenses for the years ended March 31, 2007, 2008 and 2009 were ¥5,605 million, ¥6,648 million and ¥6,578 million (\$66,949 thousand), respectively, including ¥2,033 million, ¥2,265 million and ¥2,184 million (\$22,226 thousand) of lease payments under finance leases.

As discussed in Note 2.k, SBI accounts for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

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 capitalized" basis for the years ended March 31, 2008 and 2009 was as follows:

	Millions of Yen						
	2008			2009			
	Furniture and Equipment	Software	Total	Building	Furniture and Equipment	Software	Total
Acquisition cost	¥9,359	¥1,382	¥10,741	¥661	¥8,661	¥989	¥10,311
Accumulated depreciation	4,874	885	5,759	522	5,859	730	7,111
Net leased property	¥4,485	¥ 497	¥ 4,982	¥139	¥2,802	¥259	¥ 3,200

	Thousands of U.S. Dollars			
	2009			
	Building	Furniture and Equipment	Software	Total
Acquisition cost	\$6,725	\$88,145	\$10,062	\$104,932
Accumulated depreciation	5,312	59,632	7,422	72,366
Net leased property	\$1,413	\$28,513	\$ 2,640	\$ 32,566

Obligations under finance leases including interest portion as of March 31, 2008 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Due within one year	¥ 2,856	¥1,744	\$17,750
Due after one year	9,671	1,653	16,822
Total	¥12,527	¥3,397	\$34,572

Depreciation expense and interest expense under finance leases for the years ended March 31, 2007, 2008 and 2009 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2007	2008	2009	2009
Depreciation expense	¥1,932	¥2,149	¥1,986	\$20,214
Interest expense	131	111	92	933
Total	¥2,063	¥2,260	¥2,078	\$21,147

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of operations, were computed by the straight-line method and the interest method, respectively.

The future minimum lease payments under noncancelable operating leases at March 31, 2008 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Due within one year	¥14	¥7	\$75
Due after one year	14	2	21
Total	¥28	¥9	\$96

**Lessor**

The net investments in leases as of March 31, 2009 are summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2009	2009
Gross lease receivables	¥14,862	\$151,256
Unguaranteed residual values	40	398
Unearned interest income	(865)	(8,801)
Investment in lease, current	¥14,037	\$142,853

Maturities of lease receivables for finance leases that deem to transfer ownership of the leased property to the lessee as of March 31, 2009 are as follows:

Year Ending March 31,	Millions of Yen	Thousands of U.S. Dollars
	2009	2009
2010	¥1,493	\$15,191
2011	1,493	15,191
2012	1,276	12,988
2013	735	7,481
2014	74	756
2015 and thereafter		
Total	¥5,071	\$51,607

Maturities of investments in leases for finance leases that deem not to transfer ownership of the leased property to the lessee as of March 31, 2009 are as follows:

Year Ending March 31,	Millions of Yen	Thousands of U.S. Dollars
	2009	2009
2010	¥ 3,377	\$ 34,374
2011	3,001	30,536
2012	2,242	22,818
2013	1,878	19,114
2014	1,645	16,740
2015 and thereafter	2,719	27,674
Total	¥14,862	\$151,256

## 26. Related Party Information

**a. Related Party Transactions**

Transactions of SBI with unconsolidated subsidiaries and affiliated companies for the years ended March 31, 2008 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Loan receivable		¥15,000	\$152,656
Interest income		143	1,456

The Company sold all its shares of ZPYR. Accordingly, ZPYR is no longer an affiliate of the Company subject to the equity method of accounting.

Transactions of SBI with the Company's Representative Director and CEO for the years ended March 31, 2007, 2008 and 2009 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2007	2008	2009	2009
Sales of common stock	¥104	¥350	¥1,002	\$10,193
Loans payable			900	9,159
Repayment of loans payable			900	9,159
Interest expense			6	57

**b. Significant Related Companies Information**

Summarized financial information of SBI Sumishin Net Bank, Ltd. as a significant related company for the year ended March 31, 2009 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2009	2009
Total assets	¥647,874	\$6,593,468
Total liabilities	636,303	6,475,711
Total equity	11,571	117,757
Operating revenues	11,627	118,328
Loss before income taxes	3,692	37,578
Net loss	3,699	37,647

**27. Derivatives**

SBI enters into foreign currency forward contracts and interest swap transactions 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 purposes. Stock-index futures, bond futures and a portion of foreign currency forward contracts are used for increasing underlying assets, and commodity futures are used for supplementing revenue. SBI enters into stock-index futures and commodity futures for the purpose of day trading or capping of the size of its transactions. In addition, SBI uses bond futures and a portion of foreign currency forward contracts for trading purposes. In the trading operation, these derivatives are used in response to clients' needs and to facilitate trading in the normal course of business. Foreign exchange margin transactions are used for business purposes and for avoiding the risk of developing from transactions with clients. One-to-one transactions are conducted with counterparties based on the "Position Management Rule."

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 prices, and foreign commodity markets for products, economic trends or weather conditions. Credit risk is the possibility that a loss may result from a 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. Foreign exchange margin transactions are subject to market risk such as interest and foreign exchange rate risk, and credit risk of clients. Transactions with counterparties are subject to credit risk and settlement risk.

Derivatives used for hedging purposes are planned and executed by the administrative headquarters department upon approval of a director in-charge. Each derivative transaction is reported to management as needed, where evaluation and analysis of derivatives are made. Derivatives used for trading purpose are entered into 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. Regarding foreign exchange margin transactions, SBI sets the acceptable risk amounts and specified limits based on "Risk Management Standard" and related management rules for each type of risk. Exposure to client credit risk is limited by adopting the "Loss-Cut Rules."

