Interview with SBI Holdings CEO Yoshitaka Kitao

1 Business Development Under the Current Environment

Q Will you please tell us about the SBI Group's performance and the business environment of FY2009?

A Although it was a business environment plagued by lingering difficulties, I believe we hit bottom in terms of results as we attained a net profit in FY2009 for the first time in two years. After a round of rationalization focused on cost cutting and reorganization, we are beginning to see a brighter horizon appear in the business environment surrounding the SBI Group.

<FY2009 Results and Business Environment>

Regarding the business environment in which the SBI Group operated during FY2009, a full-fledged recovery in the domestic stock markets did not materialize. Rather, a difficult market environment continued, as seen in the further decline of the IPO market. However, the overseas stock markets experienced a relative robustness, especially in emerging countries with high growth potential. The global IPO market rapidly recovered led by China and Hong Kong, pointing toward an escape from the worst market circumstances.

The Nikkei Average at the end of March 2010 was ¥11,089, a 36.7% increase from the ¥8,109 recorded at the end of March 2009, for the first year-on-year increase in three years. Compared to FY2008, during which the subprime loan crisis and the Lehman Shock surfaced, we are finally experiencing the emergence of a recovery in stock prices. Despite this increase, the average daily individual stock brokerage trading value of the domestic stock markets continued to decline after peaking in June 2009, finishing at ¥606 billion in FY2009, an 8.0% year-on-year decrease. In the IPO market, the number of new IPOs in Japan was on a rapidly dwindling trend after the subprime loan crisis, with new listings totaling a mere 19 companies in FY2009 for all domestic stock markets, representing a further drop from the 34 companies newly listed in FY2008, attesting to the continuing difficult conditions in the venture capital business.

Even under such business environments, it can be said that the consolidated performance of SBIH for FY2009 bottomed out, as it significantly improved to a net income of ¥2.4 billion from a net loss of ¥18.4 billion recorded in FY2008, even with recorded provisions of allowances, etc., totaling ¥8.3 billion (including a ¥2.0 billion extraordinary loss).

A breakdown of the main provisions of allowances, etc., recorded for FY2009 includes a ¥3.1 billion provision for valuation allowance for operational investment securities (including ¥2.6 billion for shares of KTIC Holdings of South Korea), a ¥4.3 billion provision of allowance for doubtful accounts (¥1.5 billion loan to ZEPHYR, ¥1.1 billion for SBI Equal Credit, ¥0.6 billion for SBI Card), and a ¥0.8 billion provision for loss on interest repayment (including ¥0.5 billion for SBI Equal Credit and ¥0.3 billion for SBI Card), among others.

In addition, an increase of ¥1.8 billion in goodwill amortization from making SBI SECURITIES a wholly-owned subsidiary, among other factors, resulted in a 22.1% year-on-year decrease in operating income to ¥3.4 billion. However, an operating profit was secured.

Regarding our main business lines, in the Asset Management Business, the number of IPOs and M&A deals by SBI Group's investee companies significantly recovered from zero in FY2008 to 11 companies in FY2009, despite a continued decline in the domestic IPO market and a venture capital industry that suffered under an ever-stringent business environment. Also, owing to a faster recovery in the overseas stock markets compared to the Japanese markets, a ¥2.2 billion contribution to operating income was realized by our "New Horizon Fund I," which invests in Chinese private equity. Due to the success of our aggressive investments into high growth potential overseas markets, we secured operating income of ¥1.9 billion, albeit a 28.2% year-on-year decrease.

In our Brokerage & Investment Banking Business, in spite of the severe business environment that continued to diminish individual stock brokerage trading value, SBI SECURITIES' number of customer accounts and share of individual stock brokerage trading value continues to outpace those of its competitors. SBI SECURITIES' earnings diversification efforts are succeeding with significant improvements from FY2008 in underwriting fees, offering and selling commissions, revenue from investment trusts and revenue from trading. The start of operations of SBI Liquidity Market in November 2008 greatly contributed to earnings, owing to the rapidly expanding FX transactions over a short period. As a result, operating income in the Brokerage & Investment Banking Business resulted in a 64.1% year-on-year increase to ¥9.4 billion, in support of the consolidated performance.

