



ANNUAL REPORT **2010**

A decorative background consisting of four horizontal bands of color: blue, green, yellow, and purple. Each band features a white grid pattern and a white diagonal line that crosses the bands.

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 SBI Group recognizes its social responsibilities as a member of society while fulfilling the demands of its stakeholders, contributing to the betterment of society.

The SBI 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 SBI Group into a global organization that earns half its operating income outside Japan by the year ending March 2013

The SBI 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.

Contents

Consolidated Financial Highlights	2
To Our Stakeholders	4
Interview with SBI Holdings CEO Yoshitaka Kitao	6
1. Business Development Under the Current Environment	
2. “Pentagon Management” of Financial Services Businesses	
Special Topic	
New Challenges for Self-Evolution	12
1. New “Pentagon Management” Business Strategy for Financial Services Businesses	
2. New Challenges for Group Evolution – Development of Face-to-Face Channels –	
3. Aggressive Investment and Overseas Expansion for Further Growth	
The SBI Group at a Glance	26
Review of Operations by Business Segment	28
Asset Management Business	28
Brokerage & Investment Banking Business	30
Financial Services Business	32
Housing and Real Estate Business	34
System Solution Business	35
Corporate Governance	36
The SBI Group’s CSR Activities	39
Approach to Nurturing Human Capital	40
Financial Section	41
Corporate Information	102
The SBI Group (Principal Group Companies)	102
Corporate History	104
Topics	105
Board of Directors	106
Corporate Data	108
Major Books of Yoshitaka Kitao, Representative Director & CEO	109

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 SBI 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
	2008	2009	2010	2010
Operating revenues	¥ 222,568	¥ 130,923	¥ 124,542	\$ 1,338,586
Operating income	42,607	4,404	3,432	36,886
Ordinary income*2	35,688	37	1,113	11,961
Net income (loss)	4,229	(18,375)	2,350	25,258
Total assets	1,219,247	1,079,234	1,229,940	13,219,471
Total equity	387,766	419,339	428,615	4,606,785
Net cash (used in) provided by operating activities	50,074	103,035	(53,135)	(571,098)
Net cash provided by (used in) investing activities	(20,610)	(1,104)	(15,563)	(167,277)
Net cash used in financing activities	(9,957)	(137,515)	84,599	909,277
Cash and cash equivalents, end of year	159,007	126,313	142,582	1,532,479

*1. U.S. dollar figures are for reference only, and calculated at ¥93.04 to U.S.\$1.00, the exchange rate on March 31, 2010

*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	¥ 376.63	¥ (1,232.48)	¥ 140.30	\$ 1.51
Book-value per share	21,438.08	21,129.47	21,424.02	230.27

	%		
Equity ratio	19.8	32.8	29.2
Return on equity	1.7	(6.2)	0.7

	Times		
PER (Price-earnings ratio)	63.7	–	131.5
PBR (Price-book-value ratio)	1.1	0.5	0.9

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.

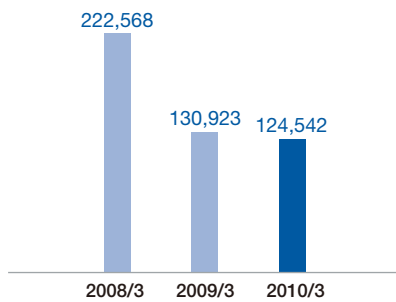
PBR = FY end TSE closing price/Book-value per share

Note: The closing price for the fiscal year ended March 31, 2010 was ¥18,450.

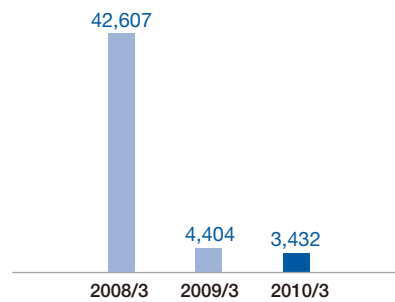
	Number		
Employees	2,666	2,492	3,048

Operating revenues

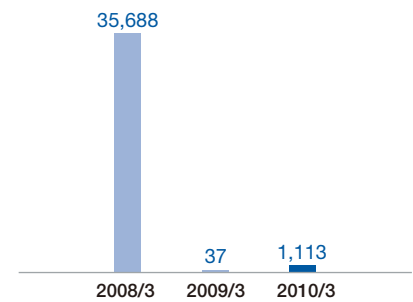
(Millions of yen)

**Operating income**

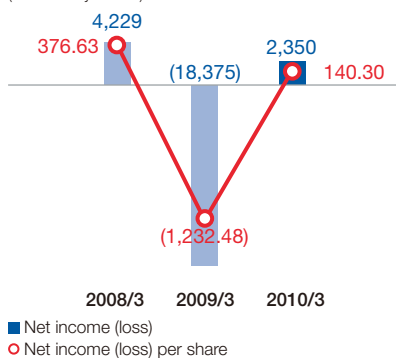
(Millions of yen)

**Ordinary income**

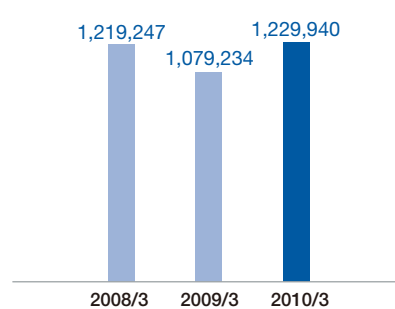
(Millions of yen)

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

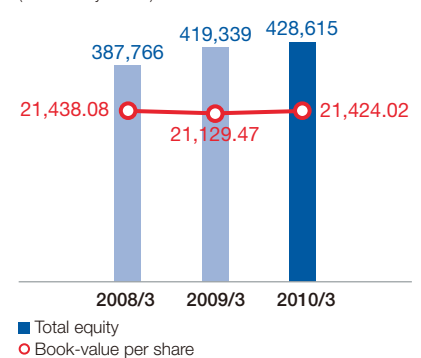
(Millions of yen/Yen)

**Total assets**

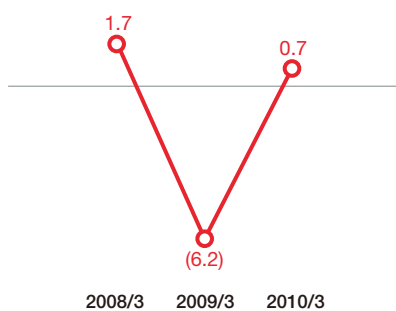
(Millions of yen)

**Total equity/
Book-value per share**

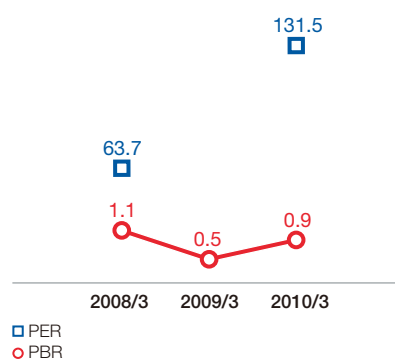
(Millions of yen/Yen)

**Return on equity**

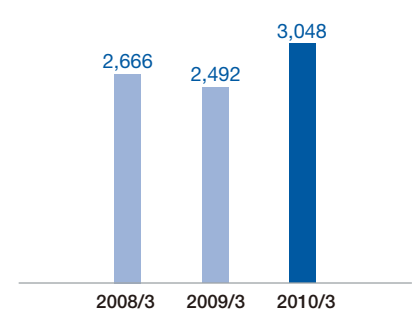
(%)

**PER/PBR**

(Times)

**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

In just 10 years, the SBI Group established a globally unique “Internet-based financial conglomerate” system. In order to further our domestic growth and to grow exponentially overseas, in 2010 we adopted a new business strategy for the SBI Group, “Pentagon Management” for financial service businesses. The “Pentagon Management” business strategy aggressively pursues synergistic effects within the SBI Group by positioning securities, banking, nonlife insurance, life insurance and payment settlement services as the five core businesses of our financial services business. As we transform ourselves “from Japan’s SBI to the World’s SBI,” we will target ever stronger growth in our businesses.

Profile

- 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.

Overview of Fiscal Year 2009

In Japan, a very difficult market environment continued with a record high unemployment rate during the fiscal year ended March 31, 2010. Overseas, despite the signs of an economic recovery centering in the Asia region, global fears held of a continued economic downturn and in general conditions continued to be severe. Stock markets in emerging countries with high growth potential were relatively robust, and the number of IPOs worldwide showed some recovery. However, Japan experienced a 6.9% year-on-year decrease in individual stock brokerage trading value, and the number of IPOs was a year-on-year decrease of 15 companies to a total of 19 companies, for a further decline from the previous fiscal year.

Even under such an environment, the consolidated performance of SBI Holdings, Inc. ("SBIH") was in the black for the first time in two terms, with operating revenues amounting to ¥124,542 million (a 4.9% year-on-year decrease), operating income of ¥3,432 million (a 22.1% year-on-year decrease), ordinary income of ¥1,113 million (a 2,875.4% year-on-year increase), and net income of ¥2,350 million (compared to a net loss of ¥18,375 million for the previous year), notwithstanding recording provisions for allowances, etc., totaling ¥8,299 million. After a round of rationalization after the "Lehman Shock" that featured primarily stepped up cost cutting and reorganizational efforts, each business division began showing signs of a recovery.

Regarding dividends, SBIH's basic policy is to target a payout ratio of 20% to 50% of its consolidated net income on a once annual year-end dividend payment. In accordance with this policy, the ordinary dividend for the fiscal year ended March 31, 2010 was set at ¥50, and was added to a dividend of ¥50 commemorating our 10 year anniversary, resulting in an annual dividend of ¥100 per share.

Striving for Further Growth

Since its establishment, the SBI Group has maximized the use of the Internet and continuously challenged itself to provide high-quality products, such as extraordinarily low commission rates, deposit products with high interest rates, and highly convenient financial services. Our efforts resulted in our customer base expanding to over 10 million users by the end of fiscal year 2009. Also, the SBI Group itself grew rapidly, with now more than 100 consolidated subsidiaries, and over 3,000 Group employees. Furthermore, by fully leveraging synergies amongst Group companies that provide various financial services, we established a "financial ecosystem" that offers one-stop financial services. Presently, not only has SBI SECURITIES secured a dominant position in the Internet securities business, in the Internet banking and Internet nonlife insurance businesses, each SBI Group company has received high marks in various satisfaction surveys.

Although the SBI Group, as a "Strategic Business Innovator," has always continued to challenge itself to be an enterprise that

evolves of its own volition, with a view towards our next stage of growth, in 2010 we presented our new "Pentagon Management" business strategy for financial services businesses.

"Pentagon Management" targets exponential growth for the entire SBI Group by positioning five core businesses from the SBI Group's financial ecosystem, namely securities, banking, nonlife insurance, life insurance and payment settlement services, to further provoke synergistic effects among these core businesses. Moreover, by introducing systems and know-how of our core businesses accumulated in Japan to emerging countries, as their economies develop, we will promote the development of financial services businesses in those countries.

Although the SBI Group has grown based on the Internet in order to accelerate the growth of our five core businesses, and to achieve a true customer-centric principle to satisfy all of our valued customers, we will advance the integration of online and face-to-face services by continuing to open "SBI Money Plaza" shops, primarily on a franchise basis. In the future, we are determined to move beyond the Internet to become "Japan's largest products distributor," capable of supplying at a low cost optimal financial products to each and every one of our customers, even to those who desire to consult with us in person.

Furthermore, for new future growth, we will aggressively promote our overseas business development. We have already established an investment framework centered on China and other emerging countries in Asia with high potential growth rates, and through tie-ups with prominent local partners, have increased our overseas investments. We are also currently working on enhancing the SBI Group's name recognition overseas, and to accelerate the transference of our financial services businesses beyond Japan's shores. By doing so, we expect to realize our transformation "from Japan's SBI to the World's SBI," and to achieve exponential growth as a global company.

The SBI Group will, as a very unique "Internet-based financial conglomerate" in the world, use the Internet as a potent weapon to aggressively challenge new business opportunities in an effort to ensure even stronger growth. For all of our valued customers and investors, we will persist with our customer-centric principle to create more innovative services and businesses, and maximize corporate value, which represents the sum total of customer value, shareholder value and human capital value.

Yoshitaka Kitao

Representative Director & CEO

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>

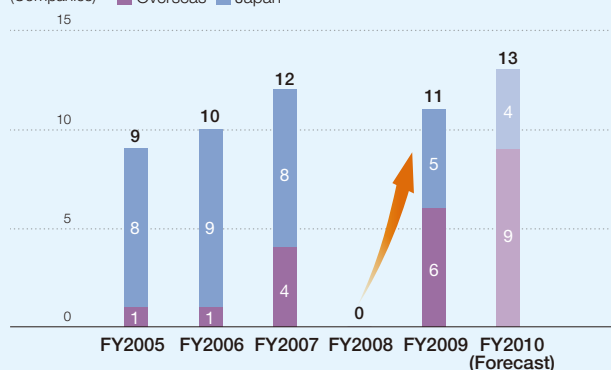
The SBI Group has been strengthening its cost-cutting efforts since the Lehman Shock and, as a result, SG&A (selling, general and administrative expenses) decreased by ¥1.7 billion year-on-year in FY2008 (with a ¥2.8 billion decrease in controllable costs excluding depreciation expense), and decreased 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

(Companies) ■ Overseas ■ Japan

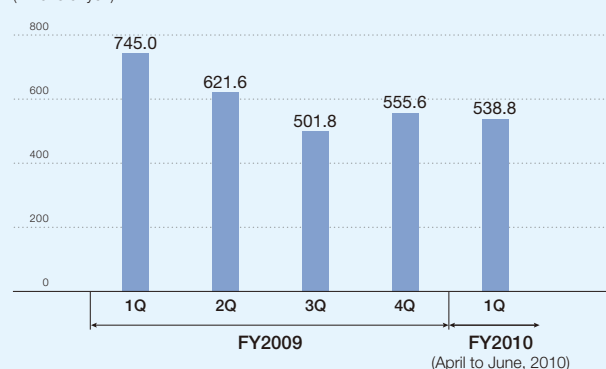


Includes portfolio companies which have completed exit from New Horizon Capital (Fund II), in which SBIH invested as a limited partner.

Change in Daily Average Individual Brokerage Trading Value

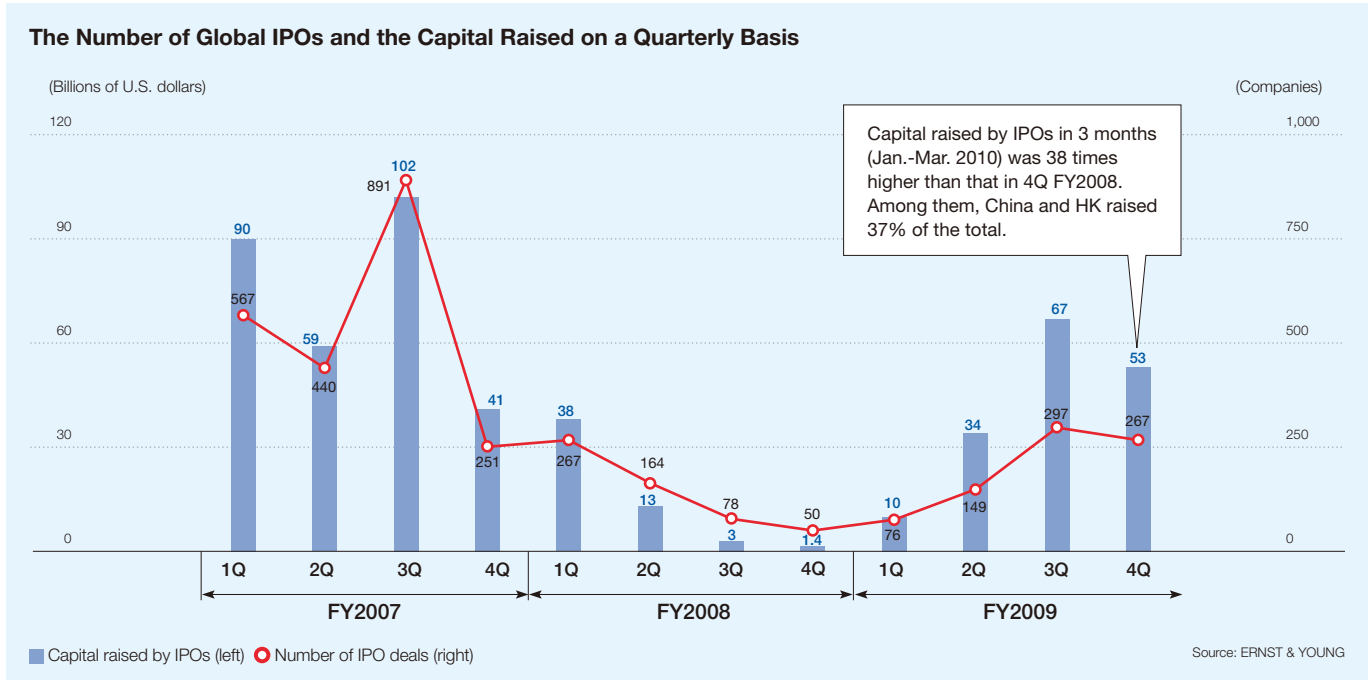
(the total of the 1st and 2nd section of the 3 major markets^{*1})

(Billions of yen)



^{*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



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).

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.

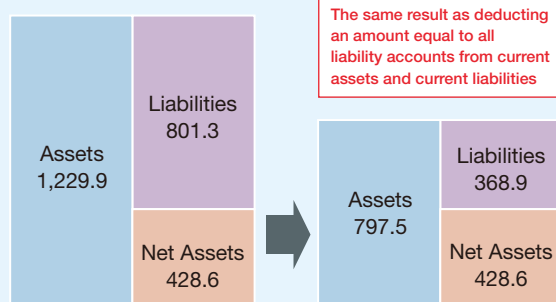
Going forward, we will continue to be cognizant of our financial needs, while aggressively investing for the future and at the same time maintaining a sound financial condition.

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

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 FY2009 (Billions of yen)



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.