**Fair Value of Derivatives**

The fair values of SBI's derivatives at March 31, 2008 and 2009 were as follows:

	Millions of Yen			
	Assets		Liabilities	
	Contract Amount	Fair Value	Contract Amount	Fair Value
Foreign currency forward contracts	¥ 5		¥233	¥2
Nikkei average futures transactions	81	¥6	11	
Interest swap transactions			200	4
<b>Total</b>	<b>¥86</b>	<b>¥6</b>	<b>¥444</b>	<b>¥6</b>

	Millions of Yen			
	Assets		Liabilities	
	Contract Amount	Fair Value	Contract Amount	Fair Value
Foreign currency forward contracts	<b>¥ 27</b>		<b>¥ 31</b>	
Nikkei average futures transactions	<b>40</b>	<b>¥ 3</b>		
Interest swap transactions			<b>200</b>	<b>¥ 1</b>
Foreign exchange margin transactions:				
Customer:				
Short			<b>42,585</b>	<b>1,370</b>
Long			<b>44,088</b>	<b>(1,246)</b>
Counter party:				
Short	<b>22,466</b>	<b>(1)</b>		
Long	<b>20,529</b>	<b>569</b>		
Sub total		<b>568</b>		<b>124</b>
<b>Total</b>		<b>¥571</b>		<b>¥ 125</b>

	Thousands of U.S. Dollars			
	Assets		Liabilities	
	Contract Amount	Fair Value	Contract Amount	Fair Value
Foreign currency forward contracts	<b>\$ 275</b>		<b>\$ 313</b>	<b>\$ 3</b>
Nikkei average futures transactions	<b>403</b>	<b>\$ 31</b>		
Interest swap transactions			<b>2,035</b>	<b>11</b>
Foreign exchange margin transactions:				
Customer:				
Short			<b>433,397</b>	<b>13,946</b>
Long			<b>448,688</b>	<b>(12,682)</b>
Counter party:				
Short	<b>228,640</b>	<b>(6)</b>		
Long	<b>208,926</b>	<b>5,786</b>		
Sub total		<b>5,780</b>		<b>1,264</b>
<b>Total</b>		<b>\$5,811</b>		<b>\$ 1,278</b>

Gains or losses on deemed settlements are recorded in "Fair value" above. In addition, the fair value of foreign currency forward contracts, interest swap transactions, Nikkei average futures transactions and foreign exchange margin transactions were stated at market values using forward exchange rates, interest swap rates, Nikkei average future rates and market values using spot exchange rates, respectively, on the balance sheet date.

Derivative liabilities for trading purposes are included in other current liabilities while derivatives used for hedging purposes are excluded from the above table.

## 28. Contingent Liabilities

### a. Credit Guarantees

Credit guarantees as of March 31, 2009 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2009	2009
Guarantees of bank loans	¥557	\$5,666

### b. Other Contingent Liability

Following the Tokyo District Court's decision to commence civil rehabilitation proceedings of ZPYR on July 28, 2008, ZPYR's rehabilitation plan was approved at the creditors' meeting and confirmed by the court on February 18, 2009.

As a result, the loan extended to ZPYR by Partners Investment Co., Ltd. (a consolidated subsidiary of the Company, "PTINV") in the aggregate amount of ¥11,367 million (\$115,681 thousand) as of March 31, 2009, will be recovered through the disposal of collateral real estate in preference to other creditors; however, in case there is an unrecoverable amount after the disposal of security, repayment will be made using a percentage determined in the rehabilitation plan with regards to any shortage.

On September 5, 2008, the right of avoidance was exercised against PTINV through the Tokyo District Court by the oversight committee member of ZPYR's civil rehabilitation proceedings, who claims vitiation of certain collateral granted and demands the return of loan repayments and interest paid by ZPYR amounting to ¥3,037 million (\$30,907 thousand).

## 29. Net Income (Loss) per Share

Reconciliation of the differences between basic and diluted net income (loss) per share ("EPS") for the years ended March 31, 2007, 2008 and 2009 was as follows:

	Millions of Yen	Shares	Yen	
	Net Income	Weighted- average Shares	EPS	
<b>Year Ended March 31, 2007</b>				
Basic EPS—Net income available to common shareholders	¥ 46,441	11,493,950	¥ 4,040.51	
Effect of dilutive securities—Warrants	(642)	414,868		
Diluted EPS—Net income for computation	¥ 45,799	11,908,818	¥ 3,845.82	
<b>Year Ended March 31, 2008</b>				
Basic EPS—Net income available to common shareholders	¥ 4,229	11,228,402	¥ 376.63	
Effect of dilutive securities—Warrants	(303)	162,495		
Diluted EPS—Net income for computation	¥ 3,926	11,390,897	¥ 344.65	
	Millions of Yen	Shares	Yen	U.S. Dollars
	Net Loss	Weighted- average Shares	EPS	EPS
<b>Year Ended March 31, 2009</b>				
Basic EPS—Net loss available to common shareholders	¥(18,375)	14,909,151	¥(1,232.48)	\$(12.54)

Diluted net income per share is not disclosed because of the SBI's net loss position for the year ended March 31, 2009.

## 30. Segment Information

SBI operates in the following business segments:

“Asset Management Business” primarily consists of fund management and investment in Internet technology, broadband, biotechnology and restructuring companies.

“Brokerage & Investment Banking Business” 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 exchange, insurance or commodity futures, financing from the capital markets, securitizations, mergers and acquisitions and structured financing.

“Financial Services Business” primarily consists of financial-related businesses and the provision of information regarding financial products, and leasing business.

“Housing and Real Estate Business” primarily consists of investment, development, financing and information providing services relating to housing and real estate.

“System Solution Business” primarily consists of maintenance and development for system-related businesses.