The Financial Services Business saw an 86.2% year-on-year decrease in operating income to ¥0.2 billion as a result of the recording of a ¥1.5 billion provision of allowance for doubtful accounts in the consumer loan service business and detrimental effects from operating losses recorded by new businesses. Nevertheless, our 3 listed subsidiaries (Morningstar Japan, Gomez Consulting and SBI VeriTrans) have hit bottom and are rebounding.

Despite positive results by SBI Mortgage, which provides long-term, fixed-rate housing loans, the Housing and Real Estate Business recorded a ¥35 million operating loss, due to the continuation of a stagnant domestic real estate market from the previous fiscal year. However, from the middle of the fiscal year, we began seeing signs of a partial recovery, primarily in small to mid-sized properties, and generated a profit on a quarterly basis from the third quarter of FY2009.

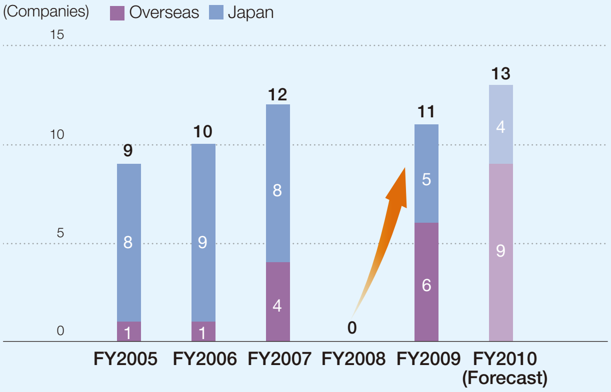
<The Rationalization Process and a Move Toward Aggressive Management>

The SBI Group has been strengthening its cost-cutting efforts since the Lehman Shock and, as a result, SG&A (selling, general and administrative expenses) decreased by ¥1.7 billion year-on-year in FY2008 (with a ¥2.8 billion decrease in controllable costs excluding depreciation expense), and decreased by ¥0.9 billion year-on-year in FY2009 (with a ¥1.8 billion decrease in controllable costs excluding depreciation expense). In addition to a loss disposition through provisions of allowances, etc., we aggressively conducted a reorganization effort targeting a further streamlining of our businesses by withdrawing from the commodities futures business, temporarily suspending our life insurance business and selling our card processing business.

As we entered April 2010, the daily average individual stock brokerage trading value of the domestic stock markets demonstrated a recovery trend. Under such circumstances, with the highest number of customer accounts and individual stock brokerage trading value share among all domestic online securities companies and the lowest commission system in the industry, SBI SECURITIES will continue to strive

Change in Number of IPOs and M&A Deals

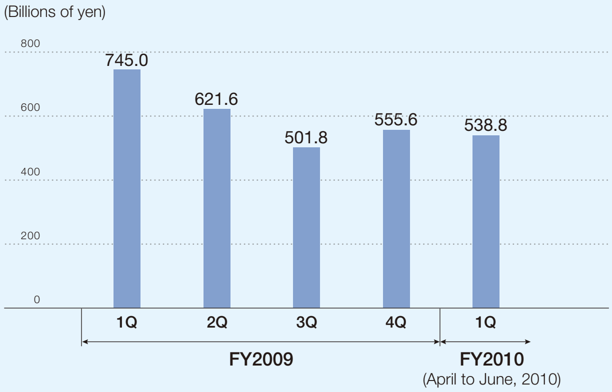
Total of 122 IPOs and M&A Deals by the end of FY2009 since the start of operations in July 1999



Includes portfolio companies which have completed exit from New Horizon Capital (Fund II), in which SBIH invested as a limited partner.