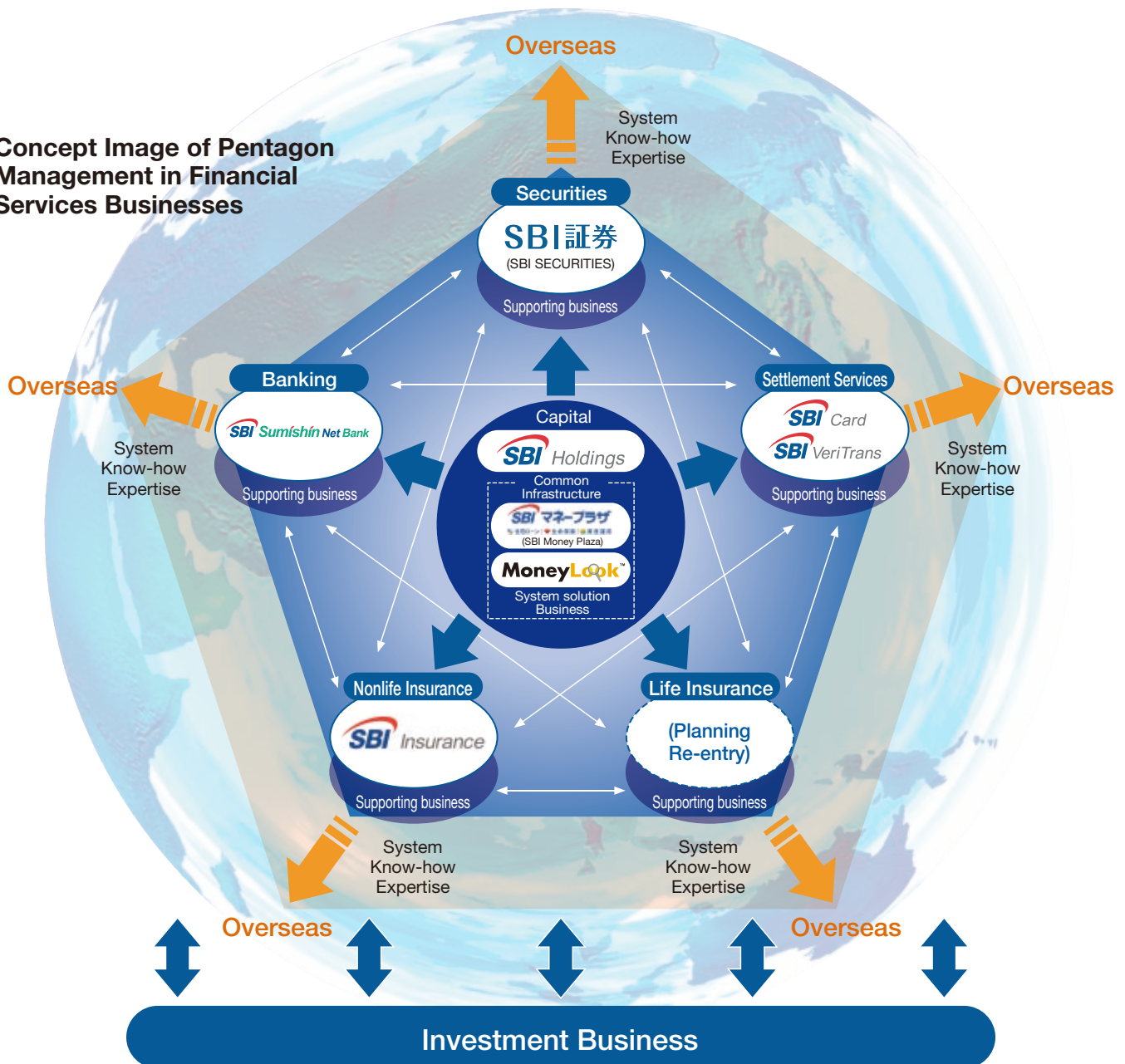
The SBI Group has established various operating companies since our inception in 1999, including joint ventures with prominent partners in financial business fields, and has grown rapidly as an Internet-based comprehensive financial group. We then established the world’s only “Internet-based financial 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.

 Special Topic

New Challenges for Self-

1. New “Pentagon Management” Business Strategy for Financial Services Businesses

Our five core businesses: securities, banking, nonlife insurance, life insurance and payment settlement services, have their own main features and strategies.

Core Business **1** Securities Business SBI SECURITIES Co., Ltd.

No. 1 Bricks-and-mortar, based-on-the-Internet securities company, with over 2 million accounts

Supporting Companies, Related Companies and Overseas Related Products

Supporting Companies	SBI Liquidity Market Co., Ltd.	Foreign exchange margin trading platform
	SBI Japannext Co., Ltd.	Operating “Japannext PTS,” Japan’s largest PTS market
(Financial Information/ Content Business)	Morningstar Japan K.K.	Providing investment trust evaluation and economic news, and stock reports of companies based in the US, UK, Switzerland, China, India, and Brazil from Morningstar, Inc.
	SBI Fund Bank Co., Ltd.	Providing analysis information mainly tailored to investment trusts
	Wall Street Journal Japan K.K.	Offers the “WSJ Japan Edition (online edition)” which provides articles from an unique standpoint
	Searchina Co., Ltd.	Operates “Searchina,” Japan’s largest Chinese information website
Overseas-Related Products	SBI SECURITIES handles U.S. stocks (in corporation with Interactive Brokers LLC), South Korean stocks (in corporation with E*Trade Securities Co., Ltd.), Chinese stocks (in corporation with Kingsway), and offers company stock reports generated by Morningstar.	

Our securities business provides various securities-related services centered on SBI SECURITIES, the largest online securities company in Japan, with over 2 million accounts. SBI SECURITIES has by way of having the industry’s lowest commission rates system in a short time frame established its overwhelmingly dominant industry position by substantially surpassing other online securities companies in numbers of customer accounts, and market share. Going forward, we will strengthen our competitiveness through differentiation, and further enhance our growth by maximizing Group synergies.

SBI Liquidity Market, which provides a market infrastructure for foreign exchange margin (FX) trading, has been significantly synergistic with SBI SECURITIES, a core business, during the brief

period since starting operations. SBI Liquidity Market provides SBI SECURITIES with a market infrastructure for FX trading in 20 currency pairs, more than any other major Internet securities company. Among the customers who have accounts at SBI SECURITIES, approximately 156,000 customers opened FX trading accounts (as of the end of June 2010). Also, with 18 major foreign and domestic financial institutions as counterparties, SBI Liquidity Market offers its customers stable trading opportunities. Increasing the liquidity of its FX trading allows the provision of an investment environment that is more convenient for customers, thus generating a virtuous circle that contributes to the further expansion of FX trading at SBI SECURITIES and the building of a revenue base that is not affected by the stock market.

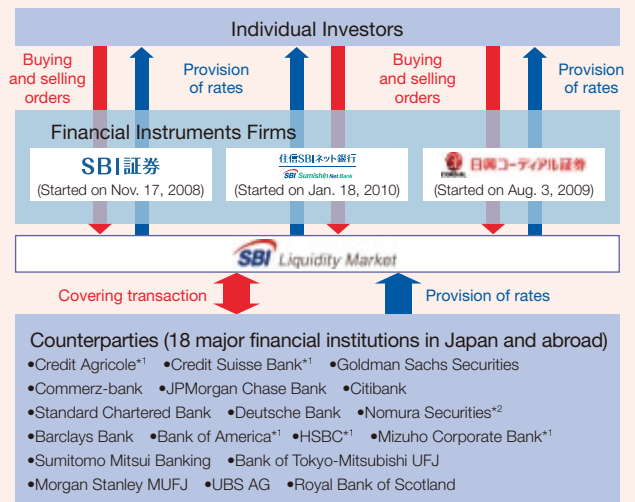
Evolution

“Japannext PTS,” the largest domestic PTS (Proprietary Trading System) market in terms of trading volume operated by SBI Japannext, has significantly increased its transactions since having started daytime trading in October 2008. In addition, the new “Arrowhead” system at the Tokyo Stock Exchange started in January 2010 will likely promote the best execution transactions, thus leading to a further vitalization of the domestic PTS market, which is approaching the JASDAQ in scale.

In addition to Morningstar, which offers rating information on investment trusts and economic news, “Wall Street Journal (WSJ) Japan Edition,” the first full-scale subscription-based online media in Japan, started services pursuant to a joint company with Dow Jones & Company, Inc. in December 2009. Searchina Co., Ltd., which operates “Searchina,” the largest Chinese information website in Japan, boasting over 90 million page views per month and over 5 million unique users per month, was made a subsidiary in February 2010, attesting to our efforts to expand our global financial content. Thus, we are differentiating ourselves from our competitors not only through financial products and market functions, but also by simultaneously providing related content.

Providing Stable Trading Opportunities Through a Total of 18* Foreign and Domestic Major Financial Institutions as Counterparties

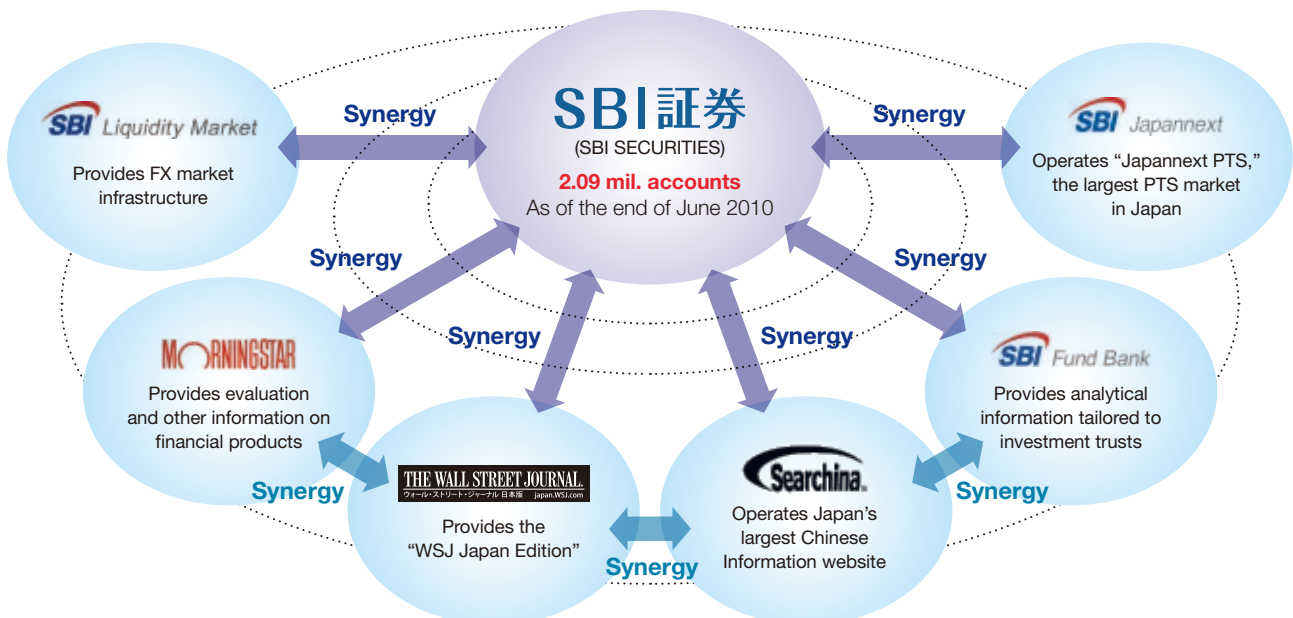
(* Under negotiation with 3 other financial institutions)



*1 Newly participated in FY2009
*2 Newly participated in FY2010

Provision of Numerous Securities-Related Services by SBI SECURITIES and Other Surrounding Companies

Striving to enhance competitiveness through differentiation and to grow further by fully utilizing group synergies





Facing a new competitive stage after integrating online and face-to-face services

Taro Izuchi

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

It has been about 10 years since the birth of Internet securities, which was sparked by the liberalization of stock brokerage commissions in 1999. Although a multitude of companies sprang up at the time, intense competition resulted in the top five companies taking a large share of the market currently led by SBI SECURITIES, which overwhelmingly took the No. 1 position armed with low commission rates. In December 2009, SBI SECURITIES was the first Internet securities company to exceed the 2 million customer account mark, with numbers of accounts continuing to increase thereafter. For the next stage, we will construct Japan's first "Bricks-and-mortar, based-on-the-Internet securities" business model that combines the advantages of the Internet with the positive aspects of face-to-face dealings.

To attract online customers and those customers who wish to deal with us in person, in addition to our 23 nationwide direct sales offices, we utilize a network of about 110 financial product brokerages. Moreover, we will effectively utilize our "SBI Money Plaza" shops, the common infrastructure of the SBI Group, to broaden our securities brokerage business. In the United States, there is a securities company called Edward Jones that has the largest network in the country, with 13,000 locations. With numerous one-person shops operating out of their homes, they are closely linked to their communities and never engage in any business activity that would sacrifice the company's reputation. For this reason, they are one of the most respected companies in the U.S. SBI SECURITIES will also strive to become such a respected company.

[Expanding our Global Financial Content Business]

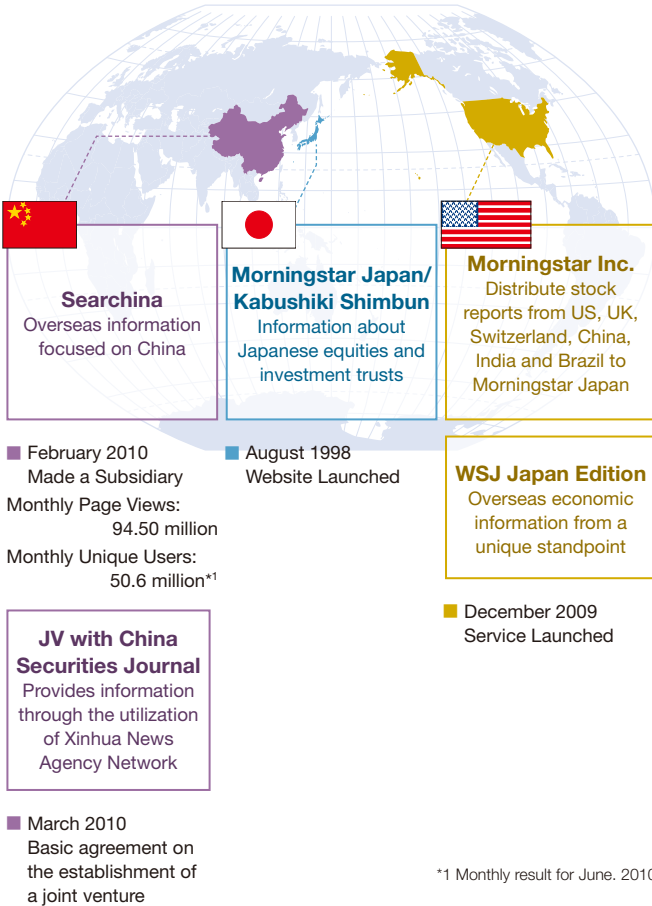
The ever-globalizing modern Japanese society has entered an era that demands a global perspective based on accurate worldwide information. Until now, Morningstar Japan K.K., a joint venture established in 1998 with Morningstar, Inc. of the U.S., has not only provided investment trust ratings information and economic news, but also financial content in the form of reports on stocks in the U.S., the U.K., Switzerland, China, India and Brazil prepared at the head office of Morningstar in the U.S. To further enhance our financial content, we formed the Wall Street Journal (WSJ) Japan K.K. in June 2009 as a joint venture with Dow Jones & Company of the U.S., and began offering Japan's first full-scale subscription based online media, "WSJ Japan Edition," in December 2009. With its 120-year history, WSJ is the finance and economics newspaper with the largest circulation in the U.S.* and its articles have a great impact on the global economy and financial markets. WSJ Japan Edition translates, edits and transmits on a daily basis, articles carefully selected from high-quality information compiled by about 2,000 journalists and editors located worldwide. The most significant feature of WSJ Japan Edition is its rapid provision of information thanks to our time zone, making us second only to New Zealand, and much earlier than Europe and America.

Furthermore, we subsidiarized "Searchina," which operates the largest Chinese information website in Japan, in February 2010. Later in March, we agreed to establish a joint venture with the China Securities Journal, administered by the Xinhua News Agency and one of China's four largest economics newspapers, to transmit Chinese economic and financial information in Japan. This will facilitate the provision of financial information through the Internet using the information network of the China Securities Journal and the Xinhua News Agency, as well as a Chinese listed company database (covering the last 18 years) and a fund database (covering the last 10 years) making possible investments in Chinese stocks and a vast fortification of the SBI Group's information volume with substantial advantages to our customers.

The SBI Group will aggressively partner with overseas media and content companies as described above, to provide not only financial products and market functions, but also to maintain a system whereby global information that may greatly impact stock, bond and foreign currency markets is provided simultaneously. By so doing, we will further differentiate ourselves from our competitors through the enhancement of our content, and will lead to the exponential growth of our securities business.

* ABC survey result representing the number of paying WSJ.com subscribers with WSJ newspaper subscribers effected on September 30, 2009

Expanding Our Global Financial Content Business

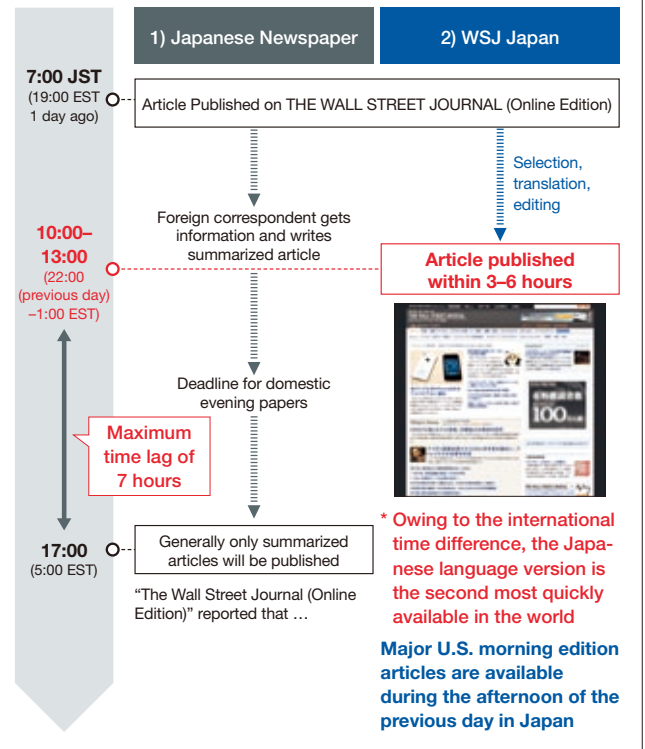


*1 Monthly result for June, 2010

Start of First Full-fledged Paid Online Media

Difference between foreign news published in Japanese newspapers and on WSJ Japan

Article for WSJ (morning edition)(Image)



Aligning with major media outlets worldwide to strengthen our global financial content

Tomoya Asakura

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



Morningstar Japan K.K. has continued to provide global financial content for over 10 years since its establishment in 1998 as a joint venture with Morningstar, Inc. of the U.S. Utilizing the network of Morningstar, Inc., which spans 23 countries and regions, we provide information on over 350,000 investment products around the world including stocks, investment trusts, ETF (Exchange-Traded Funds), hedge funds, etc., in addition to rating of domestic investment trusts. Owing to the rising need for global investment information by Japanese investors, we believe Morningstar Japan is well positioned and will greatly contribute to the SBI Group in the future. Moreover, WSJ Japan Edition (online), which began transmitting information in December 2009, has already attained over 770,000 unique users per month in just four months since starting (as of the

end of March 2010). Through tie-ups with Searchina Co., Ltd., which operates the largest Chinese information website in Japan boasting over 5 million unique users per month, and the China Securities Journal, one of the four major economics newspapers in China, we will transmit various information on China, including Chinese economic and financial information.