Information about business segments, geographical segments and revenue from foreign customers of SBI for the years ended March 31, 2007, 2008 and 2009 was as follows:

### (1) Business Segments

#### a. Revenue and Operating Income (Loss)

	Millions of Yen							
	2007							
	Asset Management Business	Brokerage & Investment Banking Business	Financial Services Business	Housing and Real Estate Business	System Solution Business	Total	Eliminations/Corporate	Consolidated
Revenue from customers	¥37,162	¥65,426	¥18,168	¥23,825		¥144,581		¥144,581
Intersegment revenue	202	993	666	185		2,046	¥(2,046)	
Total revenue	37,364	66,419	18,834	24,010		146,627	(2,046)	144,581
Operating expenses	40,550	42,045	15,550	22,826		120,971	515	121,486
Operating income (loss)	¥ (3,186)	¥24,374	¥ 3,284	¥ 1,184		¥ 25,656	¥(2,561)	¥ 23,095

#### b. Total Assets, Depreciation and Capital Expenditures

	Millions of Yen							
	2007							
	Asset Management Business	Brokerage & Investment Banking Business	Financial Services Business	Housing and Real Estate Business	System Solution Business	Total	Eliminations/Corporate	Consolidated
Total assets	¥149,350	¥999,375	¥67,891	¥136,553		¥1,353,169	¥14,053	¥1,367,222
Depreciation	266	1,712	4,584	335		6,897	(79)	6,818
Capital expenditures	439	2,623	3,836	1,010		7,908	(1)	7,907

#### a. Revenue and Operating Income (Loss)

	Millions of Yen							
	2008							
	Asset Management Business	Brokerage & Investment Banking Business	Financial Services Business	Housing and Real Estate Business	System Solution Business	Total	Eliminations/Corporate	Consolidated
Revenue from customers	¥58,008	¥67,677	¥21,601	¥74,960	¥322	¥222,568		¥222,568
Intersegment revenue		855	895	111		1,861	¥(1,861)	
Total revenue	58,008	68,532	22,496	75,071	322	224,429	(1,861)	222,568
Operating expenses	41,526	48,020	21,646	66,977	796	178,965	996	179,961
Operating income (loss)	¥16,482	¥20,512	¥ 850	¥ 8,094	¥(474)	¥ 45,464	¥(2,857)	¥ 42,607

**b. Total Assets, Depreciation and Capital Expenditures**

Millions of Yen								
2008								
	Asset Management Business	Brokerage & Investment Banking Business	Financial Services Business	Housing and Real Estate Business	System Solution Business	Total	Eliminations/Corporate	Consolidated
Total assets	¥187,335	¥807,666	¥82,623	¥152,156	¥6,130	¥1,235,910	¥(16,663)	¥1,219,247
Depreciation	358	2,128	3,309	478	150	6,423	(61)	6,362
Capital expenditures	860	2,033	2,109	535	63	5,600		5,600

**a. Revenue and Operating Income (Loss)**

Millions of Yen								
2009								
	Asset Management Business	Brokerage & Investment Banking Business	Financial Services Business	Housing and Real Estate Business	System Solution Business	Total	Eliminations/Corporate	Consolidated
Revenue from customers	¥15,850	¥47,649	¥21,871	¥40,861	¥4,692	¥130,923		¥130,923
Intersegment revenue	132	1,533	746	46	1,662	4,119	¥(4,119)	
Total revenue	15,982	49,182	22,617	40,907	6,354	135,042	(4,119)	130,923
Operating expenses	13,388	43,468	21,126	39,983	6,657	124,622	1,897	126,519
Operating income (loss)	¥ 2,594	¥ 5,714	¥ 1,491	¥ 924	¥ (303)	¥ 10,420	¥(6,016)	¥ 4,404

**b. Total Assets, Depreciation and Capital Expenditures**

Millions of Yen								
2009								
	Asset Management Business	Brokerage & Investment Banking Business	Financial Services Business	Housing and Real Estate Business	System Solution Business	Total	Eliminations/Corporate	Consolidated
Total assets	¥158,956	¥804,544	¥93,170	¥135,398	¥8,173	¥1,200,241	¥(121,007)	¥1,079,234
Depreciation	450	1,952	992	438	456	4,288	80	4,368
Capital expenditures	657	2,821	1,200	913	482	6,073	9	6,082

**a. Revenue and Operating Income (Loss)**

Thousands of U.S. Dollars								
2009								
	Asset Management Business	Brokerage & Investment Banking Business	Financial Services Business	Housing and Real Estate Business	System Solution Business	Total	Eliminations/Corporate	Consolidated
Revenue from customers	\$161,307	\$484,926	\$222,589	\$415,842	\$47,748	\$1,332,412		\$1,332,412
Intersegment revenue	1,342	15,605	7,588	470	16,918	41,923	\$(41,923)	
Total revenue	162,649	500,531	230,177	416,312	64,666	1,374,335	(41,923)	1,332,412
Operating expenses	136,249	442,375	214,999	406,909	67,755	1,268,287	19,307	1,287,594
Operating income (loss)	\$ 26,400	\$ 58,156	\$ 15,178	\$ 9,403	\$ (3,089)	\$ 106,048	\$(61,230)	\$ 44,818

**b. Total Assets, Depreciation and Capital Expenditures**

Thousands of U.S. Dollars

	Asset Management Business	Brokerage & Investment Banking Business	Financial Services Business	Housing and Real Estate Business	System Solution Business	Total	Eliminations/Corporate	Consolidated
Total assets	\$1,617,712	\$8,187,908	\$948,197	\$1,377,961	\$83,174	\$12,214,952	\$(1,231,505)	\$10,983,447
Depreciation	4,579	19,867	10,097	4,459	4,633	43,635	817	44,452
Capital expenditures	6,682	28,714	12,217	9,290	4,904	61,807	93	61,900

- 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 ¥2,435 million, ¥3,730 million and ¥4,715 million (\$47,989 thousand) for the years ended March 31, 2007, 2008 and 2009, respectively.
2. Total corporate assets of ¥37,263 million, ¥12,108 million and ¥6,882 million (\$70,036 thousand) included in "Eliminations/corporate" of total assets as of March 31, 2007, 2008 and 2009, respectively, mainly consisted of surplus funds (cash, bank deposits and cash in trust).
3. As discussed in Note 2.g, SBI applied ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories." The effect of this change was to decrease operating income of housing and real estate business by ¥409 million (\$4,161 thousand) for the year ended March 31, 2009.