Change in Daily Average Individual Brokerage Trading Value

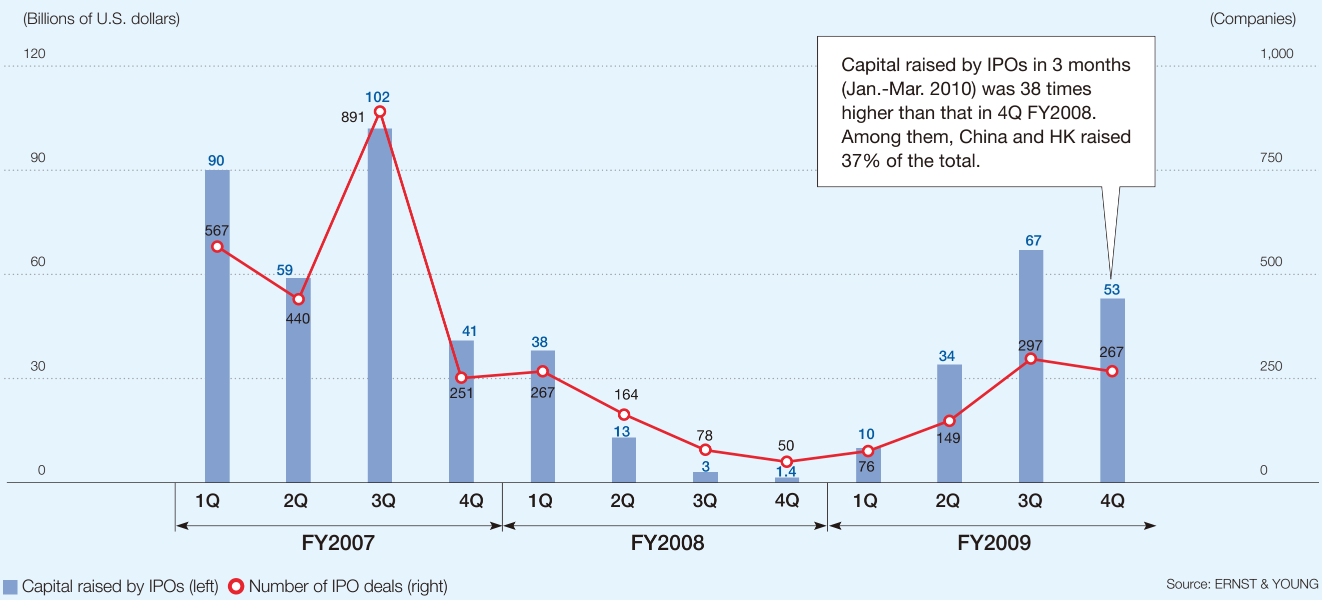
(the total of the 1st and 2nd section of the 3 major markets*1)



*1 Japanese stocks listed on the Tokyo Stock Exchange, Osaka Stock Exchange and Nagoya Stock Exchange (including TSE Mothers, OSE Hercules and NSE Centrex)

Source: Compiled by SBIH from information disclosed by TSE

The Number of Global IPOs and the Capital Raised on a Quarterly Basis



Source: ERNST & YOUNG

to expand its number of customer accounts and market share, by providing various financial products and services, as well as advance its earnings diversification efforts.

The overseas stock markets have been supported by the recovery in China and other emerging countries, and the global IPO market during FY2009 recovered significantly from the previous year. This is especially evident in China and Hong Kong, which are leading the rest of the world's IPO market, and accounted for $19.7 billion, or 37% of the world's total IPO market for the January to March 2010 period ($53.2 billion, or 38 times the figure reported in the same period of the previous fiscal year).