Such alliance and integration between content business companies and an Internet finance enterprise like the SBI Group is a unique example in the world. The provision of abundant financial information through such quality media outlets with brand strength will not only support efforts to provide the information to the customers of the SBI Group, which already number over 10 million, but will also open up to us a consumer segment we could not approach in the past, ultimately making way for the formulation of a system that would allow the introduction of the SBI Group's low-cost, high-convenience services.

Core Business 2 Banking Business SBI Sumishin Net Bank, Ltd.

In the 2 years and 5 months since beginning operations, deposits at the Internet bank have topped 1 trillion yen.

Supporting Companies, Related Companies and Overseas Development

Supporting Companies	SBI AutoSupport Co., Ltd.	Support for the provision of automotive financial services through automobile dealers
	SBI Receipt Co., Ltd.	Medical care payment receivable factoring business
	CEM Corporation	Real estate secured loans and guarantee services
	G-ONE Credit Services Co., Ltd. (Trade name to be changed to "SBI Credit Co., Ltd." in October 2010)	Auto loans business, planning and sales of financial products. Approximately 2000 participating shops with 7 bases nationwide
Related Companies	SBI Mortgage Co., Ltd.	Established the sales agency network of "Flat 35," a loan product of the Japan Housing Agency. Outstanding housing loans exceeded 600 billion yen as of the end of Feb. 2010
Overseas Banking Business	TIEN PHONG COMMERCIAL JOINT STOCK BANK (Vietnam)	Started operations in May 2008. SBI Group acquired 20% of the shares in Aug. 2009.
	PHNOM PENH COMMERCIAL BANK (Cambodia)	Started operations in Sept. 2008. SBI Group invested in 40% of the shares of the newly established bank
	Commercial Bank of Ceylon PLC (Sri Lanka)	SBI Group acquired 9.99% of the shares outstanding in June 2010

[SBI Sumishin Net Bank]

Led by SBI Sumishin Net Bank, which exceeded ¥1 trillion in deposit balance in just under 2 years and 5 months since beginning operations, the fastest such performance for a domestic Internet bank, our banking business is making aggressive investments not only in Japan but also in banks of emerging countries as well.

SBI Sumishin Net Bank, which had a late start among Internet-based banks in Japan, nevertheless achieved extremely fast growth in the industry owing to its competitive interest rates on deposits, its free transfers up to a certain number of transactions, its highly convenient services in collaboration with SBI SECURITIES and its focus on asset management. Specifically, its alliance with SBI SECURITIES created a revolutionary service called the

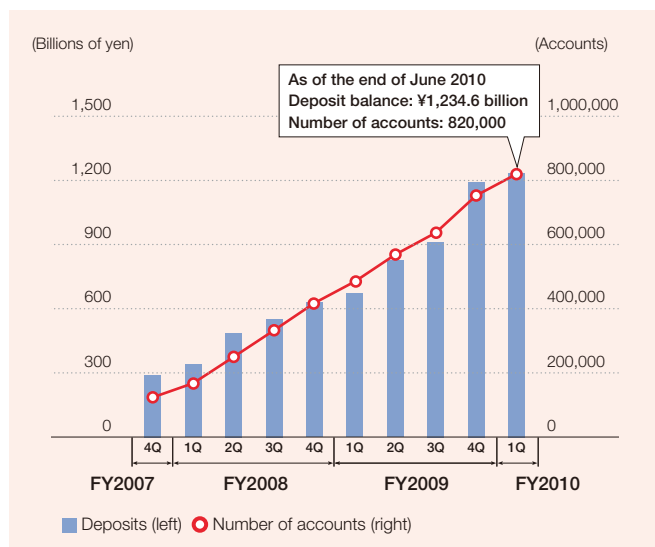
"SBI Hybrid Deposit," whose balance can be allocated to purchase costs for stock trading and required collateral for margin trading. SBI SECURITIES' customers with this account can transfer funds seamlessly to and from their securities account. This alliance has resulted in some 50% of individuals opening an account at SBI SECURITIES to simultaneously apply to open an account at SBI Sumishin Net Bank as of the end of June 2010, thus greatly contributing to the customer base of SBI Sumishin Net Bank.

As a result, we were successful in maximizing synergies by mutually linking core businesses, and SBI Sumishin Net Bank quickly turned a single-year profit in FY2009, its third term since starting operations. Rakuten Bank (formerly eBank), Japan Net Bank and Sony Bank, which all started their operations prior to SBI Sumishin Net Bank, did not attain a single-year profit until their fifth term. Even when compared to these banks, SBI Sumishin Net Bank grew at a dramatic speed into a bank that contributes to earnings. It is paramount that we continue to provide various loans, deposit products and services to meet our customer needs in a timely manner.

In addition, an important aspect of the banking business is the management of assets deposited by customers, and we have expanded our group of related companies supporting asset management. These include SBI AutoSupport Co., Ltd., which provides financial services such as auto loans through automobile dealerships, and SBI Receipt Co., Ltd., engaged in medical care payment receivable factoring business. In the future, we will further promote operations integrated with the securities field as well as the diversification of asset management through such services as interest rate swaps, CP underwriting and originating safe and high interest rate securitized products.

SBI Sumishin Net Bank also receives high marks in terms of customer satisfaction. Nikkei Inc. ranked it 2nd in a customer

SBI Sumishin Net Bank, Ltd. Change in Deposits and the Number of Accounts



satisfaction survey published in December 2009. Also, survey results for FY2009 covering all sectors, published by the Service Productivity & Innovation for Growth Council, ranked SBI Sumishin Net Bank 1st in the Banking Sector and 4th in the Overall Service Industry among 291 companies, indeed a very high evaluation. We believe it is necessary to further deepen our commitment to the customer-centric principle and make every effort to heighten the level of customer satisfaction.

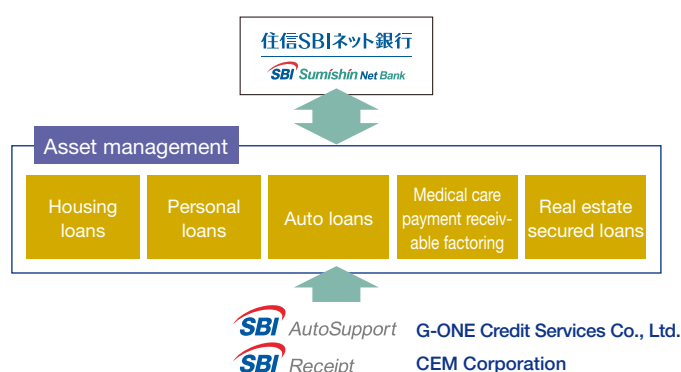
[Overseas Banking Business]

Furthermore, investments into banks is currently a focus of our promotion of the financial services business in emerging countries, taking into consideration the level of economic and financial development in each respective country. In Cambodia, we invested in 40% of PHNOM PENH COMMERCIAL BANK in September 2008, with that institution's profits steadily increasing, achieving a profit in its second term since starting operations. In August 2009, we acquired 20% of the equity in Vietnam's TIEN PHONG COMMERCIAL JOINT STOCK BANK, which started operations in May 2008. It turned a profit quickly in its first fiscal term, and continued to expand in its second fiscal term. In addition to its main branch, TIEN PHONG COMMERCIAL JOINT STOCK BANK now has 5 branches and 8 satellite offices. Compared to Japan's over 200 banks for its population of 127 million, Vietnam has only about 50 banks servicing 86 million people. With an average age below 30, this is a country with an enormous potential for a growth and

whose business scale we believe will develop significantly.

We believe that the banking business will support the financial sector of these economically developing countries, and for this reason, it is important to start with the banking business when promoting our financial services business in those countries. We will then successively introduce our systems and know-how accumulated in Japan for securities and other financial businesses, depending on the country's development conditions, to advance our financial services businesses in emerging countries.

Further Diversifying Asset Management



<Major asset management method in the future>

Diversification of business and management by the integration of the securities business through interest rate swaps, CP underwriting and origination of securities products



Heighten customer satisfaction by pursuing the provision of more convenient and appealing services

Katsuya Kawashima

Representative Director and President of SBI Sumishin Net Bank, Ltd.

Since the start of its operations in September 2007, SBI Sumishin Net Bank has been working to offer an "Internet full-banking business that provides easier-to-use and more competitive products and services than any of our competitors, 24 hours a day and 365 days a year." Aside from the obvious yen and foreign currency deposit transactions and fund settlement services, we have also worked to facilitate loan transactions, including housing and card loans as well as various other products and services that fit diverse lifestyles in a simple, speedy fashion via the Internet. Despite its late start among domestic Internet-based banks, these services and operations have supported the bank, resulting in the fastest growth in the industry. As of the end of June 2010, its 820,000 customer accounts, ¥1,234.6 billion deposit balance and personal loan balance exceeding ¥476.0 billion, demonstrate how its growth has greatly surpassed its Internet-based competitor banks. Behind this drastic growth over a short period of time is the

tie-up with our formidable partner, Sumitomo Trust Bank Group, which is significant in itself, as well as the fantastic advantages from the meaningful synergistic effects generated with SBI SECURITIES, an SBI Group company with a dominant position in the online securities industry. As a result, SBI Sumishin Net Bank achieved a single-year profit in its third term since starting operations, steadily fulfilling its initial business plan.

We believe it is important to continue to enhance convenience for our valued customers to ensure further growth in the future. While providing asset management products to customers on a broad basis, such as deposit products and FX trading, we will work to further add to our asset management products, such as by broadening the scope of investment trusts we handle, and creating products that meet the diversifying needs for foreign currency denominated asset management. Regarding personal loans, we will strive to expand the merchantability of our housing loans and Internet loans to respond to the various funding needs related to our customers' lifestyle events.

Core Business 3 Nonlife Insurance Business SBI Insurance Co., Ltd.

Internet nonlife insurer which provides automobile insurance with the lowest premiums

Supporting Companies (Businesses) and Inter-Industry Collaborations

Supporting Companies (Businesses)	Insurance Portal "InsWeb"	Japan's largest auto insurance estimate website, with over 4.4 million cumulative users (Totals from the start of service to the end of June 2010)
	SBI AutoSupport Co., Ltd.	Support for the provision of automotive financial services through automobile dealers
	Autoc one K.K.	Operation of one of the Japan's largest new-car estimates brokerage websites
Inter-Industry Collaboration	Expansion of inter-industry sales channel through an alliance with used car purchasing/selling giant " Gulliver International Co., Ltd. ," used car auction site giant " JAPAN AUTOMOBILE AUCTION INC. " and DVD rental giant " GEO CORPORATION "	

Centered on SBI Insurance Co., Ltd., which offers the industry's lowest insurance premiums, our insurance business is expanding thanks to Japan's largest automobile insurance estimate website and new-car estimation and brokerage website, both operated by the SBI Group, as well as channels expanding through various inter-industry alliances.

SBI Insurance, which started operations in January 2008, succeeded in broadening its sales channels and fortifying its promotional activities, along with having the industry's lowest insurance premiums. For direct income from net insurance premiums (written basis), we exceeded the ¥5.0 billion target for FY2009 and attained 133,000 cumulative insurance contracts (170,000 as of the end of June 2010).

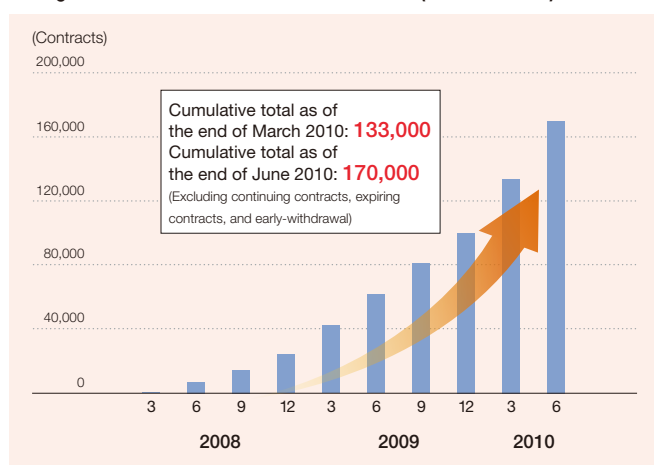
What supports SBI Insurance's steady growth is our InsWeb insurance comparison and estimation website, one of the businesses launched within the SBI Group in 1998 jointly with InsWeb of the U.S. It has grown to become Japan's largest automobile insurance estimate and comparison website with some 4,200,000 cumulative users as of the end of March 2010 (4,400,000 as of the end of June 2010) and 800,000 annual users, and its ability to

draw in customers contribute significantly to the growth of SBI Insurance. InsWeb itself offers services as a neutral comparison website that provides users with estimates from over ten companies. Among them, SBI Insurance was ranked No. 1 for the second consecutive year in the Diamond Weekly's "Automobile Insurance Premium Ranking" (March 14, 2009 and March 20, 2010 issues) and, with overwhelmingly low premiums among direct nonlife insurers, the number of cases where customers are choosing SBI Insurance is increasing. In fact, about 40% of SBI Insurance customers chose SBI Insurance on InsWeb after comparing our policies with those of other companies.

Not only are its premiums low, it also receives extremely high marks for customer satisfaction. In the Oricon CS Ranking for FY2009, SBI Insurance was ranked No. 1 in the category of "Completeness of Ancillary Services."

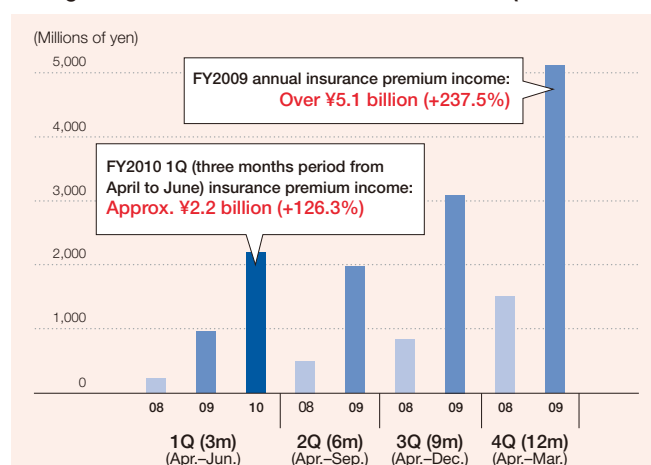
The SBI Group also has other channels that draw in customers, such as "SBI AutoSupport," which introduces automobile insurance and auto loan products through automobile dealers, and "Autoc one," which operates Japan's largest new-car estimate and brokerage website. These represent the strengths of SBI Insurance

Change in the Number of Insurance Contracts (Written Basis^{*)}/Cumulative



* Written Basis: Completion of receiving transaction of insurance premiums

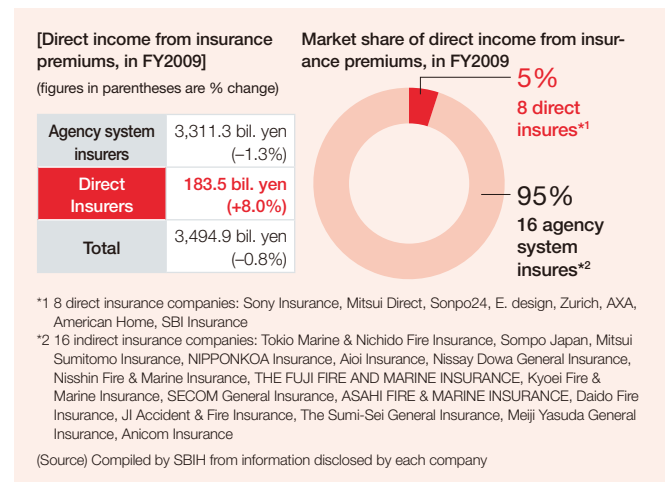
Change in Direct Income of Insurance Premiums (Written Basis^{*)}



and contribute to its overwhelming growth rate even among other direct nonlife insurers, in an industry that continues to expand.

Furthermore, for further future business expansion, SBI Insurance will prioritize increasing the number of channels, which are potential customer contact points. It has expanded inter-industry sales channels through alliances with used car purchasing and selling giant Gulliver International, DVD rental giant GEO CORPORATION and used car auction site giant JAA, among others. In doing so, it has enabled an effective approach to groups of consumers previously unreachable by way of the Internet. SBI Insurance will continue to aggressively expand its sales channels, whether online or face-to-face, in order to realize exponential growth.

Component Ratio of Auto Insurance Industry



Continuing commitment to low-cost operations and provision of the industry's lowest insurance premiums

Hiroyoshi Kido

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

The SBI Group has been operating the InsWeb automobile insurance estimate website for over 10 years, and after accumulating a sizable insurance estimate database, we began considering ways to utilize that know-how as an insurance company. The estimation website has the great advantage of offering low prices, and because of this, SBI Insurance has aggressively promoted the systemization of its operational processes dealing with insurance offers to realize a reduction in cost, in order to bring down its own indicated premiums. Also, because there are still many manual tasks, such as back office operations, there are many areas where further cost reductions are possible. Meanwhile, we look to adequately increase personnel at our call center and nonlife insurance support center, etc. We are striving toward the optimal allocation of managerial resources, determining which areas require more personnel and which can be systemized. SBI Insurance is characterized

by its maximum leverage of the Internet and commitment to low-cost operations to provide automobile insurance at low premiums. Although other direct nonlife insurers are carrying out similar business developments, SBI Insurance offers the industry's lowest premiums. Our next objective is to lead direct nonlife insurers, and become No. 1 among all nonlife insurance companies in Japan.