**(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		
			2008
	North America	Others	Total
Sales to foreign customers (A)	¥22,944	¥16,978	¥ 39,922
Consolidated sales (B)			222,568
(A)/(B)	10.3%	7.7%	18.0%

	Millions of Yen		
			2009
	North America	Others	Total
Sales to foreign customers (A)	¥1,725	¥11,555	¥ 13,280
Consolidated sales (B)			130,923
(A)/(B)	1.3%	8.8%	10.1%

	Thousands of U.S. Dollars		
			2009
	North America	Others	Total
Sales to foreign customers (A)	\$17,558	\$117,591	\$ 135,149
Consolidated sales (B)			1,332,412
(A)/(B)	1.3%	8.8%	10.1%

Note: North America and others primarily consisted of the United States of America, and Europe, the People's Republic of China, Hong Kong, Macao and Korea, respectively.

Operating revenue from foreign customers for the year ended March 31, 2007 is not significant; therefore, foreign revenue information is not presented herein.

**31. Subsequent Event****Appropriations of Retained Earnings**

At the Board of Directors meeting held on May 27, 2009, the following appropriation of retained earnings was approved:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥100 (\$1.02) per share	¥1,673	\$17,027

# Management's Report on Internal Control Over Financial Reporting

## MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

### 1. Matters Related to Design and Operation, Basic Framework of Internal Control

Management, with the participation of Yoshitaka Kitao, Representative Director, and Yasutaro Sawada, Chief Financial Officer, are responsible for the design and operation of the internal control over financial reporting prepared by SBI Holdings, Inc. (hereinafter, the "Company"), and its consolidated subsidiaries and affiliates (hereinafter, the "SBI Group"). The SBI Group's internal control over financial reporting of the consolidated financial statements is designed and operated effectively in accordance with the basic framework of internal control set forth in the report "On the Setting of the Standards and Practice Standards for Management Assessment and Audit Concerning Internal Control Over Financial Reporting (Council Opinions)" issued by the Business Accounting Council on February 15, 2007. As a result, the SBI Group's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external distribution in accordance with generally accepted accounting principles.

Internal control cannot provide absolute assurance with respect to the achievement of objectives, which can prevent or detect misstatements, due to the following inherent limitations, but it aims at achieving the objectives to a reasonable extent with the organized and integrated function of individual components as a whole. For example, internal control may not operate effectively due to misjudgments, carelessness or collusion among two or more individuals. Internal control may not necessarily respond to unexpected changes in internal or external environments when controls were designed for non-routine transactions.

### 2. Assessment Scope, Timing and Procedures

Management, with the participation of Yoshitaka Kitao, Representative Director, and Yasutaro Sawada, Chief Financial Officer, assessed the effectiveness of internal control over financial reporting as of March 31, 2009 in accordance with generally accepted assessment standards for internal control.

The basic policies on determining the assessment scope and procedures thereof are as follows:

The assessment of internal control over financial reporting is to be, in principle, performed on a consolidated basis. Internal control that has a significant impact on the entire consolidated financial statements throughout the SBI Group is hereinafter referred to as "company-level controls." In evaluating internal controls, management assesses company-level controls first and, based on the results, assesses the internal control incorporated into business processes (hereinafter, "process-level controls"), that is, management should analyze business processes within the scope of the internal controls to be assessed, identify a key control that would have a material impact on the reliability of financial reporting (hereinafter, "key control"), and assess whether the basic components of internal control are operated with regard to the key control.

The scope of evaluation for internal control over financial reporting was adequately set from the perspective of the degree of quantitative and qualitative impact on the reliability of financial reporting presentation and disclosure. Therefore, based on the results of assessment of company-level controls of 23 subsidiaries (including 11 funds), which represent all the significant locations or business units, in principle, management determined the reasonable scope of assessment.

When evaluating company-level controls, procedures such as inquiries and verification of records should be performed, as necessary, after appropriately understanding and analyzing the internal controls to be assessed as a whole.

When evaluating process-level controls, based on the effectiveness of company-level controls, we selected the significant locations or business units. Specifically, locations or business units are selected in descending order of total assets until their combined amount reaches approximately two-thirds of the total consolidated assets. In addition, individual business processes that have a high degree of qualitative materiality are included in the scope. In the locations and business units selected, all business processes which impact the accounts that are closely associated with the Company's business objectives are included in the scope. The accounts within the scope are "cash and cash equivalents," "trade notes and accounts receivables," "securities," "cash required to be segregated under regulation and other," "operational investment securities," "real estate inventory," "margin transaction assets," "investment securities," "customer's deposits for securities transactions," "margin transaction liabilities," "operating revenues," and "operating costs."

The method of evaluating process-level controls is as follows: We analyzed business processes and identified key controls first. And we checked the operation of process-level controls by applying procedures that include reviewing relevant records, making inquiries of appropriate staff personnel on internal controls, observing the operation of specific controls, examining records regarding the operation of internal controls, and investigating the progress in the self-assessment on the operation of internal controls, etc. Furthermore, to evaluate operations of internal controls, we obtained sufficient and appropriate evidence via sampling.

### 3. Results of Assessment

As a result of the above, Yoshitaka Kitao, Representative Director, and Yasutaro Sawada, Chief Financial Officer, concluded that the internal control over financial reporting of the consolidated financial statements of the SBI Group as of March 31, 2009 is effectively maintained.

### 4. Supplementary Information

No subsequent events occurred that would significantly affect the evaluation of the effectiveness of internal control over financial reporting.

### 5. Additional Information

No material items were noted to report.



\_\_\_\_\_  
Representative Director and Chief Executive Officer  
SBI Holdings, Inc.

# Independent Auditors' Report



Deloitte Touche Tohmatsu  
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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. (the "Company") and consolidated subsidiaries as of March 31, 2008 and 2009, and the related consolidated statements of operations, changes in equity, and cash flows for each of the three years in the period ended March 31, 2009, 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 of March 31, 2008 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2009, in conformity with accounting principles generally accepted in Japan.

We have also audited management's report on internal control over financial reporting of the consolidated financial statements of SBI Holdings, Inc. and consolidated subsidiaries as of March 31, 2009. The Company's management is responsible for designing and operating effective internal control over financial reporting and for preparing its report on internal control. Our responsibility is to express an opinion on management's report on internal control based on our audit. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control is free of material misstatement. An internal control audit includes examining, on a test basis, representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control. We believe that our internal control audit provides a reasonable basis for our opinion.