As the Chinese markets recover substantially, our New Horizon Fund, which started its fund operations in May 2005, is in its harvesting period. The fund has approximately ¥5.2 billion in unrealized gains as of April 2010 with respect to the equity held by SBIH. We believe that continued contributions to earnings can be expected from selling this equity at the best timing, as we closely watch the trends of the Chinese stock markets and the foreign exchange markets.

As we begin seeing positive signs emerging in the business environment encompassing the SBI Group, we will continue to aggressively invest with a focus on future growth and simultaneously advance our new "Pentagon Management" business strategy for the financial services businesses, targeting exponential growth.

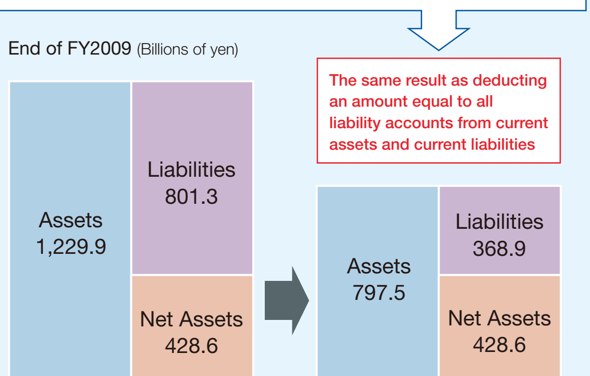
Q Will you please tell us about your financial condition for FY2009?

A Our equity ratio was 29.2% at the end of March 2010 (after eliminating the effect of asset and liability accounts specific to securities companies: 45%), maintaining our continued financial soundness.

Since the Lehman Shock of September 2008, the overall corporate capital procurement environment drastically worsened, however, FY2009 showed signs of modest improvement in the market environment. Although SBIH had a total of ¥51.5 billion in corporate bonds due in FY2009, we redeemed the entire amount, and even after which continued to maintain a sound financial position with ¥143.7 billion in cash deposits (on a consolidated basis at the end of March 2010). Regarding capital procurement, based on our Euro Medium Term Note (Euro MTN) Program, which allows the issuance of bonds within a set upper limit amount as needed, we began issuing yen-denominated SBIH bonds ("SBI Bonds") in April 2009, primarily to individual investors. We are also appropriately increasing that upper limit where necessary, and as of the end of March 2010, issuances at the upper limit of ¥110.0 billion are possible. We have already cumulatively effectuated 12 separate issuances, procuring a total of ¥120.0 billion (of which ¥10.0 billion has already been redeemed).

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



Owing to our subsidiary SBI SECURITIES, our consolidated balance sheets include assets held in customer securities accounts, which are inflated due 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.

Therefore, we have deducted SBI SECURITIES' customer assets to calculate the financial indicators that more accurately reflect SBIH's stability in our balance sheets. The result of which is a current ratio of 174.1% (131.2% prior to deduction), an interest bearing debt ratio of 58.2% (58.2% prior to deduction) and an equity ratio of 45.0% (29.2% prior to deduction), each of them exceeding the so-called benchmarks of financial soundness.

<Capital Raising Through a Public Offering in June 2010*>

Based on a resolution approved at a Board of Directors' meeting held on June 7, 2010, SBIH decided to raise capital through a public offering. Through this offering, SBIH raised ¥35.3 billion in total proceeds by issuing 3,112,000 new shares. The primary purpose of the procured funds is for the financing of investment funds jointly managed by SBIH and local prominent partners in emerging countries with high growth potential, as well as for domestic funds, and ¥25.0 billion is planned to be used for this purpose. In addition, we will allocate the balance toward investing in or loaning to foreign financial institutions as well as to our subsidiaries engaged in financial services businesses that utilize the Internet as their main sales channels, such as Internet banking and Internet nonlife insurance. The entire amount is scheduled to be allocated by FY2011.

Going forward, we will continue to be cognizant of our financial needs, while aggressively investing for the future and at the same time maintaining a sound financial condition.