The overall automobile insurance market, the main battlefield in the insurance industry, has gone from a leveled plane to a slight downward plane in the past 10 years with a size of approximately ¥3.5 trillion. Within this, the direct nonlife insurance market share is growing every year. However, it still represents less than 10% of the total, with over 90% of consumers buying insurance policies of giant nonlife insurers through agencies and other means. In other words, we believe the auto insurance market is still a vast frontier, and we would like to reverse this proportion in the future, to make the direct market share predominant with SBI Insurance as the standard-bearer.

Core Business 4 Life Insurance Business

In the life insurance business, all shares of SBI AXA Life Insurance (now NEXTIA Life Insurance) held by SBIH were transferred to AXA Japan Holding Co., Ltd. in February 2010, thereby temporarily suspending our participation in the life insurance business. The reason for dissolving the joint venture was a divergence of product strategy, etc., between the two companies. Going forward, we will

re-enter the market with a life insurance company wholly owned by SBIH in a year to 18 months. As one of our core businesses, we will effectively utilize the resources available within the SBI Group to strengthen ties with other core businesses, to realize a steady and rapid growth based on the network of investees in our asset management business.

Core Business 5 Settlement Services Businesses

SBI Card Co., Ltd., SBI VeriTrans Co., Ltd., SBI Remit Co., Ltd. (tentative name)

Striving to improve customer convenience through the provision of various settlement services

SBI Card Co., Ltd.	Issuance of industry's highest points redemption credit card	Promoting inter-industry alliances for the rapid growth and creation of synergies of the Group companies
SBI VeriTrans Co., Ltd.	A settlement innovator supporting the growth of E-commerce	Operating "Buy-J.com," an EC mall for China where UnionPay Card (of which approx. 2 billion have been issued) settlement is available for Internet mail order service in China
SBI Remit Co., Ltd. (tentative name)	International money wire transfer business through an alliance with MoneyGram International (estimated to begin operations from fall 2010)	Receipt of remittances to be possible at MoneyGram agencies in 190 countries worldwide

For our payment settlement business, we offer various payment settlement services and strive to enhance customer conveniences centered on SBI Card, SBI VeriTrans and SBI Remit (tentative name). SBI Remit is a new company engaged in the international money transfer business under an alliance with MoneyGram International of the U.S. It is currently preparing to start operations.

[SBI Card]

SBI Card has utilized the strengths of the industry's top-class high-function card to issue "MasterCard" brand credit cards since November 2006. After SBI Card obtained a license in February 2009 from "VISA," one of the world's largest international credit card brands, it has begun preparations to launch the "SBI Card

Plus" in the fall of 2010, which will boast a "top-class" cash back return rate in the industry as a stand-alone (not co-branded) card. Also, we began issuing the "GEO Ponta Visa Card" in June 2010 as a collaborative credit card offered to registered customers of the GEO Group. This led us to revise our previous credit card strategy, so that through the promotion of SBI Card as a core business for inter-industry collaboration, we will work toward achieving exponential growth through the creation of synergies with each SBI Group company, by attracting new customers and increasing the number of transactions.

The "GEO Ponta Visa Card" which we began issuing in June 2010 is a collaborative card with the GEO Group, and has in place a system whereby "Ponta" points can be earned. The "Ponta"



Exploiting high-level cash back return rates and collaborative card issuances to create lateral synergies in the SBI Group

Kazukimi Ishii

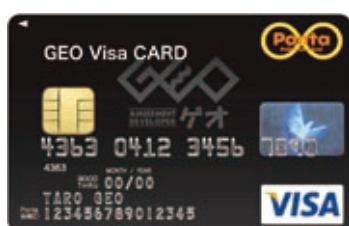
Representative Director and COO of SBI Card Co., Ltd.

Although SBI Card is a latecomer credit card company in terms of its start of operations, it disregarded the conventional ways and instead realized among other features, the cash back "high return rate point program" in a stand-alone (not co-branded) card, as part of its efforts to provide innovative services based on the customer-centric principle.

The "SBI Card Plus," to be issued in the fall of 2010, uses a system that realizes a high point return rate depending on the amount charged on the card. There is also an innovative point program in place that gives users even more points than usual for transactions with SBI Group companies. This creates synergies among the SBI Group companies through the cross-sectional sharing of customers. For the "GEO Ponta Visa Card"

collaborative card with GEO launched in June 2010, we started developing a recommendation service whereby optimal SBI Group financial products are introduced to GEO users. From this "GEO Ponta Visa Card," we can expect customers to migrate to the SBI Group from Ponta participating companies, whose customer base is already 23 million strong, and we envision an exponential expansion in the number of cards issued by SBI Card as well as an expansion in newly acquired customers and the number of transactions for each SBI Group company, as synergies are created.

point program which is operated by a subsidiary of Mitsubishi Corporation and has a customer base of approximately 23 million. Through Ponta, which targets 30 million customers in 3 years, we can expect synergies that will guide the customers of inter-industry companies participating in Ponta towards the SBI Group. We will use this opportunity to increase the current number of issued cards of approximately 80,000 as of the end of June 2010, to 1 million cards in the next three years or so to expand our customer base, and turn a profit in the credit card business.



GEO Ponta Visa Card

[SBI VeriTrans]

Since its establishment in 1997 as the Japanese unit of CyberCash of the U.S., a pioneer in electronic payment settlement, SBI VeriTrans has been leading Japan's EC market under the basic principle of "support the devotion of EC service providers." Since its inception, in addition to providing a system that allows payment settlements without leaving a credit card number on the EC website, we were a trailblazer in the area of high-level security functions, working to

provide state-of-the-art services with a high degree of convenience for EC service providers. SBI VeriTrans, by using the newest American security technology, realized credit card payment settlements by SSL encrypted transmissions, which is now commonplace. It supported Japan's EC market through payment settlements, enabling its growth. Currently, there are as many as 60 million EC payment settlement transactions per year handled by SBI VeriTrans. It has continued to lead the industry by realizing lump-sum sales collection services, convenience store settlement services and Internet settlement services using mobile Suica in the e-money settlement field.

Recently, as part of its focus on overseas development, SBI VeriTrans started the first online settlement operation in China by a non-Chinese company for the UnionPay Card (debit card), which has been issued to some 2 billion users in China. We also established the "Buy-J.com" EC shopping mall targeting Chinese consumers, and began full operations in April 2009. Buy-J.com makes Internet settlement possible using the UnionPay Card and provides total support for the necessary operations of retailers from translation to logistics, payment settlements and more.

As payment settlement needs continue to change, SBI VeriTrans will continue to grow as a settlement innovator supporting the growth of EC service providers, and will contribute to society through the development of the EC market.



Growing along with the expansion of the EC market

Takashi Okita

Representative Director, Executive Director and COO of SBI VeriTrans Co., Ltd.

The domestic EC market is expanding at a very rapid pace, with a current total circulation exceeding ¥6 trillion, which is supported by the payment settlement services. In tandem with the growth of EC, SBI VeriTrans' performance has been robust. Japan has had incidents of massive leaks of customer information and, to alleviate the risk of such occurrences, a system whereby payment settlement can be effected without the companies keeping credit card numbers is a must. With the conviction that security is the foundation of payment settlement, SBI VeriTrans was created in 1997 as a joint venture with CyberCash of the U.S., the largest player in the industry at that time. From its inception, SBI VeriTrans provided a system capable of payment settlement without leaving credit card numbers on EC

websites, and in January 2010 it started "VeriTrans 3G," a next-generation payment settlement system that uses higher levels of security and functionality, realizing a high-security environment that minimizes the risk of external information leaks.

Moreover, SBI VeriTrans is working on overseas business development centered on China, where the EC market is now one-third of the size of that of Japan, but is expected to overtake Japan in two years reaching a scale of ¥10 trillion. Currently, about 2 billion UnionPay Cards have already been issued, symbolizing the purchasing power of the Chinese market, and SBI VeriTrans was the first to provide "VeriTrans UnionPay Internet Settlement" online payment settlement services for the UnionPay Card, outside China and Hong Kong in January 2009. Our move into the rapidly expanding Chinese market will have enormous significance in the future.

2. New Challenges for Group Evolution – Development of Face-to-Face Channels –

Integrating online and face-to-face services to realize the true customer-centric principle and to become Japan's largest financial product distributor

Until now, the SBI Group has grown by providing highly convenient financial services at a low cost using the Internet to the maximum degree possible. However, we believe that in order to satisfy each and every customer, merely providing services through the Internet as the only sales channel is not sufficient. For example, when attempting to select financial products, some customers prefer to meet in person for consultation. This is why face-to-face channels must also be developed to achieve the essence of the customer-centric principle.

Presently, the SBI Group is developing its "SBI Money Plaza" shops as a common infrastructure among Group companies for its face-to-face channels, to provide various financial products in one location. These are primarily conversions of "SBI Housing Loan" Shops operated under a franchise system since 2007 by SBI Mortgage. Since the opening of the first "SBI Money Plaza" in 2009, expansion has been rapid, and as of the end of June 2010 they numbered 69 nationwide. The numerous shop openings over such a short time owes to the success of the franchise system, which has the advantage of controlling rent and labor costs, as well as providing urban billboard and storefront advertisements.

Most of the products currently offered at "SBI Money Plaza" deal with housing loans and life insurance. For such expensive financial products, or complex and high-risk instruments such as investment trusts, there is a need to deal with a person who can provide the requisite explanations. Therefore, we plan to expand asset management services provided by accountants, financial

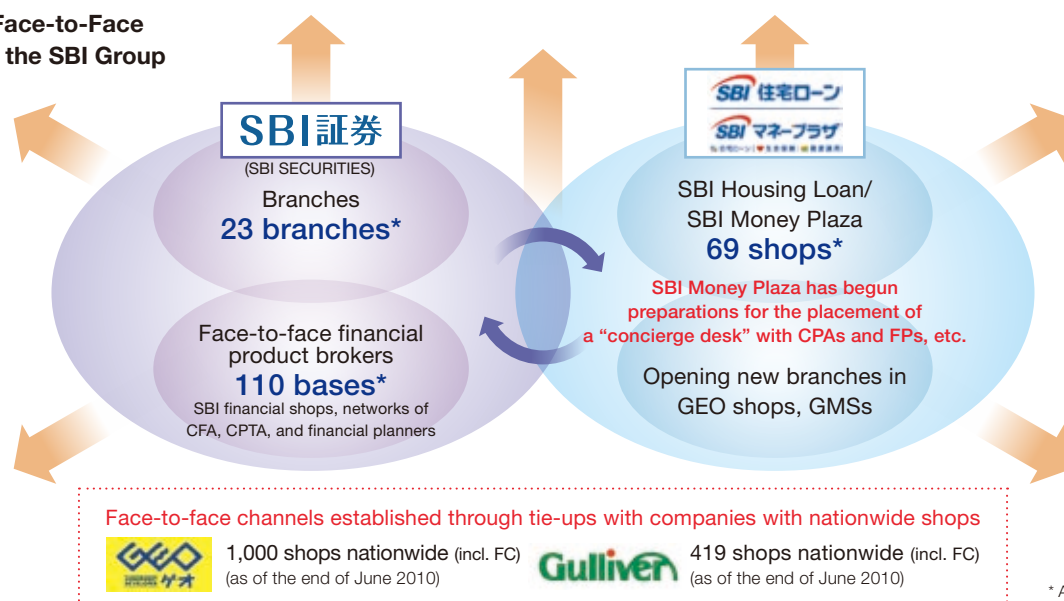
planners and other professionals. These shops offer not only SBI Group products, but also those from outside the Group from a neutral standpoint, so that customers can compare and select the best products for themselves.

In addition to these shops, there are also the 23 direct sales branches of SBI SECURITIES and 110 bases of retail financial product brokers (as of the end of June 2010). Going forward, we will continue to further expand the SBI Group's face-to-face sales channels.

In addition, the SBI Group is focusing on broadening its sales channels through inter-industry alliances. In August 2009, we tied up with GEO, a DVD rental and video game sales giant with 1,000 stores nationwide, and in October of that year we aligned with Gulliver International, a used car trading giant with 419 stores nationwide. Starting in March 2010, each SBI Group company gradually began participating in the "Ponta" common points system already being used by 14 companies in various fields, such as Lawson, Showa Shell and Kentucky Fried Chicken, among others (as of the end of May 2010, "Ponta" points can be used at 12,190 stores and there are 23 million members in the system). Through such inter-industry sales channels, we can effectively approach customer groups that were previously unreachable.

The SBI Group is working to become the largest financial products distributor in Japan, capable of providing optimal products to each and every individual at a low cost by skillfully combining online and face-to-face sales channels.

Expanding Face-to-Face Channels of the SBI Group



SBI Money Plaza Continues to Open Shops Across the Country 69 shops nationwide

* As of the end of June 2010
* Incl. SBI Housing Loan Shops

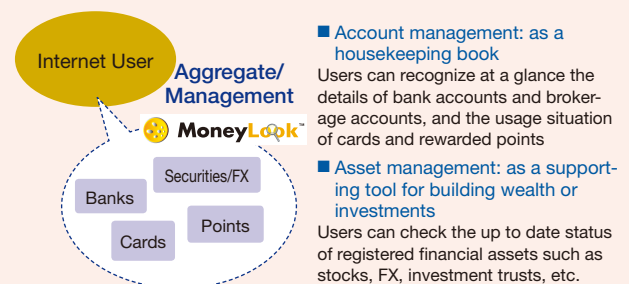


In addition to the “SBI Money Plaza” face-to-face sales channels, the SBI Group’s common infrastructure also features the “MoneyLook®” software capable of uniformly managing accounts at multiple financial institutions with one user ID and password. As of the end of June 2010, affiliated financial institutions totaled 314, the most in the industry, with over 576,000 registered users.

“MoneyLook®” is an industry-leading account aggregation software that has the most affiliated financial institutions and registered users

[Features]

- (1) Once the ID and password of each financial institution is registered, **user accounts can be logged into automatically with one click** on the MoneyLook screen
- (2) A financial institution’s ID, password and all other information **are stored and encrypted within the user’s PC**, so they do not need to be kept by third parties



Promoting franchises to create a one-stop hub for financial services that provides optimal products for each and every customer

Noriaki Maruyama

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

SBI Mortgage has been providing long-term fixed-rate housing loans at the lowest interest rates in the industry since beginning operations in May 2001, as Japan’s first mortgage bank (financial institution specializing in housing loans using securitization as a financing instrument). With its mainstay “Flat 35” product offered in collaboration with the Japan Housing Finance Agency, it achieved a loan balance of over ¥689.7 billion as of the end of June 2010, with that figure still steadily growing.

After deciding to shift to a new business model that integrates online and face-to-face sales channels, we formulated the first-ever model that uses insurance agencies and started opening “SBI Housing Loan” Shop retail stores in 2007 under a franchise system. Subsequently, since July 2009, we have been

converting “SBI Housing Loan” Shop to “SBI Money Plaza” shops to form a common infrastructure for the entire Group, and are now rapidly expanding our franchise retail sales channels. We are targeting over 100 branches in fiscal year 2010. The “SBI Money Plaza” shops actively offer not only housing loans, but also life insurance, securities and other financial instruments from both inside and outside the SBI Group, so that each and every one of our customers can select optimal products from among a wide variety of products, thus realizing a true one-stop financial services hub.

SBI Mortgage, as a leading mortgage bank, will continue to develop products from the perspective of the customer, and provide highly convenient services that integrate online and face-to-face sales channels, thereby making every effort to ensure that our valued customers can enjoy affluent lifestyles.

3. Aggressive Investment and Overseas Expansion for Further Growth

The SBI Group, which boasts the greatest number of venture capital investments in Japan, is expanding its investments in, and transferring its financial services businesses to, mostly Asian emerging countries with growth potential, under the slogan “from Japan’s SBI to the World’s SBI.”

[Investment Business That Supports the Growth of the SBI Group]

The SBI Group aggressively invested in growth industries and emerging countries after the decline in investment cost following the Lehman Shock. The SBI Group’s investment business in Japan involves targeted investments with a high share in four fields, in which investee companies are expected to grow in Japan, namely IT, biotechnology, environment and energy, and finance. Overseas, we are establishing and investing in jointly managed investment funds in collaboration with prominent local partners in emerging countries demonstrating rapid economic growth.

[Aggressive Investing to Increase Future Earnings]

SBIH decided to increase its capital through a public offering in June 2010, and procured a total of ¥35.3 billion in proceeds. The main reason for executing this increase in capital through a public offering at this time, when the market environment is deteriorating around the world, is that now is the perfect time to increase investments

worldwide due to the current market environment’s decreasing investment cost affected by low stock markets and an appreciating Japanese yen. The entire amount of funds procured by this public offering shall be allocated in the following way by FY2011.