In our opinion, management's report on internal control referred to above, which represents that the internal control over financial reporting of the consolidated financial statements of SBI Holdings, Inc. and consolidated subsidiaries as of March 31, 2009 is effectively maintained, presents fairly, in all material respects, the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

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.



June 26, 2009

Member of  
 Deloitte Touche Tohmatsu

## Corporate Information

## The SBIH Group (Principal Group Companies)

SBI Holdings, Inc. TSE 1st section		
<b>Asset Management Business</b>	<b>Brokerage &amp; Investment Banking Business</b>	<b>Financial Services Business</b>
Fund management, investment advisory services, etc.	Securities, investment banking, PTS operation, etc.	A diversified line of financial services
<b>① SBI Investment Co., Ltd.</b> Venture capital fund management <b>100.0%</b>	<b>① SBI SECURITIES Co., Ltd.</b> Comprehensive online securities company <b>100.0%</b> <small>Formerly SBI E*TRADE SECURITIES Co., Ltd. until July 2008</small>	<b>Financial Services Business Division (SBI Holdings, Inc.)</b> Operation of financial product comparison, search and estimate websites
<b>① SBI CAPITAL Co., Ltd.</b> Buyout and value up fund management <b>60.0%</b>	<b>① SBI Benefit Systems Co., Ltd.</b> Services for defined-benefit pension plans <b>(87.0%)</b>	<b>OSE Hercules</b> <b>① Morningstar Japan K.K.</b> Rating information for investment trust evaluations, others <b>48.6%</b>
<b>① SBI Capital Solutions Co., Ltd.</b> Mezzanine fund management <b>100.0%</b>	<b>① SBI Liquidity Market Co., Ltd.</b> Provision of market infrastructure to supply liquidity to FX margin trading <b>100.0%</b>	<b>OSE Hercules</b> <b>① Gomez Consulting Co., Ltd.</b> Evaluation of websites, others <b>(67.9%) [74.2%]</b>
<b>① SBI Asset Management Co., Ltd.</b> Investment advisory services, investment trust management <b>100.0%</b>	<b>① SBI Futures Co., Ltd.</b> Online FX margin trading services <b>84.6%</b> <small>Became a wholly owned consolidated subsidiary through a share exchange on August 1, 2009</small>	<b>① Morningstar Asset Management Co., Ltd.</b> Investment advisory services, others <b>(100.0%)</b>
<b>① SBI Arsnova Research, Co., Ltd.</b> Arrangement and management of alternative investments <b>99.0%</b>	<b>② SBI Japannext Co., Ltd.</b> Operation of PTS (Proprietary Trading System) <b>35.7% [45.7%]</b>	<b>OSE Hercules</b> <b>① SBI VeriTrans Co., Ltd.</b> Provision of electric settlement services <b>42.9%</b>
<b>① SBI Biotech Co., Ltd.</b> Pharmaceuticals research and development <b>22.8% [60.1%]</b>	<b>③ Strategic Consulting Group, Inc.</b> Financial advisory services <b>44.4%</b>	<b>① SBI Lease Co., Ltd.</b> Comprehensive leasing business <b>100.0%</b>
<b>④ SBI ALApromo Co., Ltd.</b> Development and sales of products that use "5-ALA" (5-Aminolevulinic acid hydrochloride) <b>38.5% [76.9%]</b>	<b>④ SBI Fund Bank Co., Ltd.</b> Planning services associated with investment trusts <b>100.0%</b>	<b>① SBI Equal Credit Co., Ltd.</b> Loan guarantees <b>100.0%</b>
<b>④ SBI VEN CAPITAL PTE. LTD.</b> Overseas investments <b>(100.0%)</b>	A comprehensive securities business centered on the operations of SBI SECURITIES, thereby combining online and traditional "bricks-and-mortar" (face-to-face) business models	<b>① SBI Card Co., Ltd.</b> Credit card business <b>100.0%</b>
Management of IT, Biotechnology, Buyout and other funds, primarily through SBI Investment; establishment of investment products, primarily at SBI Asset Management; establishment of venture capital funds that invest in China, India and other countries offering excellent growth prospects		<b>① SBI Marketing Co., Ltd.</b> Advertising agent <b>92.0%</b>
		<b>⑤ Wall Street Journal Japan K.K.</b> Provision of Japanese translations of content through WSJ.com's Japanese-language website <b>40.0%</b> <small>Established as a joint venture with Dow Jones &amp; Company (U.S.) in June 2009</small>

As of 30th June, 2009 Note: ( ): Percentages are including indirect holdings by SBIH [ ]: Percentages are total holdings by the SBIH Group

① Consolidated subsidiary ② Equity-method company/non-consolidated subsidiary ③ Equity-method company/affiliated company

④ Non-consolidated subsidiary ⑤ Non-equity-method company/affiliated company

<b>① SBI Insurance Co., Ltd.</b>	Internet-based nonlife insurance company	61.6%
<b>① SBI AXA Life Insurance Co., Ltd.</b>	Internet-based life insurance company	55.0%
<b>③ SBI Sumishin Net Bank, Ltd.</b>	Internet-based full service bank	50.0%
<b>① Autoc one K.K.</b>	Internet support service for purchasing automobiles	54.1%
	Formerly autobytel Japan K.K. until April 2008	
<b>④ SBI AutoSupport Co., Ltd.</b>	Nonlife insurance agency through used car dealers, etc.	70.0%
<b>④ SBI Servicer Co., Ltd.</b>	Management, purchase and recovery of receivables	100.0%
<b>③ SOLXYZ Co., Ltd.</b>	Software development	23.2%
	JASDAQ	
<b>④ SBI Point Union Co., Ltd.</b>	Rewards points system for the SBIH Group and other companies	92.5%
<b>④ SBI Business Solutions Co., Ltd.</b>	Back office support services	60.5% [71.4%]
<b>④ SBI Business Support Co., Ltd.</b>	Call center planning and operation, staffing	100.0%
<b>④ SBI artfolio Co., Ltd.</b>	Purchase and sale of works of art	100.0%

The new bank, nonlife insurance and life insurance businesses; operation of insurance and loan product comparison websites; credit cards and other financial products and services; payment settlement services; investment trust evaluations; and many other activities