* Please refer to "Special Topic" Section 3, "Aggressive Investment and Overseas Expansion for Further Growth" on page 24-25

2 "Pentagon Management" of Financial Services Businesses

Q What is the new "Pentagon Management" strategy for your financial services businesses?

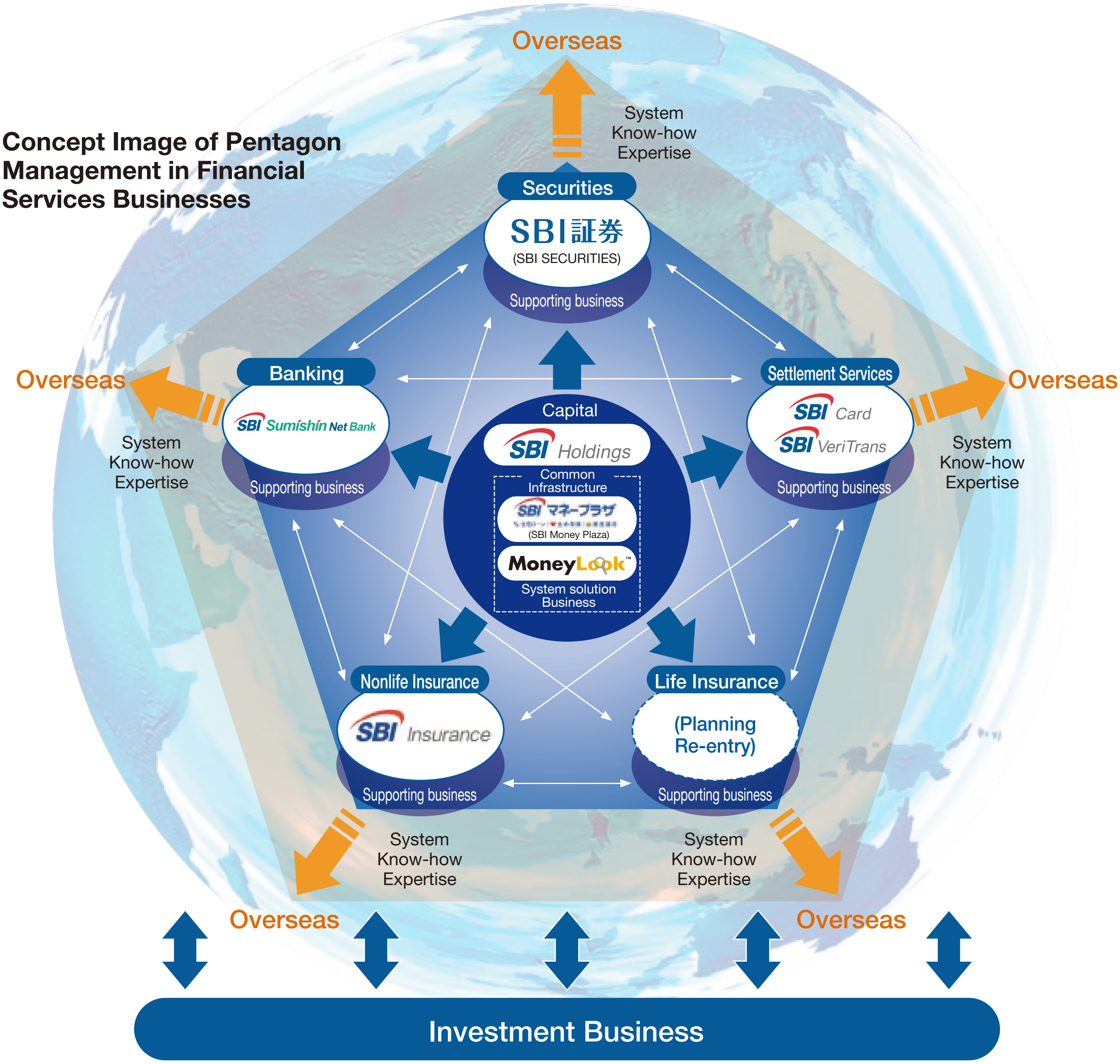
A Among the businesses in the financial ecosystem we established, securities, banking, nonlife insurance, life insurance and payment settlement services are the five core businesses, each representing a side of the pentagon. The maximization of synergistic effects amongst these core businesses will help spur growth for the entire SBI Group, and through the placement of affiliated companies and businesses with functions that support these core businesses, we will be able to differentiate ourselves from our competitors. Also, with our investment business as a foundation, we will transfer our financial business to the overseas markets to realize an exponential growth as a global company.