1.	Capital investment in domestic funds and funds jointly established with prominent local partners in the U.S., emerging countries with growth potential such as China, India and Vietnam, among others	25.0 billion yen
2.	Capital contribution to subsidiaries, etc., engaged in the financial services business using the Internet as the main sales channel, including Internet banking and Internet nonlife insurance	10.3 billion yen
3.	Capital contribution and loans, etc., to overseas financial institutions (including via subsidiaries)	

Funds Established Through Alliances with Prominent Overseas Partners

Fund name (country)	Launch period	Partners	Contributions (investment amount)	SBI Group’s investment ratio
New Horizon Fund (China)	May '05	Temasek Group (investment company for the Singaporean government)	\$100 million	50.0%
SBI & TH VC Fund (China)	Jan. '08	Tsinghua Holdings (a company of the Tsinghua University Group in Peking)	\$34.5 million	87.1%
SBI & BDJB China Fund (China)	Feb. '08	Peking University Beida Jade Bird Group (the strategic investment arm of Peking University)	\$100 million	50.1%
SBI Zhaoxin Fund (China)	Mar. '09	China Merchants Securities, Resource Capital China, China CITIC Bank	Offshore: approx. \$20.5 million (SBIH) Onshore: approx. \$ 9 million* (China)	
SBI & Capital 22 JV Fund (Taiwan)	Oct. '08	Founder of a Taiwanese IT company	\$22.5 million	66.7%
India Japan Fund (India)	Apr. '08	State Bank of India (the largest commercial bank in India)	\$100 million	95.0%
Vietnam Japan Fund (Vietnam)	Apr. '08	FPT (The Corporation for Financing and Promoting Technology, Vietnam’s largest high-tech company)	Approx. \$84 million*	96.3%
SBI SOI Fund (Asia)	Jun. '08	Keio University	¥500 million	100.0%
SBI European Fund (Hungary)	May '09	MFB Invest Ltd. (a wholly owned subsidiary of the Hungarian Development Bank)	€100 million	60.0%
Malaysia Fund (Malaysia)	Dec. '09	PNB Equity Resource Corporation (a wholly owned subsidiary of the Malaysian governmental investment management company)	\$50 million	50.0%
SBI Islamic Fund (Brunei)	Aug. 2010 (tentative)	Brunei Darussalam, Ministry of Finance	Approx. \$54 million*	50.0%
SBI-Jefferies Asia Fund (Asia)	Summer 2010 (tentative)	Jefferies Group, Inc. (major U.S. securities company involved in investment banking)	\$50 million	80.0%
Jefferies-SBI USA Fund (USA)	Summer 2010 (tentative)	Jefferies Group, Inc (major U.S. securities company involved in investment banking)	\$150 million	50.0%

* Conversions effected using exchange rates as of the end of May 2010 (1 USD=18,980 Vietnamese dong, 1 USD=6.827 RMB, 1 USD=1.3997 Singapore dollars)

[Establishment of an Investment Framework in Emerging Countries and Execution of Aggressive Investments During Time of Low Cost]

The amount invested by the SBI Group in FY2009 was ¥59.5 billion*, continuing to be the most money invested by any venture capitalist in Japan. This amount includes ¥13.0 billion invested overseas (a 7.6% year-on-year increase), mostly in China and other Asian emerging countries, and more than twice the amount invested in FY2007, following a gradual increase since FY2005.

* Including buyout/mezzanine

For new overseas funds, following the establishment of funds in Hungary and Malaysia in FY2009, we came to a final agreement with the Brunei Ministry of Finance to jointly establish a fund for promising Shariah-compliant companies. In addition, we have already visited with potential partners in Brazil, and have begun pertinent discussions. In doing so, we have almost completed our forays into BRICs and other high growth potential emerging countries. While pushing forth with proactive investments, we looked into revising our investments targeting the U.S., the birthplace of the Internet, and in June 2010 agreed to jointly establish a fund targeting companies in the U.S. and Asia with the Jefferies Group, an American major global securities and investment banking firm with over 25 offices worldwide.

With this overseas business expansion, we are constructing our overseas network of bases comprising of representative offices and local subsidiaries in Beijing, Shanghai, Hong Kong and Singapore, among others. In South Korea, Korea Technology Investment Corporation and KTIC Global Investment Advisory Co., Ltd. (changed to SBI Global Investment Co., Ltd.) became Group companies, and both firms listed on KOSDAQ in hopes of further strengthening our overseas investment framework centered on Asia.

[Increasing Capital Contributions to Foreign Financial Institutions With an Eye on Moving Our Financial Services Business Overseas]

For phase two of our overseas development, we will leverage our network of prominent foreign companies built through the establishment of our funds, and move the SBI Group's online financial services business overseas with the target of formulating in each country the same financial ecosystem as established in Japan.

For emerging countries that will continue to grow economically, since it is our belief that the banking business will support their financial sector for the foreseeable future, we will focus first and foremost on capital contributions to banks in these countries. Then, depending on the economic and financial growth conditions of these countries, we will accelerate the overseas development of our financial services business using the know-how accumulated in Japan over many years in securities and other financial fields.

Status of capital contributions in overseas banks

In Vietnam, we acquired a 20% equity share in TIEN PHONG COMMERCIAL JOINT STOCK BANK, which rapidly turned a profit in its first fiscal year after starting operations in May 2008. With a population of 86 million and an average age of under 30, this country's growth potential is enormous, and we believe that a considerable amount of business development will occur.

In Cambodia, PHNOM PENH COMMERCIAL BANK, established in September 2008 with 40% equity held by SBIH, is continuing to demonstrate robust earnings growth turning a profit in just two terms after starting operations.

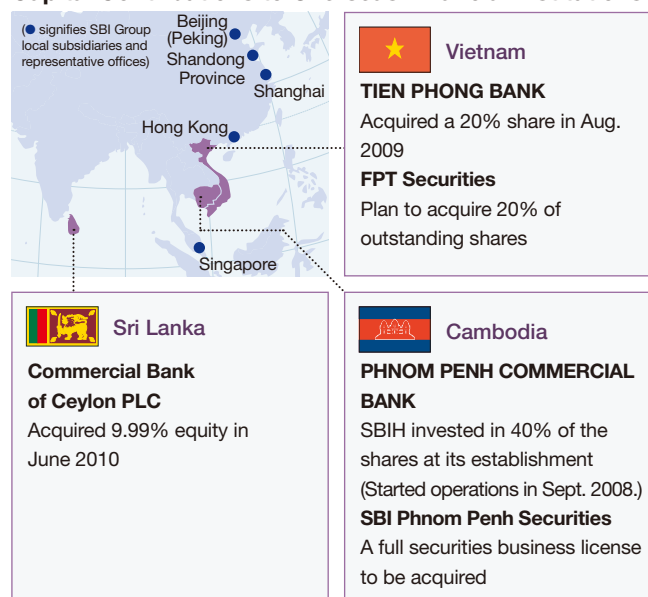
In Sri Lanka, we acquired 9.99% equity in June 2010 in the Commercial Bank of Ceylon PLC, the country's largest private commercial bank with a network of 190 domestic branches. Through this entity, which is the only Sri Lankan bank to successfully expand its business beyond its shores, we look to further fortify our network of prominent companies in the South Asian region.

Status of capital contribution in overseas securities firms

In February 2010, we established SBI Phnom Penh Securities Co., Ltd. in Cambodia, which is planning to open its securities exchange this year. We are expected to be the only Japanese financial institution pre-approved for a full license in the securities business in Cambodia.

In Vietnam, we plan to acquire 20% of the outstanding shares of FPT Securities Joint Stock Company, a firm under the umbrella of FPT, our investment fund partner company. In the future, we plan to connect this company with SBI SECURITIES, to start the handling of Vietnamese securities.

Expansion of Overseas Base Network and Capital Contributions to Overseas Financial Institutions



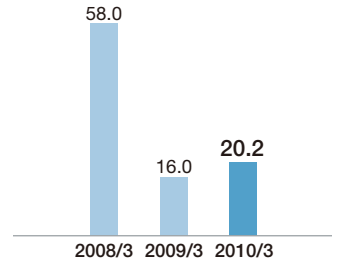
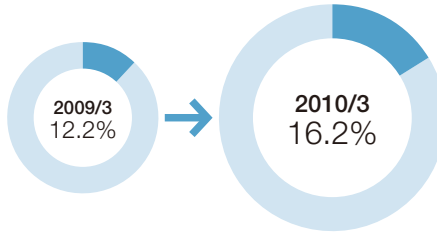
The SBI Group at a Glance

Ratio of Operating Revenues to Total Consolidated Operating Revenues
(FY2008 and FY2009)

Operating Revenues
(Billions of yen)

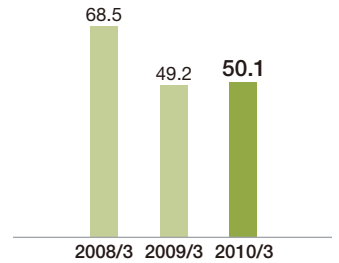
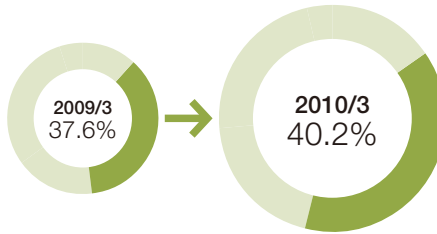
Asset Management Business

→ p28



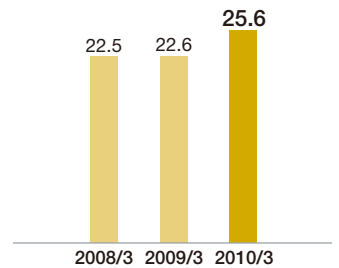
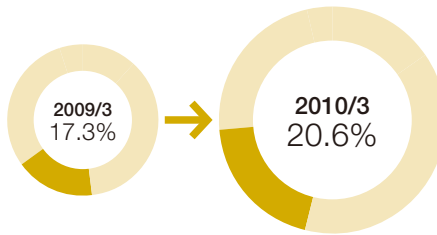
Brokerage & Investment Banking Business

→ p30



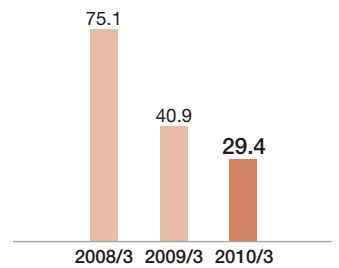
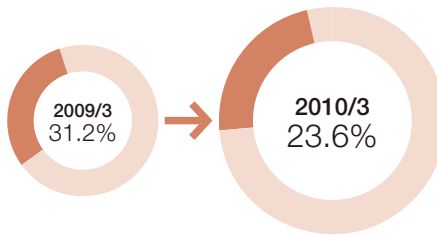
Financial Services Business

→ p32



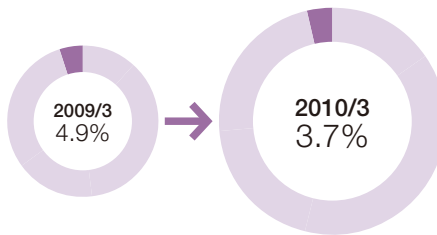
Housing and Real Estate Business

→ p34



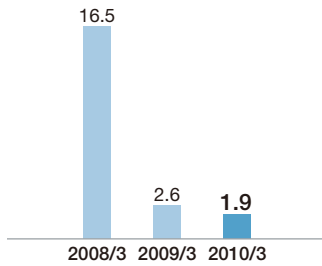
System Solution Business

→ p35



Operating Income (Loss)

(Billions of yen)

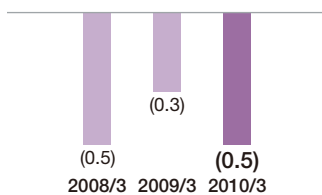
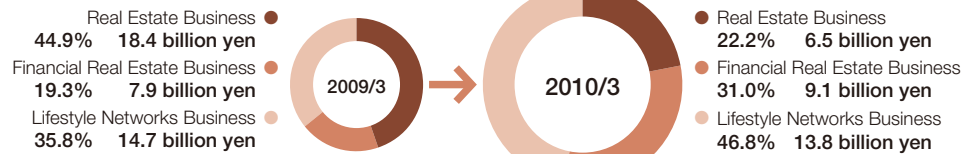
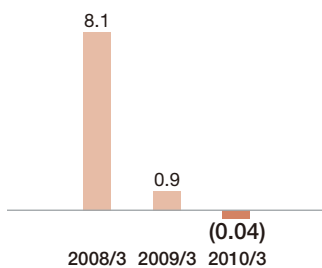
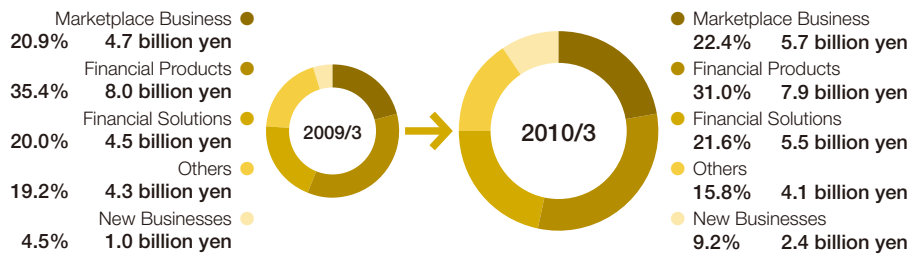


Operating Revenues by Business Segment

(FY2008 and FY2009)



* The "Brokerage & Investment Banking Business" is not divided into "Securities Business" and "Commodity Futures Business" from this fiscal year owing to the abolishment of commodity futures trading business at SBI Futures Co., Ltd.



Review of Operations by Business Segment

Asset Management Business

Based on the trust and brand reputation that the Asset Management Business has cultivated through its high performance, we are expanding our alliances with prominent partners in Japan and overseas. As a new industry creator, we will continue to accelerate investments in IT, biotechnology, environment and energy, and financial sectors, which are expected to grow substantially in the future in Japan and emerging countries.

Financial Results of FY2009

The Asset Management Business is comprised of two businesses, a securities investment business and an investment advisory/other services business. The securities investment business involves the establishment, management and operation of funds that invest mainly in securities of IT, biotechnology, environment and energy, and finance sectors, as well as proprietary investments in venture companies inside and outside of Japan. The investment advisory and other services business is primarily involved in managing and advising on investments in mutual funds.

The Asset Management Business recorded operating revenue of ¥20.2 billion for FY2009, a 26.4% year-on-year increase, with a 28.2% year-on-year decrease in operating income to ¥1.9 billion. Regardless of the sharp reduction in the number of IPOs in Japan continuing from the previous fiscal year, we were able to report an operating profit because the New Horizon Fund, which has been continuously contributing to earnings since FY2007, contributed ¥2.2 billion to the Group's operating income, and aggressive investments in China, which have been expanded since 2005, along with other emerging countries in Asia, have been bearing fruit.

Recovery in the Global IPO Market

FY2009 experienced an accelerated decline in the domestic stock markets from the previous fiscal year, as only 19 IPOs were conducted in total, a decrease of 15 year-on-year and dropping to only 10% of the 187 IPOs in FY2006, the latest peak period.

Contrastingly, the global IPO market is on a recovery path supported by China and Hong Kong after hitting bottom during FY2008, with the number of listed companies increasing by approximately 1.4 times to 789 companies and the amount of fund procurement rising approximately 3.0 times to \$164.0 billion.

Even under these difficult conditions, the SBI Group had 5 domestic and 6* overseas companies involved in IPOs and M&A transactions, for a total of 11* companies, marking a significant increase from zero companies recorded in the previous fiscal year.

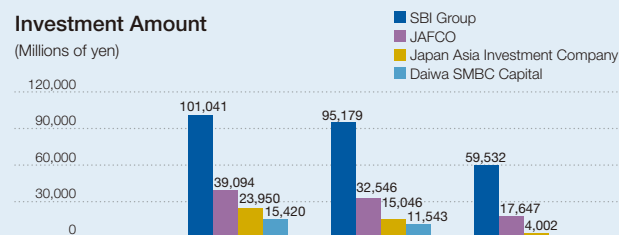
* Including three exited companies from the portfolio of New Horizon Capital (Fund II) in which the SBI Group has invested as a limited partner

A Consistently Large Investment Amount and High Operational Performance

The SBI 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 publicly listed medium-size companies in the emerging markets, as well as in high growth potential companies. It also makes mezzanine investments through funds managed by SBI Capital Solutions, targeting companies looking to revitalize their operations.

Believing that the harsh conditions under which the market malaise continues provide an excellent market opportunity to make investments, we invested aggressively during the low investment cost period following the "Lehman Shock." The outcome was an investment amount for FY2009 by the SBI Group managed funds totaling ¥54.4 billion, with direct investments of ¥5.2 billion, for a total investment amount of ¥59.5 billion in a total of 143 companies. We continue to remain one of the most active venture capital companies in Japan.

Change in Investment Amount/Number of Companies Invested in



Number of Companies Invested in

	FY2007	FY2008	FY2009
SBI Group	208	118	143
JAFCO	168	108	101
Japan Asia Investment Company	229	219	132
Daiwa SMBC Capital	198	63	-

* Daiwa SMBC Capital delisted in Sept. 2009 and the FY2009 performance isn't disclosed (Source: Compiled by SBIH from information disclosed by each company)

Track Records of Major Japanese Venture Capital Firms (Funds redeemed in 2000 and after)

	Number of Redeemed Funds	Average IRR (%)
SBI Group	7	17.7
JAFCO	13	6.1
Daiwa SMBC Capital	8	2.8

Source: Based on companies' materials

* Average IRR is the simple average IRR for each fund. However, three of the JAFCO funds for which a positive IRR is not indicated are not included in the average IRR

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

Assets under Management of the SBI Group Funds

For FY2009, 6 new funds were established in Japan and overseas with a total committed capital of ¥27.5 billion. SBI Group total assets under management were ¥542.1 billion, a ¥48.6 billion year-on-year increase, of which ¥271.3 billion was invested in private equity.

Overview of the New Horizon Fund

The New Horizon Fund (Fund I), with 7 of its 10 portfolio companies having completed listing and 1 exit, since its start of operations in May 2005 through the end of FY2009, has continued to sell its held shares as the Chinese stock market rebounds significantly. In FY2009, SBIH sold 50% of its equity interest in the Fund for ¥4.1 billion, resulting in capital gains of ¥3.2 billion from which a ¥2.2 billion contribution to consolidated operating income was realized. We expect to receive a total of approximately ¥7.9 billion* in distributions after FY2010. Also, there is ¥2.8 billion* in unrealized gains from the equity held by SBIH, and we will continue to wait for the ideal market conditions to sell our equity in the hope of maximizing profits.

Moreover, New Horizon Capital (Fund II), in which the SBI Group invests as a limited partner, has already invested in 17 companies. 5 of these companies have completed IPOs or M&As. There is ¥2.8 billion* in unrealized gains from the equity held by SBIH, attesting to the steady results accumulating from this fund. Also, 11 companies are planning IPOs or M&As by 2013.