Housing and Real Estate Business	
Housing loans, real estate investments and developments, lifestyle-related services, etc.	
<b>Real Estate Business Division (SBI Holdings, Inc.)</b>	
Real estate investments, real estate developments, and operation of real estate investment funds	
<b>① SBI Mortgage Co., Ltd.</b>	Long-term, fixed-rate housing loans 81.9% [93.8%]
<b>① CEM Corporation</b>	Real estate secured loans 22.6% [79.7%]
	TSE Mothers
<b>① SBI Life Living, Inc.</b>	Development and sale of properties operation of lifestyle-related websites 68.2%
	Formerly LIVING Corporation, Inc. until July 2009
<b>① SBI Planners Co., Ltd.</b>	Architectural construction and consulting services (100.0%)
<b>④ SBI ArchiQuality Co., Ltd.</b>	Residential structure inspections and evaluations (75.0%)
<b>④ SBI Guarantee Co., Ltd.</b>	Rent guarantees for rental housing 100.0%
<b>④ SBI Moneyplaza Co., Ltd.</b>	"Bricks-and-mortar" shops that provides financial products 100.0%
<b>① HOMEOSTYLE Inc.</b>	Sales and services for beauty care and health food products (49.3%) [80.9%]
<b>① E*GOLF Corporation</b>	Operations of golf course information websites 77.9%
<b>④ SBI Wellness Bank Co., Ltd.</b>	Healthcare services for membership 100.0%

Housing loans and housing loan brokerage; real estate investments and property development; establishment and operation of funds, mainly to invest in real estate. In addition, operation of lifestyle-related comparison websites and provision of lifestyle-related products.

System Solution Business	
Planning, design and operation of IT systems	
	TSE Mothers
<b>① SBI Net Systems Co., Ltd.</b>	R&D and information security products for C4 encryption technology 71.4% [81.0%]
<b>① SBI Trade Win Tech Co., Ltd.</b>	Development and operation of financial transaction system (100.0%)
<b>① C4 Business Integration, Inc.</b>	System development using information security (100.0%)
<b>① SBI Technology Co., Ltd.</b>	System consulting (100.0%)
<b>① SBI Robo Corp.</b>	Operation of Social Networking Service, etc. 84.0%
	OSE Hercules
<b>③ Broadmedia Corporation</b>	Distribution services for broadband networks and cell phones, etc. 47.2%

Development and operation of system solutions for financial institutions; other activities

## Corporate History

<b>1999</b>	<b>March</b>	SOFTBANK CORP.'s Administrative Division spun off as an independent company, SOFTBANK FINANCE CORPORATION, as part of business reorganization accompanying the conversion of SOFTBANK CORP. into a pure holding company; SOFTBANK FINANCE CORPORATION becomes an operating holding company to oversee financial-related business activities
	<b>July</b>	SOFTBANK INVESTMENT CORPORATION (currently SBI Holdings, Inc., hereafter "SBIH") established to undertake venture capital and incubation business
<b>2000</b>	<b>June</b>	Morningstar Japan K.K. listed on NASDAQ Japan (currently Hercules market of the Osaka Securities Exchange)
	<b>September</b>	E*TRADE Japan K.K. (currently SBI Holdings, Inc.) listed on NASDAQ Japan (currently Hercules market of the Osaka Securities Exchange)
	<b>December</b>	SBIH listed on NASDAQ Japan (currently Hercules market of the Osaka Securities Exchange)
<b>2001</b>	<b>August</b>	SOFTBANK FRONTIER Securities Co., Ltd. (SBI Securities Co., Ltd. after merger with WORLD NICHIEI Securities Co., Ltd.) listed on NASDAQ Japan (currently Hercules market of the Osaka Securities Exchange)
<b>2002</b>	<b>February</b>	SBIH listed on First Section of Tokyo Stock Exchange
	<b>November</b>	SBIH listed on First Section of Osaka Securities Exchange
<b>2003</b>	<b>June</b>	SBIH merged with E*TRADE Japan K.K. (currently SBI Holdings, Inc.) and converted E*TRADE SECURITIES Co., Ltd. into a subsidiary; reorganization of business accelerates thereafter, with SBIH positioned as the core company
	<b>September</b>	Listed FINANCE ALL CORPORATION on the Hercules market of the Osaka Securities Exchange
	<b>October</b>	SBIH acquired WORLD NICHIEI Securities Co., Ltd. (formerly SBI Securities Co., Ltd.) and converted this company into a subsidiary
<b>2004</b>	<b>October</b>	Listed VeriTrans Inc. (currently SBI VeriTrans Co., Ltd.) on the Hercules market of the Osaka Securities Exchange
	<b>November</b>	Listed subsidiary E*TRADE SECURITIES Co., Ltd. (currently SBI SECURITIES Co., Ltd.) on JASDAQ
<b>2005</b>	<b>March</b>	Percentage of equity share held by SOFTBANK CORP. decreases due to a capital increase through a public offering; changed from a consolidated subsidiary to an equity-method affiliate
	<b>July</b>	Changed name to SBI Holdings, Inc. Transferred venture fund management business to SOFTBANK INVESTMENT CORPORATION (formerly SBI VENTURES K.K.) and changed to a holding company structure
<b>2006</b>	<b>March</b>	SBIH merged with consolidated subsidiaries of SBI Partners Co., Ltd. and FINANCE ALL CORPORATION SBI Securities Co., Ltd. became a wholly owned consolidated subsidiary through a share exchange
	<b>May</b>	Listed SBI Futures Co., Ltd. on the Hercules market of the Osaka Securities Exchange
	<b>August</b>	Listed Gomez Consulting Co., Ltd., a subsidiary of Morningstar Japan K.K., on the Hercules market of the Osaka Securities Exchange A wholly owned subsidiary of SOFTBANK CORP. (majority shareholder) sold its shares in SBIH, thereby SBIH is no longer an equity method affiliate of SOFTBANK CORP.
<b>2007</b>	<b>February</b>	Listed E*TRADE Korea Co., Ltd., a subsidiary of SBI E*TRADE SECURITIES Co., Ltd. (currently SBI SECURITIES Co., Ltd.) on the KOSDAQ market in S. Korea
	<b>October</b>	SBI Securities Co., Ltd. and SBI E*TRADE SECURITIES Co., Ltd. merged, with SBI E*TRADE SECURITIES Co., Ltd. (currently SBI SECURITIES Co., Ltd.) as the surviving company
<b>2008</b>	<b>August</b>	SBI SECURITIES Co., Ltd. became a wholly owned consolidated subsidiary through a share exchange
	<b>September</b>	Sold stock of E*TRADE Korea Co., Ltd., a subsidiary of SBI SECURITIES Co., Ltd.
<b>2009</b>	<b>August</b>	SBI Futures Co., Ltd. became a wholly owned consolidated subsidiary through a share exchange