The SBI Group has established various operating companies since our inception in 1999, including joint ventures with prominent partners in financial business fields, and has grown rapidly as an Internet-based comprehensive financial group. We then established the world's only "Internet-based financial conglomerate" composed of securities, banking and insurance businesses using the Internet as the primary sales channel. We believe that thoroughly pursuing synergistic effects within the SBI Group and targeting further Group-wide growth is important for our future. In March 2010, we announced "Pentagon Management" as our new management strategy for the financial services businesses of the SBI Group. Although we have continuously challenged ourselves as a self-evolving "Strategic Business Innovator," we will push toward an even stronger growth path by aggressively facing new challenges for the next stage of evolution based on this new management strategy.

We will not only spur growth in each core business by unleashing mutual synergies amongst the five core businesses of the pentagon, but also place around the core businesses affiliated companies and businesses that possess core

1	Our financial ecosystem consists of five core businesses among our financial services, namely securities, banking, nonlife insurance, life insurance (in preparation for re-entry) and settlement services.
2	Create synergies by mutually linking core businesses to provoke exponential growth for the entire Group.
3	Focusing on each core business, we will place affiliated companies and businesses that possess core business support functions, and aggressively pursue synergetic effects with each core business, in order to differentiate ourselves from our competitors, thereby promoting exponential growth in each core business.
4	The face-to-face channels, such as "SBI Money Plaza," will be expanded across Japan, to serve as an infrastructure business that will propel growth in the five core businesses and advance the integration of the online and face-to-face services and will strive to provide, on a neutral basis, comparably superior products to customers whether inside or outside the Group, so that the SBI Group may become Japan's largest financial products distributor.
5	By introducing the systems and know-how of our core businesses accumulated in Japan in tandem with the economic development of emerging countries, we will be positioned to promote the development of financial services businesses in those countries.

Concept Image of Pentagon Management in Financial Services Businesses



business support functions, thereby aggressively pursuing synergetic effects with each core business. This is the most significant feature of the SBI Group's "Pentagon Management," and it will be one of our greatest strengths when differentiating ourselves from our competitors.

Through "SBI Money Plaza" shops, the face-to-face shops that offer various financial products both within and outside the SBI Group and serve as a mutual infrastructure business that will spur growth in the SBI Group, we are advancing the integration of the online and face-to-face channels. There are some customers who prefer to meet in person to discuss high-value financial products, such as housing loans and insurance products, as well as complex and high-risk financial products such as overseas mutual funds. There are also customers including senior citizens, who are not comfortable using the Internet. To meet such various needs, we will strive to become "Japan's largest products distributor," capable of providing, to each and every one of our customers, optimal financial products (and not just the SBI Group's products) at a low cost, both online and at our shops.

Moreover, by gradually introducing the systems and know-how of our core businesses accumulated in Japan to the BRICs and VISTA countries, as well as other overseas emerging countries in tandem with their respective level of economic development, we will expand our "Pentagon" from Japan to other countries. When doing so, our most important activity is our investment business that supports the Group's expansion and growth from the ground up. We will closely watch the economic conditions in each country and will aggressively leverage the Group's resources both within and outside Japan, such as relationships with prominent local partners established through our investment business, to promote our financial services businesses in emerging countries to position ourselves for exponential growth as a global company.