* as of the end of June 2010

Assets Under Management of the SBI Group

5,421 billion yen as of the end of March 2010
(Including real estate)

(Billions of yen)

Private equity		Total: 271.3
(IT/Biotechnology)	Total: 129.1	
Internet	3.8	
Broadband/Media	54.8	
Mobile services	27.6	
Biotech/Others	43.0	
(Buyout/Mezzanine)	Total: 37.9	
Value Up	19.2	
Mezzanine	18.7	
(Environment/Energy)	8.4	
(Overseas)	Total: 68.7	
China/Hong Kong	38.0	
Vietnam ^{*1}	7.8	
India ^{*2}	8.9	
Hungary	13.9	
(Direct investment)	27.2	
(Investment trusts, others)	Total: 216.1	
Investment trusts	39.8	
Investment advisory	174.7	
Investment companies	1.6	
(Real estate, others)	Total: 54.7	
Development	26.7	
Completed properties	28.0	

The figures for real estate investments reflect the total amount of investments, and figures for investment trusts and investment advisory services reflect net assets at market value as of the end of March 2010. Figures for other funds reflect net assets at market value based on the most recent financial report for each fund as of March 2010. 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 No.1

(Millions of U.S. dollars)

Portfolio companies	Investment Balance	Category	Timeline of IPO/M&A	Capital Gain (unrealized)				
				End Mar. 08	End Mar. 09	End Mar. 10	End Mar. 11	
Sichuan Meifeng Chemical Industry	5.5	A-Class share		63.7	26.4	16.3	6.8	IPO/EXIT Completed (market value)
Changsha Zoomlion Heavy Industry Science & Technology Development	2.6	A-Class share		144.6	66.6	60.6	44.4	
China Printing & Dyeing Holding	-	Common share		0.2	-	-	-	
Yingli Green Energy Holding	-	Common share		4.5	-	-	-	
Kingsoft	-	Common share		2.3	4.4	-	-	
Goldwind Science and Technology	0.1	A-Class share		124.9	29.9	11.9	3.2	
China Cord Blood Services Corporation	4.1	Common share		17.6	17.6	11.8	8.9	Pre-IPO/M&A (estimated value)
Jiangsu Ealong Biotech	-	-	-	5.6	5.6	-	-	
Shineway Group	12.7	Pre-IPO	2010	15.0	15.0	15.0	9.4	
Cathay Industrial Biotech	12.0	Pre-IPO	2011	79.1	79.1	79.1	79.1	
Total	37.0			457.5	244.6	194.7	151.8	

[Received Dividends]* (Billions of yen)

[Estimated Dividends after FY2010] (As of June 2010)

Foundation~FY2008	FY2009	FY2010	FY2011	FY2012	Total Estimated Dividends, after (FY2010)
7.0	4.7	3.1	1.9	2.9	7.9

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

* Sales amount after deduction of expenses associated with sales

Brokerage & Investment Banking Business

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.” With the backdrop of an outstanding market share in the brokerage business, the number of customer accounts has continued to increase. At the same time, it is working to establish a new business model to become Japan’s first “Bricks-and-mortar, based-on-the-Internet securities company.”

Financial Results of FY2009

The Brokerage & Investment Banking Business is engaged in the brokerage of securities transactions, the underwriting and selling of IPOs and the placement and distribution of securities. As of the end of July 2009, we have abolished our commodities futures transactions business at SBI Futures Co., Ltd.

Operating revenues in the Brokerage & Investment Banking Business for FY2009 saw a 1.9% year-on-year increase to ¥50.1 billion, with a 64.1% year-on-year increase to ¥9.4 billion in operating income. This was mostly recorded by SBI SECURITIES and SBI Liquidity Market.

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

Under a difficult economic environment whereby the individual stock brokerage trading value continued to fall, SBI SECURITIES witnessed a 29.0% year-on-year increase of operating income to ¥12.5 billion thanks to favorable FX trading, notwithstanding the 3.0% year-on-year decrease in consolidated operating revenues to ¥46.1 billion. It was mainly caused by the exclusion of E*TRADE

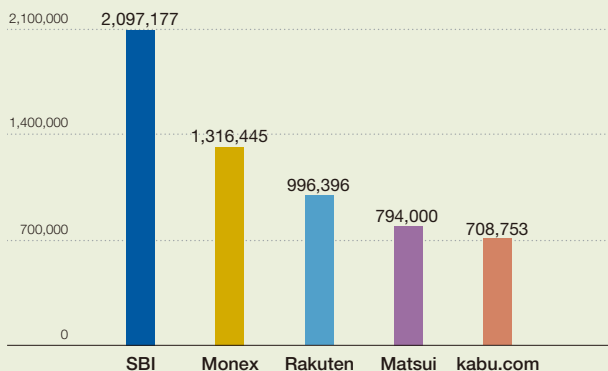
KOREA’s results, which were included up to the second quarter of FY2008 before the company was sold. The number of customer accounts at SBI SECURITIES exceeded 2 million for the first time in December 2009 for all online securities companies, totaling 2,053,986 accounts as of the end of March 2010 (2,097,177 as of the end of June 2010). Performance continues to be robust as 187,478 new customer accounts were added in FY2009.

Regarding the overall individual stock brokerage trading value held by the five major online securities companies in FY2009, the total share for all five companies stood at 69.4%, of which SBI SECURITIES held 35.4%. Also, the total market share of the retail margin trading value for the five major online securities companies stood at 78.0%, of which SBI SECURITIES held 39.8%. From the above, we believe that the bulk of stock trading by individuals is moving online and that SBI SECURITIES is continuing to acquire a substantial share of this business compared with its competitors. Please note that SBI SECURITIES’ assets in customer accounts are rising drastically, amounting to ¥4,093.2 billion as of the end of March 2010, a 37.4% year-on-year increase.

Customer Accounts of Five Major Online Securities Companies

(As of the end of June 2010)

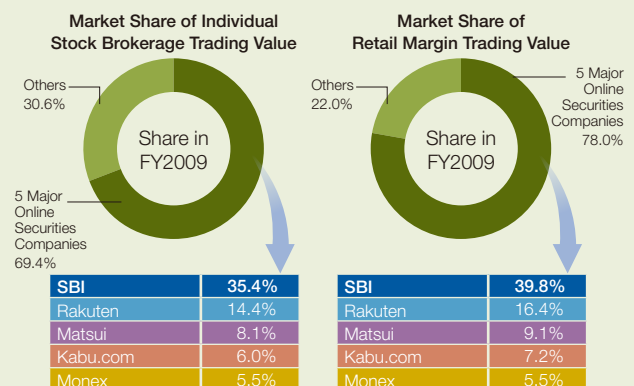
(Accounts)



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

* Monex, Inc. merged with the former ORIX Securities Corporation in May 2010

Comparison of Market Share of the Individual Stock Brokerage Trading Value and Retail Margin Trading Value for the Major Online Securities Companies (FY2009)



Source: Based on TSE, JASDAQ and company materials

* Individual brokerage trading value and retail margin trading value are the sum of trades on the three major exchanges and JASDAQ

* Figures for SBI SECURITIES only include trades done via the Internet

Principal Companies in the Asset Management Business

Company name	Business
SBI SECURITIES Co., Ltd.	Comprehensive online securities company
SBI Liquidity Market Co., Ltd.	Provides market infrastructure for FX margin trading
SBI Japannext Co., Ltd.	Operation of PTS (proprietary trading system)
SBI Fund Bank Co., Ltd.	Consulting on investment trusts sales and operation of an information web-site on investment trusts

SBI Liquidity Market Has Contributed Substantially to Earnings in the Short Period of Time Since Its Inception

SBI Liquidity Market provides liquidity and market infrastructure for foreign exchange margin (FX) trading. As of the end of March 2010, 18 major foreign and domestic financial institutions are counterparties. SBI Liquidity Market provides SBI SECURITIES and SBI Sumishin Net Bank customers with a very competitive FX trading operation.

SBI Liquidity Market is bringing about varied synergies within the business including an enhanced level of convenience for individual investors and a great expansion in the FX trading value of SBI SECURITIES. The monthly FX trading value of SBI SECURITIES for March 2010 of ¥4,194.3 billion (¥5,215.5 billion recorded in June) is impressive, even among major online securities companies. The establishment of SBI Liquidity Market allowed us to secure revenue opportunities that were being passed on externally in the past, and even compared to financial results of listed pure-play FX brokerage companies, it has grown to become the industry number one in terms of both operating revenues and operating income in only a short period of time.

SBI Japannext Promotes Best Execution Trading as Japan's Largest PTS Market

Japannext PTS, operated by SBI Japannext, through its highly

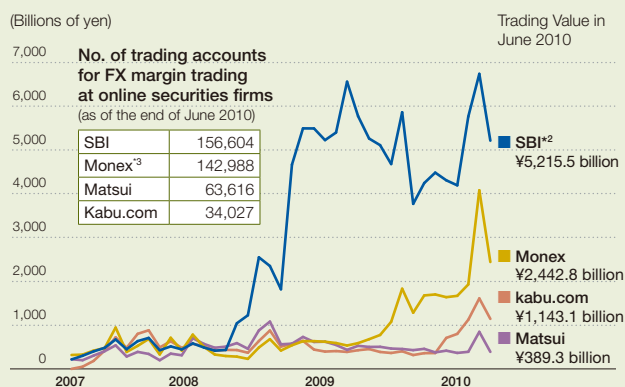
accessible proprietary trading system (PTS), provides nighttime and daytime trading platforms. As of the end of March 2010, the cumulative number of PTS accounts of SBI SECURITIES reached 220,674 (225,518 as of the end of June), with the number of PTS users steadily rising. Japannext PTS is popular among users because its segmented quotes facilitate trades at advantageous prices, even among prices that vary according to the market. As it is conceivable that the trend toward best execution will accelerate, Japannext PTS's highly functional trading system, smaller tick size (segmented quotes) and other special features are expected to attract even more securities companies to connect and, through increased liquidity, the trading volume should increase as well.

Further Diversification of the Revenue Base

In order to realize continuous growth, the Brokerage & Investment Banking Business will enhance its current products and services, and diversify its revenue base.

Particularly, SBI SECURITIES will fully leverage synergistic effects with SBI Liquidity Market, SBI Japannext Securities, Morningstar Japan (which provides rating information, etc. on financial products) and other companies within and outside of the SBI Group, to strengthen its earnings power.

Foreign Exchange Margin Trading Value of the Four Major Online Securities Companies*1



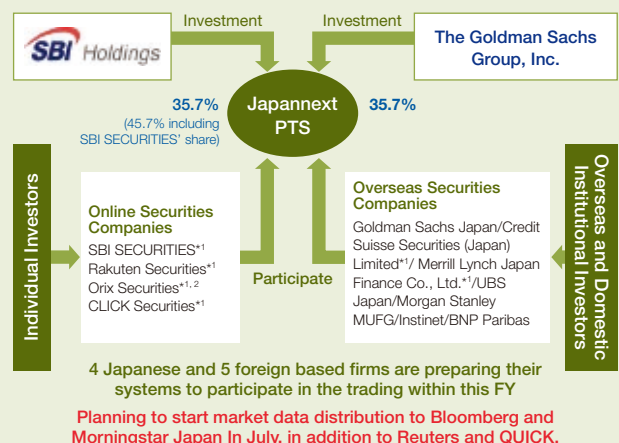
*1 Four online securities firms that disclosed the information (SBI SECURITIES, Monex, Matsui and Kabu.com)

*2 Trading value total of "SBI FX" and "SBI FXα" from Nov. 2008 to Feb. 2009

*3 Accounts at the end of June 2010 includes overlapping accounts

Source: Compiled by SBIH from disclosed information

Increase in Trading Volume at Japannext PTS is Expected Owing to the Newly Connected Securities Firms



*1 Equity participation

*2 Suspended trading due to the merger with Monex Securities

Financial Services Business

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

Financial Results of FY2009

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

For FY2009, the Financial Services Business recorded operating revenue of ¥25.6 billion, a 13.2% year-on-year increase, continuing to achieve higher revenues as a result of favorable results from companies engaged in existing businesses. Operating income was affected by the ¥1.5 billion provision for allowance for doubtful accounts recorded in the consumer loan businesses, and operating deficits posted by new businesses. Even though there was an 86.2% year-on-year decrease from the previous year, we secured an operating profit of ¥0.2 billion as a result of recovery in existing businesses as well as cost cutting measures.

1. Existing Businesses

Improved business performances of three listed subsidiaries led to resumption or increase in dividend payments.

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	FY2009 Dividend per share
Morningstar Japan (FY2009)	2,364 (-15.3)	415 (+28.5)	524 (+29.2)	297 (+20.0)	600 yen (+50 yen)
Gomez Consulting (FY2009)	393 (-2.6)	11 (—) ²	33 (—) ²	26 (—) ²	400 yen (resumed dividend)
SBI VeriTrans (FY2009)	5,024 (+14.1)	1,016 (+10.3)	1,051 (+11.6)	613 (+9.3)	700 yen (+100 yen)

¹ Morningstar Japan and SBI VeriTrans figures are consolidated, whereas Gomez Consulting figures are non-consolidated

² In FY2008, recorded operating loss of 45 million yen, ordinary loss of 35 million yen, and net loss of 21 million yen

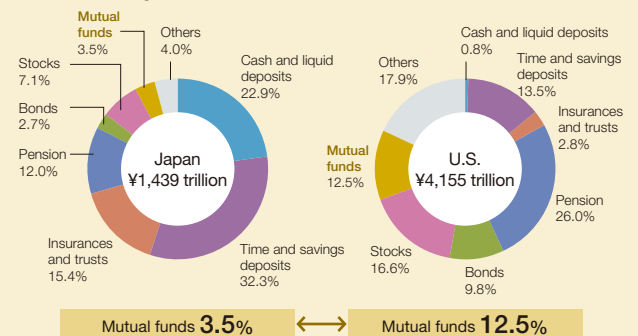
■ Morningstar Japan: Providing Research and Data Information on Over 350,000 Investment Products Worldwide and Boasting a Network of 23 Countries and Regions

Morningstar Japan, which provides rating information, etc., on investment trusts, saw a year-on-year decrease in consolidated revenues due to factors such as low sales promotion activities and low demand for advertising on the part of financial institutions. However, cost reductions and other efforts started in FY2008 succeeded in helping it attain an increase of over 20% for all income items.

A comparison of household financial assets between the U.S.

and Japan reveals that the former invests 12.5% in mutual funds, whereas the latter only invests 3.5%. However, signs of a recovery in the investment environment are leading to expectations of further growth for Morningstar as the need for asset management advisory services expands.

Comparison of Household Financial Assets Between Japan and the U.S.

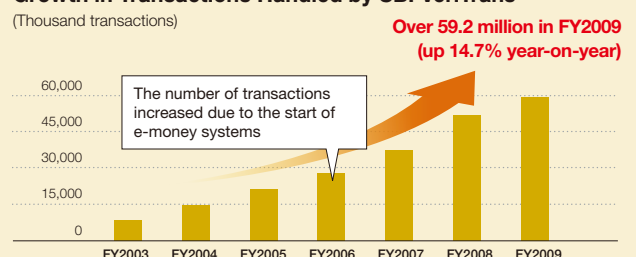


Source: Fund Management New Year Edition 2010
Japan (as of the end of September 2009) U.S. (as of the end of December 2009)

■ SBI VeriTrans: Growth Accelerated by the Development of the Ever Expanding E-Commerce Market and Aggressive Moves Toward Asian Markets

SBI VeriTrans is a provider of electronic settlement solutions. It has continued to grow steadily along with the expansion of the domestic Internet and e-commerce (EC) markets. For FY2009, the number of transactions was a 14.7% year-on-year increase to 59.21 million, a strong performance that led to a record in revenues and all income items.

Growth in Transactions Handled by SBI VeriTrans



Principal Companies in the Asset Management Business

Company name	Business
SBI Holdings, Inc. (Financial Services Business Division)	Operating financial comparison websites for insurance, loans and other financial products
Morningstar Japan K.K. Hercules Market of OSE (Code: 4765)	Providing financial information, primarily rating information on investment trusts
Gomez Consulting Co., Ltd. Hercules Market of OSE (Code: 3813)	Business support, and evaluation and ranking of websites
SBI VeriTrans Co., Ltd. Hercules Market of OSE (Code: 3749)	Electronic settlement services for e-commerce businesses
SBI Sumishin Net Bank, Ltd.	Internet bank; jointly owned with The Sumitomo Trust & Banking Co., Ltd.
SBI Insurance Co., Ltd.	Internet nonlife insurer jointly owned with Aioi Insurance Co., Ltd., etc.
SBI Card Co., Ltd.	Issuing "GEO Ponta Visa Card," a collaborative card with the GEO Group, and other credit card-related businesses

Currently, SBI VeriTrans' 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. SBI VeriTrans has also completed procedures for application of the UnionPay Card issued by China's 4 major banks. Also, our "Buy-J.com" (<http://www.buy-j.com>) EC mall that enables UnionPay Internet settlement has seen its number of retail outlets increasing steadily since it began operations in earnest from April 2009.

■ Steady Growth of the Marketplace Business (SBIH)

In the marketplace business, as the move towards low-cost online services accelerates with an increase in consumer propensity to save, SBIH operates the insurance portal "InsWeb" and "E-LOAN" websites, which are Japan's largest financial comparison and estimate websites. The number of transactions of auto insurance estimates and requests for materials at finance-related service websites have steadily increased 4.1% year-on-year to 967,000, a new

record. As a result, FY2009 operating revenues for the marketplace business were 21.0%, a year-on-year increase to ¥5.7 billion.

2. New Businesses

SBI Sumishin Net Bank, an equity-method company, began operations in September 2007, and by the end of FY2009 recorded a deposit balance of ¥1,193.8 billion (¥1,234.6 billion as of the end of June 2010), with a total of 753,000 customer accounts (820,000 as of the end of June 2010). This figure approximately doubled over a one-year period, thereby largely exceeding all initial targets. The Bank achieved a surplus of ¥2.3 billion for the non-consolidated net income for the third fiscal year since starting operations (net loss of ¥3.7 billion recorded for FY2008), greatly contributing to the improvement of the equity in gains/losses of subsidiaries and associated companies (non-operating gains/losses).

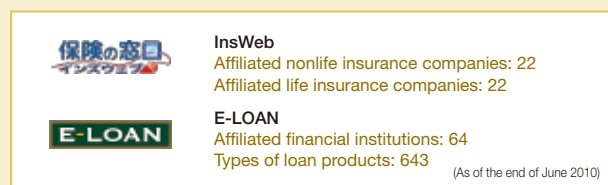
SBI Insurance, which started operations in January 2008, succeeded in setting the lowest premiums in the industry, expanding sales channels and strengthening campaigns and other sales promotion activities. It recorded 133,000 cumulative contracts as of the end of FY2009 (170,000 as of the end of June 2010) with annual insurance premium income of ¥5.1 billion, 3.4 times year-on-year (actual basis), exceeding the ¥5.0 billion target for FY2009 attesting to that company's continuing steady growth.

SBI Card, which boasts the highest cash back return rate in the industry, exceeded 71,000 cards issued as of the end of FY2009 (approximately 78,000 as of the end of June 2010). Aiming to further expand its cardholder base and acquire new customers for each SBI Group company, SBI Card started issuing credit cards targeting GEO Group customers in June 2010, and is set to issue VISA brand SBI credit cards in the fall of 2010.