## Topics

### 2008

- April** ■ SBI AXA Life Insurance Co., Ltd., Japan's first life insurer to operate exclusively on the Internet, received its business license and began operations
- May** ■ Signed an agreement with COSMO OIL CO., LTD. for the joint ownership of SBI ALApromo Co., Ltd., a newly established biotechnology company
- June** ■ Agreed to establish a fund in China with China Merchants Securities Company Limited, Resource Capital China Limited and China CITIC Bank Corporation Limited, and to establish a jointly operated fund management company with these partners
- Jointly established an asset management company specializing in real estate with Korea's Hyundai Swiss Group
- July** ■ SBI E\*TRADE SECURITIES Co., Ltd. changed its name to SBI SECURITIES Co., Ltd.
- August** ■ SBI SECURITIES Co., Ltd. became a wholly owned subsidiary through an exchange of stock
- September** ■ Phnom Penh Commercial Bank Limited, a commercial bank in Cambodia established jointly with Korea's Hyundai Swiss Group, started operations
- SBI SECURITIES Co., Ltd. divested its shares of Korean subsidiary E\*TRADE Korea Co., Ltd.
- October** ■ Jointly established an investment fund with Fullerton Fund Management Company Ltd., a wholly owned subsidiary of a Singapore governmental investment firm
- SBI AutoSupport Co., Ltd., which supports financial services to automobile purchasers, started operations
- SBI Japannext Co., Ltd. started daytime stock trading through the "Japannext PTS"
- Established SBI PRIVATE EQUITY Co., Ltd. as an investment fund management company that makes business revitalization investments in Korea
- November** ■ SBI Liquidity Market Co., Ltd., which provides a market infrastructure for FX margin trading, began providing services
- December** ■ Hong Kong subsidiary SBI Hong Kong Co., Limited began operations
- Final agreement reached on the joint establishment of an investment fund with MFB Invest Ltd., a subsidiary of Hungarian Development Bank Plc

### 2009

- January** ■ Final agreement reached on joint establishment of investment fund with Abu Dhabi, UAE governmental fund "Masdar Clean Tech Fund"
- Financial portal website "SBI Finance Portal" began operations
- February** ■ Real estate securitized loans launched jointly with SBI Sumishin Net Bank, Ltd. and First Credit Corporation
- SBI Biotech Co., Ltd. launched sales of "Nosutto Sarunashi" health supplement made mostly of hard kiwifruit extract
- March** ■ Internet sweepstakes website operator Kensho TV subsidiarized by stock acquisition
- SBI Sumishin Net Bank, Ltd. won the award for "Best Internet-only Bank, 2008" from "The Asian Banker," a banking industry magazine covering Asia
- SBI AXA Life Insurance Co., Ltd. launched sales of the new insurance product "Kachitto Income Security"
- April** ■ SBI VeriTrans Co., Ltd. established "E Commerce for Asia Alliance," a consortium that supports EC entrepreneurs targeting Asia
- SBI VeriTrans Co., Ltd. launched "Buy-J.com," a Japan EC (e-Commerce) mall targeting China
- May** ■ SBI Card Processing Co., Ltd. began providing cross-border disaster recovery services targeting overseas financial institutions to Thailand's Tanachart Bank Public Company Limited
- June** ■ SBI ALApromo Co., Ltd. established a joint venture with Germany's medac GmbH to develop pharmaceuticals in Europe
- Final agreement reached on joint establishment of an investment fund with a subsidiary of the Malaysian national asset management organization
- Established joint venture Wall Street Journal Japan K.K. with Dow Jones & Company
- SBI SECURITIES Co., Ltd. and Nippon Investors Securities Co., Ltd. concluded a business transfer agreement
- July** ■ Portion of Lifestyle Networks Business transferred to SBI Life Living Inc. (formerly LIVING Corporation)
- SBI Mortgage Co., Ltd. opened the first "SBI Housing Loan/SBI Money Plaza," a bricks-and-mortar retail store providing financial products from inside and outside the SBIH Group
- Began introduction of SBI Insurance's auto insurance products at GEO multi-media stores through collaborative efforts between SBI AutoSupport Co., Ltd. and the GEO Group
- SBI Sumishin Net Bank, Ltd. began offering "SBI Auto Loans" in collaboration with SBI AutoSupport Co., Ltd. and Cedyna Financial Corporation
- August** ■ SBI Futures Co., Ltd. became a wholly owned subsidiary through a stock swap
- Basic agreement with HIKARI TSUSHIN, INC. for joint operations of the venture capital business of HIKARI Private Equity Inc., a subsidiary of HIKARI TSUSHIN, INC., by transferring a portion of its venture capital business along with fund execution rights, etc.

## Board of Directors

(As of June 26, 2009)



Representative Director and CEO

**Yoshitaka Kitao**

Director and Chairman of SBI SECURITIES Co., Ltd.  
Representative Director and CEO of SBI Investment Co., Ltd.  
Director and Chairman of Gomez Consulting Co., Ltd.  
Director and CEO of Morningstar Japan K.K.

Director and CEO of SBI VeriTrans Co., Ltd.  
Director of SBI VEN HOLDINGS PTE. LTD.  
Director of The SBI Children's Hope Foundation  
Representative Director of Wall Street Journal Japan K.K.