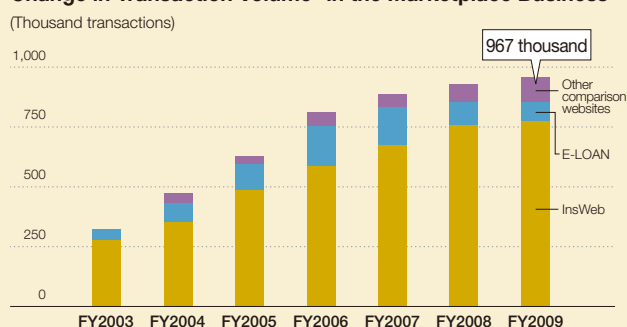
As a result, operating revenues in the new businesses during FY2009 were a 134.4% year-on-year increase to ¥2.4 billion.

Regarding SBI AXA Life Insurance (currently NEXTIA Life Insurance), shares owned by SBIH were all transferred to AXA Japan Holdings in February 2010, and we temporarily withdrew from the life insurance business. Upon our reentry into the business, which we are at present deliberating, we will rethink product and marketing strategies and establish a new Internet life insurance company wholly-owned by SBIH.

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



Change in Transaction Volume* in the Marketplace Business



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

Housing and Real Estate Business

Financial Results of FY2009

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

Regarding the operating revenue for FY2009, despite a 28.1% year-on-year decrease to ¥29.4 billion, the worst period of the domestic real estate market ended and the TSE REIT Index recovered after hitting bottom in November 2009.

Real Estate Business (SBIH, SBI Life Living and others)

Operating revenues from the real estate business which involves development and sale of real estate, etc., for FY2009 were ¥6.5 billion, a 64.5% year-on-year decrease caused partly due to low property sales from the impact of the real estate market. However, in the domestic real estate market there is a trend towards increase in mainly in transactions for small to mid-size properties, by investors including high-net-worth individuals, providing positive signs, albeit not a full-fledged recovery trend.

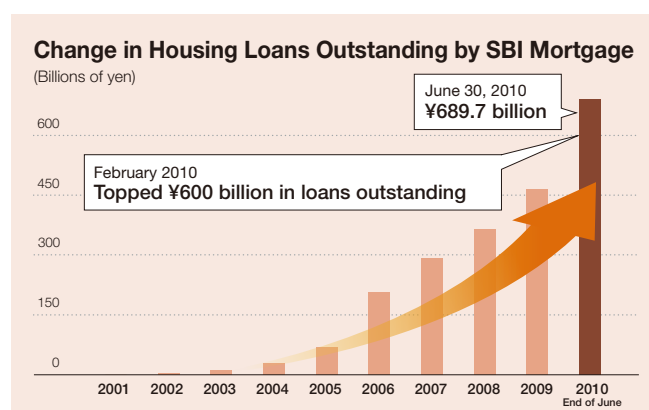
Financial Real Estate Business (SBI Mortgage, CEM Corporation)

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 (2.32% loan execution rate in July 2010), and its loans outstanding continues to grow steadily. As of the end of March 2010, its loans outstanding amounted to a total of ¥632.9 billion (¥689.7 billion as of the end of June 2010), and the market share for the "Flat 35" product for FY2009 among 338 participating institutions ranked No. 1 for the second consecutive year with a 19.5%* market share.

As a result, operating revenues in the financial real estate business for FY2009 were ¥9.1 billion, a 15.4% year-on-year increase.

Moreover, SBI Mortgage is continuing to expand its face-to-face shop of "SBI Housing Loan/SBI Money Plaza," as Group-wide face-to-face channels, mainly under a franchise format.

* Loan execution base (including guaranteed loans); Source: SBIH



Lifestyle Networks Business (SBIH, SBI Life Living and others)

The lifestyle networks business is engaged in online comparison, searches and estimates of various lifestyle-related products and services.

SBI Life Living attained an operating profit of ¥169 million in FY2009, a great improvement from the deficit of ¥483 million recorded in FY2008, thanks to favorable performance by the Internet media business that runs brokerage websites and lifestyle comparison websites transferred from SBIH in July 2009. We will continue to provide services helpful to the various life events and life stages of consumers mainly through the operation of intermediate websites.

Principal Companies in the Asset Management Business

Company name	Business
SBI Holdings, Inc. (Real Estate Business Division)	Mainly real estate investments and development projects in Japan and overseas markets
SBI Mortgage Co., Ltd.	Provision of long-term fixed-interest (to be securitized) housing loans
SBI Life Living, Inc. Mothers Market of TSE (Code: 8998) (formerly LIVING Corporation, Inc. until July 2009)	Development, planning, design and sales of income-producing properties for investors/ Operations of lifestyle comparison websites
SBI Planners Co., Ltd.	Architectural construction, property design and consulting for real estate purchases
CEM Corporation	Provision of real estate secured loans for individuals and companies

System Solution Business

Financial Results of FY2009

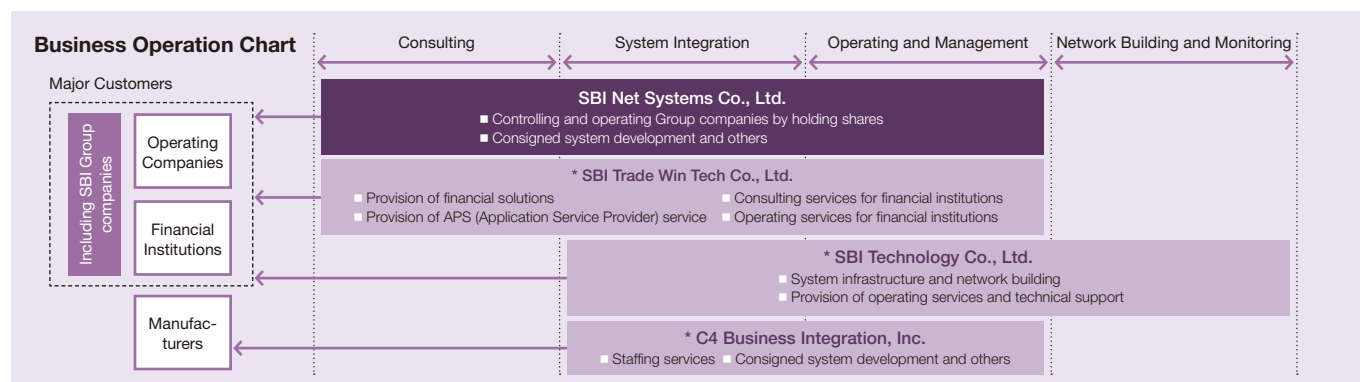
Operating revenues in the System Solution Business for FY2009 were ¥4.6 billion, a 27.1% year-on-year decrease, mainly recorded by SBI Net Systems. This was caused by the postponement of the sales recording plan, changes in delivery inspection periods for orders received, and an unwillingness of financial institutions to make capital investments.

For the coming fiscal year, we expect to benefit from general and administrative expense reduction through cost constrictions and as a result of the promotion of its offshore development, in expectation of new orders for system development in conjunction with the SBI Group's business expansion. Utilizing know-how and skills obtained from that development, we project a return to profitability in FY2010.

Strengthening the System Solution Business That Supports Internet Financial Services

The SBI 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 its operations. Therefore, we are developing our system solution business, which plays a central role in building, monitoring and maintaining the IT systems used by the Group companies.

SBI Net Systems, the core of our system solution business, 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, as a "total solution provider" for financial systems, is also providing its technology and know-how fostered through synergies with the SBI Group, not only within the SBI Group, but also externally on a far-reaching basis.



(Note) *** indicates consolidated subsidiaries of SBI Net Systems Co., Ltd.

← Provision of products and services

The Principal Companies in the System Solution Business

Company name	Business
SBI Net Systems Co., Ltd. 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 SBI Group Social Communication Services

■ 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 the end of June 2010, over 100,000 members were registered. With such a scale, SBI Money World is developing into Japan's largest SNS site for sharing and exchange of financial knowledge.



■ Real-Time Transmission of SBI Group Information Through "Twitter"

<http://www.twitter.com/sbigroup>

From 2009, we have been transmitting SBI Group information in real-time not only through the SBI Group's twitter account, which distributes public relations and IR information for the entire Group, but also through the accounts of SBI SECURITIES and SBI Insurance.



Corporate Governance

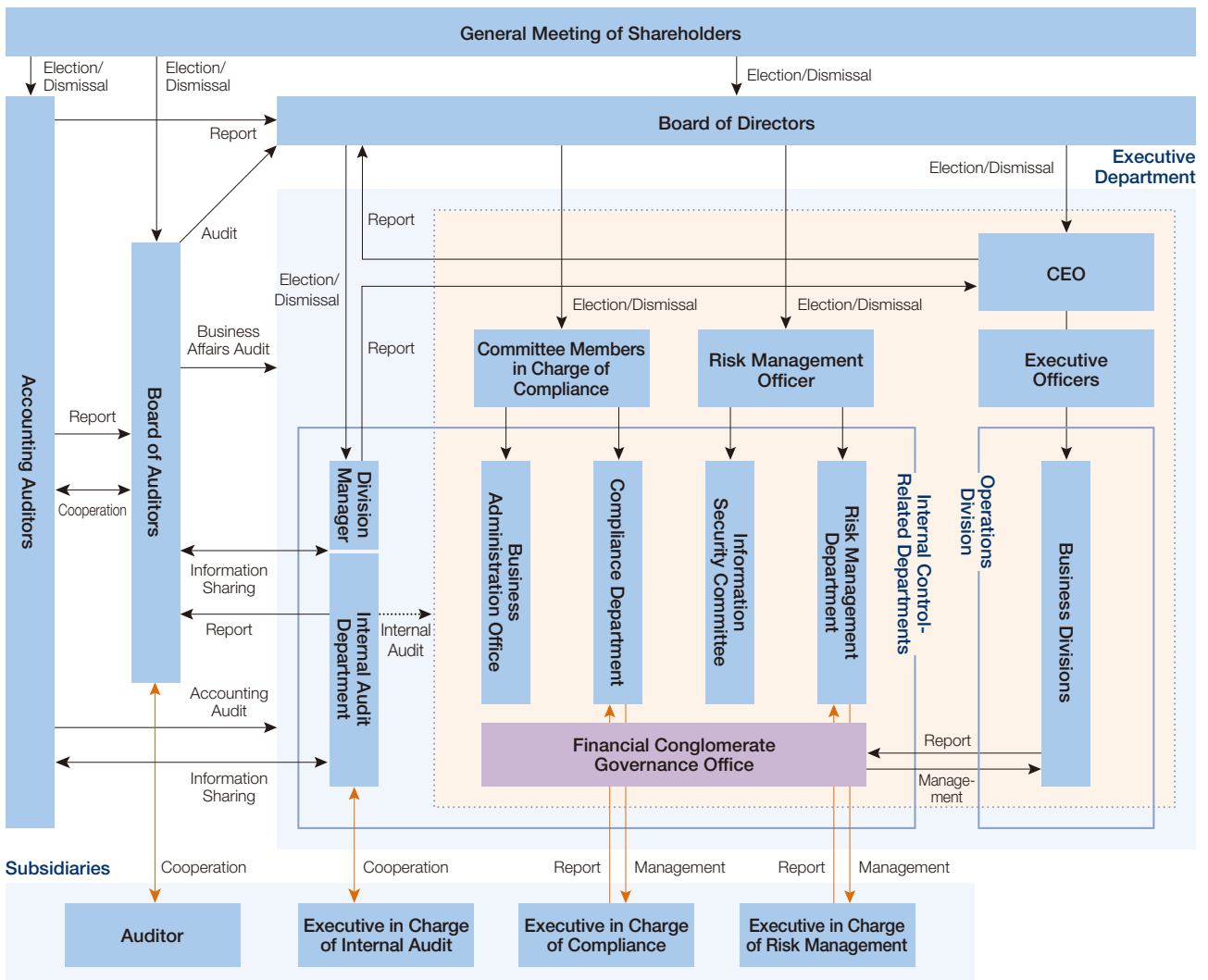
To enhance management transparency and corporate governance, SBIH recognizes that one of its most crucial management issues is to build, maintain and improve upon an organizational structure capable of responding quickly to changes in the business environment, as well as a shareholder-oriented and fair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

Basic Framework for Corporate Governance

SBIH's Board of Directors consists of 17 directors (as of June 29, 2010), and the company has adopted the Executive Officer System to clarify the functions and responsibilities of directors, executive officers and the Board of Directors, which includes the CEO and CFO as well as 6 directors and executive officers who control each business division, and 9 executive officers, for a total of 17 individuals charged to manage the execution of business affairs. We have also built a corporate governance

system that facilitates quick and flexible responses to drastic changes in the business environment. Moreover, as a general rule, the Board of Directors convenes once a month and extraordinary meetings are held when necessary to make decisions on important matters and to monitor the execution of business operations. SBIH has increased the number of outside directors by 4, with each having a high degree of independence and no conflicts of interest with general stakeholders, to fortify the monitoring of management appropriateness.

<Structure of Corporate Governance and Internal Control>



(As of June 29, 2010)

The Board of Corporate Auditors, which comprises 4 members all proficient in financial affairs and includes 2 outside corporate auditors, organically combines the audits performed by each corporate auditor, the Internal Audit Department and the accounting auditors in an effort to maintain the appropriateness of corporate governance.

Based on the above, we believe that the current system allows us to adhere to the basic principles of corporate governance, namely to preserve the transparency of management and execute management's third-party accountability.

Initiatives for Strengthening Corporate Governance

Internal Controls

SBIH, recognizing the importance of executing operations under a sound internal control system, has in place an internal control system to enhance corporate governance and the transparency of management. Our representative director makes all managers and employees aware that, together with working to maintain that system, compliance with laws and regulations and behaving ethically are vital for the realization of our Management Philosophy and Corporate Vision.

Specifically, this involves regular monthly meetings of the Board of Directors as well as irregular meetings convened when necessary in accordance with regulations of the Board to facilitate close communications among the Directors and the monitoring of the execution of duties of the representative director. In addition, a director in charge of compliance has been appointed and a Compliance Department that directly manages compliance activities has been established to identify SBIH's compliance-related issues and problems. Further, SBIH has established an internal reporting system for submitting reports directly to the Internal Audit Department and the corporate auditors, allowing directors and employees to provide information concerning violations of laws, regulations and the Articles of Incorporation as well as important facts discovered involving compliance.

Compliance conferences are held to provide an opportunity to exchange information about compliance for the entire SBI 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 compliance officers of the Group companies.

Risk Management

SBIH manages risks that may impede the execution of business operations, and the attainment of our 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 was established to identify and properly evaluate and manage risks on a cross-sectional basis for the entire Group including SBIH.

In the event of any potential or actual management crisis that would have a major impact on SBIH'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 and disclosing information to relevant institutions. For all the processes involved in our 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 system risk, SBIH has established a structure for the overall management of information, including customer information, and has been strengthening its system risk management structure. As a part of these efforts, we have 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, SBIH has also built a structure to respond to any type of contingency through redundant systems and backup structures at multiple locations.

Audits by Corporate Auditors, Internal Audits and Accounting Audits

SBIH has established an Internal Audit Department. It is an organization independent from all business administration divisions and administrative divisions that comprehensively and objectively evaluates the appropriateness of SBIH's internal management structure, which involves adherence to laws and regulations, the appropriateness of operations and the proper management of internal controls, among other responsibilities. Also, recommendations and follow-ups are provided for improvement purposes with respect to issues uncovered as a result of internal audits. Audits are conducted with the help of employees and, if necessary, external specialists and such. The results of individual internal audits are reported promptly, and reports are provided to the Board of Directors through the representative director more than once every six months, in addition to regular reports to Corporate Auditors.

The Internal Audit Department is staffed by a general manager and four other employees who are experts in internal audits, financial audits and internal control systems, and they perform audits in accordance with generally accepted internal audit standards and other criteria.

The Internal Audit Department works organically with the Board of Corporate Auditors. For example, it submits reports

separately from the regular reports to the Board of Directors after completing each internal audit to exchange opinions, and incorporates audit themes and audit target areas selected by the Board of Corporate Auditors in its audits.

The department also appropriately shares information with the accounting auditors, particularly with respect to areas related to internal control systems in financial reporting.

The corporate auditors are independent of the company's executive bodies, and by auditing the executive actions of the directors, are responsible for ensuring a sound corporate governance system is in place that engenders public trust. The Board of Corporate Auditors is made up of 4 auditors, 2 of whom are outside auditors. 3 of the corporate auditors have worked in financial institutions for many years and have extensive knowledge about the financial sector in general. The remaining auditor has a long track record in accounting and has built up considerable expertise in both finance and accounting.

In accordance with criteria set out by the Board of Corporate Auditors, "standards for audit by the corporate auditors," the auditors are required to attend meetings of the Board of Directors and other important corporate bodies, review key decision documents, exchange opinions with the representative director, directors and other members of senior management, and audit internal control systems based on the "practice standards for internal controls" that set out the requirements for these audits.

As mentioned above, the Board of Corporate Auditors also coordinates its efforts with the Internal Audit Department by sharing information on a regular basis and through other means.

In regard to coordination with the accounting auditors, the Board of Corporate Auditors receives explanations from them 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. Also, the Board of Corporate Auditors shares information and consults with the accounting auditors when necessary.

In this way, the auditors, Internal Audit Department and the accounting auditors work together organically to ensure an appropriate corporate governance system.

Outside Directors and Outside Corporate Auditors

SBIH has 4 Outside Directors and 2 Outside Corporate Auditors. With no risk of any conflicts of interest with general shareholders, and from objective and neutral viewpoints, Outside Directors and Outside Corporate Auditors monitor or audit as well as provide advice and suggestions from an external perspective, leveraging their respective specialized knowledge as well as their wide range of experience and knowledge on high-level management. These individuals are charged with the functions and roles associated with ensuring the adequacy and appropriateness of the decision-making and execution of duties of the Board of Directors.

Their appointment enables, by focusing on their expert accounting knowledge, specialized knowledge and independence, the adherence to basic corporate governance principles such as ensuring management transparency and executing management's third-party accountability.