Director and CFO

**Yasutaro Sawada**

Representative Director and Chairman of SBI Net Systems Co., Ltd.  
Director and CFO of SBI Investment Co., Ltd.



Director and Executive Officer

**Kenji Hirai**

General Manager of Overseas Business Dept.  
Director and Executive Officer of SBI Investment Co., Ltd.  
Director of SBI VEN HOLDINGS PTE. LTD.



Director and Executive Officer

**Takashi Nakagawa**

Representative Director and  
COO of SBI Investment Co., Ltd.



Director and Executive Officer

**Tomoya Asakura**

Representative Director and  
COO of Morningstar Japan K.K.  
Director of Wall Street Journal Japan K.K.



Director and Executive Officer

**Takashi Okita**

Representative Director, Executive Officer and  
COO of SBI VeriTrans Co., Ltd.  
Representative Director and CEO of eCURE Co., Ltd.  
Representative Director and  
CEO of SBI China Branding Co., Ltd.



Director and Executive Officer

**Noriaki Maruyama**

Representative Director and  
COO of SBI Mortgage Co., Ltd.  
Representative Director and  
Chairman of SBI Moneyplaza Co., Ltd.



Director and Executive Officer

**Shumpei Morita**

Representative Director and  
President of SBI Business Solutions Co., Ltd.  
Outside Auditor of Gomez Consulting Co., Ltd.



Director  
**Taro Izuchi**

Representative Director and  
President of SBI SECURITIES Co., Ltd.



Director  
**Hiroyoshi Kido**

Representative Director and  
President of SBI Insurance Co., Ltd.



Director  
**Noriyoshi Kimura**

Managing Executive Officer and  
CTO of SBI Sumishin Net Bank, Ltd.



Director  
**Hiroshi Tasaka**

Representative Director of SophiaBank  
Outside Director of LAWSON, INC.  
Professor of Tama University Graduate School



Director  
**Takeshi Natsuno**

Director of PIA Corporation  
Director of DWANGO Co., Ltd.  
Outside Director of SEGA SAMMY HOLDINGS INC.  
Outside Director of transcocosmos inc.



Standing Corporate Auditor  
**Susumu Watanabe**

Outside Director of  
MICRO-TECHNICA CO., LTD.



Corporate Auditor  
**Kenichi Hirabayashi**

Outside Standing Corporate Auditor of  
SBI Lease Co., Ltd.  
Outside Auditor of SBI Mortgage Co., Ltd.



Corporate Auditor  
**Ryujiro Shimamoto**

Outside Standing Auditor of  
SBI Sumishin Net Bank, Ltd.  
Outside Auditor of SBI Lease Co., Ltd.



Corporate Auditor  
**Atsushi Fujii**

Outside Auditor of  
SBI SECURITIES Co., Ltd.

## Corporate Data

### Company Outline

(As of March 31, 2009)

<b>Company Name</b>	SBI Holdings, Inc.
<b>Date of Establishment</b>	July 8, 1999
<b>Head Office</b>	Izumi Garden Tower 19F, 1-6-1, Roppongi, Minato-ku, Tokyo 106-6019, Japan
	Tel: +81 (3) 6229 0100
	Fax: +81 (3) 3224 1970

<b>Number of Employees</b>	2,492 (consolidated)
<b>Paid-in Capital</b>	¥55,214 million
<b>Fiscal Year</b>	April 1 to March 31

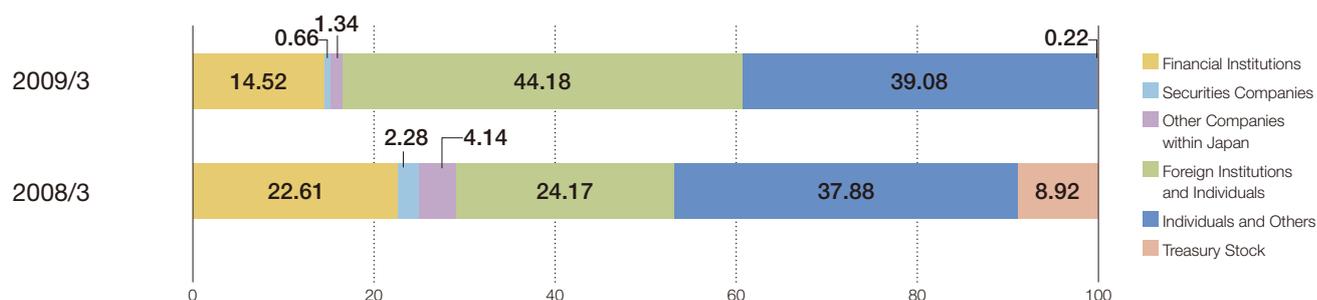
### Stock Information

(As of March 31, 2009)

<b>Listings</b>	First Section of the Tokyo Stock Exchange First Section of the Osaka Securities Exchange
<b>Code</b>	8473
<b>Shares Authorized</b>	34,169,000 shares
<b>Shares Outstanding</b>	16,768,733 shares
<b>Shareholder Register</b>	Mizuho Trust & Banking Co., Ltd.

Principal Shareholders	Name	Number of shares held (shares)	Percentage of total outstanding shares (%)
	CBNY-ORBIS SICAV	1,470,365	8.76
	CBNY-ORBIS Funds	1,247,773	7.44
	Japan Trustee Services Bank, Ltd. (Trust account 4G)	720,075	4.29
	Japan Trustee Services Bank, Ltd. (Trust account)	557,968	3.32
	Goldman Sachs & Co. Regular Account	497,924	2.96
	Credit Suisse Securities (Europe) Limited	386,541	2.30
	The Master Trust Bank of Japan, Ltd. (Trust account)	380,937	2.27
	Yoshitaka Kitao	304,030	1.81
	The Sumitomo Trust and Banking Co., Ltd.	198,933	1.18
	Deutsche Bank AG London 610	192,401	1.14

### Distribution of Ownership among Shareholders (%)







**SBI Holdings, Inc.**

Izumi Garden Tower 19F,  
1-6-1 Roppongi, Minato-ku,  
Tokyo 106-6019, JAPAN

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