Compensation for Directors and Corporate Auditors

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

Directors (excluding outside director(s))	16 directors	¥155 million
Corporate Auditor (excluding outside corporate auditor(s))	1 auditor	¥10 million
Outside Directors and Auditors	3 outside directors and auditors	¥25 million

* 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 as an organ for monitoring management and fair decision-making, holding at least one meeting each month. Also, to reinforce management oversight functions, corporate auditors conduct exhaustive audits based on the annual auditing plan. The Internal Auditing Department, in conjunction with external specialists, conducts comprehensive internal audits that include the Group companies. In addition, in order to meet the requirement for a "system of internal control over financial reporting" stipulated in Article 24-4-4 of the Financial Instruments and Exchange Act, 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, SBIH worked to further improve its operating efficiency and prevent the occurrence of improper activities and errors.

Regarding information disclosure to investors, SBIH is dedicated to supplying its varied investors with accurate corporate information. We hold quarterly meetings to announce earnings and provide the latest report on operations following the annual shareholders meeting. Explanatory meetings (called "information meetings") are held for individual investors in major Japanese cities, where information is provided directly by a representative of SBIH. Our disclosure activities also include attendance at many investor relations conferences in Japan and other countries.

SBIH is firmly committed to the transmission of information. Earnings releases, press releases, streaming videos of quarterly earnings announcements and information meetings, as well as other relevant materials, are quickly posted on the SBIH website.

The SBI Group's CSR Activities

CSR Initiatives

As a constituent component of society, each company owes its own existence to society. Consequently, no company can function as a going concern without contributing to the sustained development of society. The SBI 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 SBI Group is actively conducting various corporate social responsibility (CSR) programs.

Strengthening CSR Activities Through the SBI Children's Hope Foundation

In order to make a direct contribution to society, the SBI Group donates 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 has been actively involved in child welfare issues in Japan.

In addition, it acquired accreditation as a public interest incorporated foundation from the Prime Minister in February 2010 and changed its name to "The SBI Children's Hope Foundation, Public Interest Incorporated Foundation." With this accreditation, the Foundation aims not only to maintain society's trust through the name "Public Interest Incorporated Foundation," but also to place more focus on CSR activities such as child abuse prevention by obtaining preferential treatment under the tax code as a "designated public interest promotion corporation."

Activities

1. Donations to Child Welfare Facilities

To improve conditions at facilities that care for abused children, the SBI Group companies donated ¥4 million to three facilities in FY2009. As a result, total cumulated contributions since FY2004 amount to ¥845 million.



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 FY2009, there were four seminars in eastern Japan and two in western Japan, for a total of six.

3. Support for Self-Reliance

The foundation donated ¥21 million to four facilities and three foundations for programs that assist children to mature and become independent before leaving a care facility.

4. Public Awareness Activities to Prevent Child Abuse

In addition to supporting foundations involved in child abuse prevention awareness activities (3 foundations, ¥2 million), 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 SBI Group executives and employees wear orange ribbons, raising awareness of this issue within and outside the SBI Group. As a result, in FY2009, the SBI Group collected donations totaling ¥611,705 by distributing 1,500 orange ribbons, 507 orange ribbon badges, 345 name stickers, 49 magnets and 187 mobile phone straps.

SBI Group CSR Activities Associated with Business Operations

Operation of the Biotechnology, Environment and Energy Fund

The SBI Group manages an Environment and Energy Fund which, as of the end of March 2010, has commitments for contributions amount totaling approximately ¥8.4 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 SBI Group has an abundance of experience in investing in and nurturing venture companies in important fields such as information technology and biotechnology. The siRNA compound "QPI-1002," developed by Quark Pharmaceuticals, Inc., an American development-stage pharmaceutical company and SBI Group managed fund investee company, was designated as an orphan medicinal product in February 2010 by the U.S. Food and Drug Administration and in June by the European Commission. As the prophylaxis of delayed graft function in kidney transplant patients, this medicinal product is expected to contribute greatly to the advancement of medical treatment.

Morningstar Japan SRI Index

As of the end of June 2010, the net assets of the three SRI ("Socially Responsible Investment"; publicly offered investment trusts) funds utilizing Morningstar Japan data totaled approximately ¥4.4 billion. Through the disclosure of a formula for computation of Morningstar Japan's SRI index, we encourage companies to promote their CSR activities and also create an environment conducive to socially responsible investment by providing a benchmark for SRI funds and supplying information for investors.

CSR at SBI SECURITIES

In May 2010, SBI SECURITIES was the first major online securities company to sell "World Bank Green Bonds" (worth USD\$700,000). Funds raised by issuing Green Bonds are used to support World Bank projects in developing countries dealing with global warming issues. Main projects include introduction of alternative energies, development of new technologies to reduce greenhouse gas emissions, reforestation, watershed management and flood prevention measures, among others. These provide investors with opportunities to indirectly contribute to solving these problems.

Approach to Nurturing Human Capital

What the SBI Group Considers to Be “Promising Individuals”

“Promising” does not refer solely to an individual’s ability to contribute to the earnings of a single division or company. The SBI 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 SBI Group strives to develop as many “promising individuals” as possible who will play important roles in leading Japan’s future.

Until recently, the SBI Group hired primarily experienced individuals. However, in FY2005, the Group started recruiting university graduates for the first time, which resulted in 226 new university graduates joining the SBI Group over the five 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 SBI Group, and to increase the number of employees who will pass on the Group’s unique corporate culture to the next generation of employees.

Efforts to Nurture Human Capital Through the SBI Graduate School

The SBI Group comprehensively supports the 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. Also, from December 2009, we started mobile learning courses offered on the iPod touch, iPhone and other smart mobile devices and, from April 2010, individual unit courses that allow individuals to take only necessary courses over a short period have been offered (transferrable to full-time studies). This enables us to offer business people with time restraints an environment to freely control their time and study, and helps to further increase the level of convenience for adult students. In November 2009, the SBI Graduate School held the “SBI Business Plan Contest 2009” jointly with SBI Investment Co., Ltd. to discover talents and business plans that would spur Japan’s industry, economy and society, and to provide support for commercializing those business plans.

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
- Apr. 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
- Apr. 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
- Nov. 2009 : Hosted the SBI Business Plan Contest 2009
- Mar. 2010 : Held a graduation ceremony for the students of the first inaugural class
- Apr. 2010 : Started offering individual unit courses

In the Future:
Establish alliances with business schools overseas



Image of a course transmitted on the iPhone



Degree awarding ceremony of the SBI Graduate School



Financial Section

Contents

Management's Discussion & Analysis	42
Analysis of Business Results for the Fiscal Year	42
Cash Flows	46
Risk Information	46
Consolidated Financial Statements	50
Consolidated Balance Sheets	50
Consolidated Statements of Operations	52
Consolidated Statements of Changes in Equity	53
Consolidated Statements of Cash Flows	55
Notes to Consolidated Financial Statements	57
Management's Report on Internal Control Over Financial Reporting	99
Independent Auditors' Report	101

Management's Discussion & Analysis

Analysis of Business Results for the Fiscal Year

In the fiscal year ended March 31, 2010, the SBI Group continued to face a challenging business environment that was even more difficult than the previous fiscal year, with individual investor stock brokerage trading value declining 6.9% year-on-year in the Japanese stock markets and the number of IPOs falling by 15 companies to 19 companies. Meanwhile, overseas stock markets appeared to be over the worst, with markets performing relatively well centered on emerging countries with good prospects for growth, and the global IPO market recovering on the back of new listings in China and Hong Kong. Against this backdrop, operating revenues declined 4.9% year-on-year to ¥124,542 million, operating income dropped 22.1% to ¥3,432 million, and ordinary income surged to ¥1,113 million, a 2,875.4% rise from the previous fiscal year. Net income totaled ¥2,350 million, from a net loss of ¥18,375 million a year earlier. This marked a bottom-line profit for the first time in two years, despite recording provisions of allowances for doubtful accounts and the booking of other items totaling ¥8,299 million. Moves to rationalize operations after the Lehman Shock, primarily through organizational restructuring, have wound down, and we are starting to see signs of recovery in each of our business segments.

Asset Management Business

In the Asset Management Business, operating revenues rose 26.4% year-on-year to ¥20,195 million and operating income declined 28.2% to ¥1,863 million. Despite a continued tough business environment amid an ongoing sharp fall in the number of new companies listing on domestic stock markets, the number of IPOs and M&As with which the Asset Management Business was involved recovered strongly from zero in the previous fiscal year to 11 companies in the fiscal year under review. Also, with overseas stock markets recovering ahead of Japanese markets, NEW HORIZON FUND, L.P., which invests in unlisted stocks in China, contributed ¥2,156 million in operating income to the SBI Group. Aggressive investments made and expanded by the Asset Management Business in China and other emerging economies in Asia since 2005 have paid off and are now generating a profit. Furthermore, SBI Holdings, Inc. (the "Company") believes the ongoing tough business environment and weak stock market performance presents an ideal opportunity to make new

investments, and the Company has actively invested to take advantage of the drop in investment costs since the Lehman Shock. During the fiscal year under review, funds managed by the SBI Group invested a total of ¥54,370 million, for a total of ¥59,532 million after including direct investments of ¥5,161 million. The number of investees totaled 143 companies.

Brokerage & Investment Banking Business

In the Brokerage & Investment Banking Business, operating revenues rose 1.9% year-on-year to ¥50,123 million and operating income increased 64.1% to ¥9,375 million. Conditions remained difficult, with individual stock brokerage trading value continuing to decline, but SBI SECURITIES Co., Ltd. continued to perform well, adding 187,478 new customer accounts during the year under review. In December 2009, the company also became the first online brokerage to top two million registered accounts, with the total reaching 2,053,986 at the end of March 2010. Customer assets also considerably increased, rising 37.4% year-on-year to ¥4,093.2 billion at the end of March 2010. For the current fiscal year, SBI SECURITIES reported a drop in consolidated operating revenues of 3.0% year-on-year to ¥46,114 million, but saw operating income rise 29.0% to ¥12,455 million primarily on the back of strong foreign exchange margin (FX) trading. The year-on-year drop in operating revenues primarily reflected the booking of operating revenues from E*Trade Korea Co., Ltd. up to the second quarter of the previous fiscal year when the company was sold. At SBI Liquidity Market Co., Ltd., which began operations in November 2008, trading value of FX trading has grown rapidly over a short period of time. In the fiscal year under review, nonconsolidated operating revenues of SBI Liquidity Market were ¥10,574 million and operating income was ¥3,081 million.

Financial Services Business

The Financial Services Business reported another year of higher operating revenues, rising 13.2% year-on-year to ¥25,606 million thanks to solid performances at existing businesses operated by each company in this segment. Although operating income declined 86.2% year-on-year to ¥207 million, reflecting the booking of ¥1,511 million for provisions of allowances for doubtful accounts related to the consumer loan business and operating losses in new businesses, the Company managed to ensure an operating profit thanks to an upturn in existing businesses and cost reductions.

In new businesses, equity-method affiliate SBI Sumishin Net Bank, Ltd. had a deposit balance of ¥1,193.8 billion and a total of 753,000 customer accounts as of March 31, 2010, both roughly double the level of a year earlier and expanding much faster than initially projected. The bank's nonconsolidated net income was ¥2,316 million, compared with a net loss of ¥3,699 million in the previous fiscal year, moving into the black three years after it was established. This upturn in profitability largely contributed to the improvement in equity in gains/losses of affiliates (non-operating gains/losses).

Housing and Real Estate Business

The Housing and Real Estate Business, which comprises the real estate business, financial real estate business, and lifestyle networks business, reported a 28.1% year-on-year decline in operating revenues to ¥29,408 million and an operating loss of ¥36 million.

Operating revenues in the real estate business, which primarily develops real estate assets for supply to investors, fell 64.5% to ¥6,522 million, owing to weakness in the domestic real estate market and other factors. However, there were

some positive signs emerging, with sales of small and medium-sized properties to wealthy individuals and other investors on the rise, although genuine recovery still remained some way off.

In the financial real estate business, operating revenues rose 15.4% year-on-year to ¥9,110 million. SBI Mortgage Co., Ltd. continues to offer "Flat 35," a long-term fixed-rate housing loan product, in partnership with the Japan Housing Finance Agency. As of March 31, 2010, SBI Mortgage's balance of housing loans outstanding totaled more than ¥600 billion and continues to grow steadily. In addition, the company has gradually been converting its network of face-to-face retail shops from "SBI Housing Loan" Shop to "SBI Housing Loan/SBI Money Plaza" to provide greater access to consumers for the whole SBI Group. At the same time, it is expanding its face-to-face retail channel primarily through the use of franchising.

In the lifestyle networks business, SBI Life Living, Inc. moved into the black for operating income on a consolidated basis, reflecting a solid performance from intermediary sales transactions and lifestyle-related comparison websites.

Operating Revenues by Segment

	Year ended 31st March, 2009		Year ended 31st March, 2010	
	Millions of Yen	%	Millions of Yen	%
Asset Management Business	¥ 15,982	12.2	20,195	16.2
Investment in Securities	12,924		17,374	
Revenue from Operational Investment Securities	11,804		16,103	
Fees from Funds	1,120		1,270	
Investment Advisory Services Fees and Others	3,057		2,820	
Brokerage & Investment Banking Business	49,182	37.6	50,123	40.2
Financial Services Business	22,617	17.3	25,606	20.6
Marketplace Business	4,737		5,733	
Financial Products Business	8,015		7,936	
Financial Solutions Business	4,516		5,519	
Other Businesses	4,338		4,052	
New Businesses	1,008		2,364	
Housing and Real Estate Business	40,907	31.2	29,408	23.6
Real Estate Business	18,353		6,522	
Financial Real Estate Business	7,892		9,110	
Lifestyle Networks Business	14,661		13,775	
System Solution Business	6,354	4.9	4,630	3.7
Intersegment Revenue	(4,119)	(3.2)	(5,420)	(4.3)
Total Operating Revenue	¥130,923	100.0	124,542	100.0

Note: For the year under review, the operations of the Brokerage & Investment Banking Business have not been divided into the Securities Business and the Commodity Futures Business, owing to the abolishment of the commodity futures trading business at SBI Futures Co., Ltd.

System Solution Business

The System Solution Business reported a 27.1% year-on-year drop in operating revenues to ¥4,630 million, and an operating loss of ¥515 million. These results were primarily generated by SBI Net Systems Co., Ltd. Amid prolonged cutbacks in investments for equipment by clients, mainly financial institutions, SBI Net Systems saw orders fall behind plan and experienced a delay in booking sales owing to changes in the timing of verification for orders received.

For the fiscal year ending March 31, 2011, we project a contribution from lower selling, general and administrative expenses on reductions in manufacturing costs due to promoting offshore development and on the integration of administrative departments. We also expect to receive contracts for new system development projects related to the business expansion of the SBI Group and further business growth leveraging its know-how.

Operating Revenues

Asset Management Business

(Investment in Securities Business)

The SBI Group invests in venture capital companies both in Japan and overseas industries such as IT, biotechnology, environment & energy, and financial fields. Revenues come from two main sources in the investment in securities business: (1) revenue from operational investment in securities, with revenues derived from the sale of securities held for the purpose of securing capital gains (revenue from operational investment securities), and (2) revenue from funds which comprises fund establishment fees, fund management fees and success fees that are based on a fund's performance. When the Company or its consolidated subsidiaries invest in a fund operated by the SBI Group, all operating revenues from the funds under the scope of consolidation, including the revenues corresponding to the stakes of other investors, are booked as revenue from operational investment securities.

In the fiscal year under review, revenue from operational investment securities rose 36.4% year-on-year to ¥16,103 million. This primarily reflected revenues from consolidated funds and the inclusion of NEW HORIZON FUND, L.P. in consolidated accounts. Revenue from funds increased 13.5% year-on-year to ¥1,270 million, and primarily reflected 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 declined 7.7% to ¥2,820 million, which primarily came from investment trust management fees and interest income from operational loans receivable.

Brokerage & Investment Banking 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 increased 1.9% to ¥50,123 million. This revenue was primarily generated by SBI SECURITIES Co., Ltd. and SBI Liquidity Market Co., Ltd.

For the year under review, the operations of the Brokerage & Investment Banking Business have not been divided into Securities Business and Commodity Futures Business, owing to the abolishment of the commodity futures trading business at SBI Futures Co., Ltd.

Financial Services Business

(Marketplace Business)

The number of auto insurance estimates provided by our insurance portal website, "InsWeb," and the number of requests for information materials received by other finance-related websites were steady, with user transaction numbers* at financial services websites rising 4.1% year-on-year to 967,000. Operating revenues at the marketplace business increased 21.0% to ¥5,733 million in the fiscal year under review.

* Number of actual estimates, requests for information materials, provisional applications and other transactions conducted on the websites.

(Financial Products Business)

SBI Lease Co., Ltd. leases broadband communication infrastructure equipment and broadband content business equipment, and also offers leases for mobile communication infrastructure equipment. Leases outstanding as of March 31, 2010 totaled more than ¥68.3 billion, including subleasing and the arrangement of lease syndications. Operating revenues in this business declined 1.0% to ¥7,936 million.

(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 steady 14.7% increase in the number of transactions to more than 59.21 million. Also in this

business, the Company provides "MoneyLook[®]" account aggregation software, and this had more than 550,000 registered users as of March 31, 2010. As a result, operating revenues in the financial solutions business increased 22.2% to ¥5,519 million.

(Other Businesses)

Morningstar Japan K.K., which provides information on evaluations of financial products, particularly investment trusts, saw steady growth in the number of registered website users and providers of defined contribution pension services, while Gomez Consulting Co., Ltd., which provides website evaluation and ranking services and business support services, worked to strengthen its proposal capabilities, particularly in the financial sector where there were signs of a pickup in business sentiment. Operating revenues in other businesses declined 6.6% to ¥4,052 million.

(New Businesses)

SBI Card Co., Ltd. used its skill in offering cards with some of the industry's best features to increase the number of cards issued to more than 71,000 (as of March 31, 2010), after only three years and four months since starting operations. SBI Insurance Co., Ltd., which began operations in January 2008, is steadily increasing the number of auto insurance contracts by offering low premiums, expanding sales channels, and boosting sales with special deals. As of the end of the fiscal year under review, the cumulative number of contracts signed totaled more than 133,000. As a result, operating revenues in new businesses increased 134.4% year-on-year to ¥2,364 million. On February 16, 2010, all shares of SBI AXA Life Insurance Co., Ltd. held by the Company were transferred to AXA Japan Holding Co., Ltd.

Housing and Real Estate Business

(Real Estate Business)

Operating revenues in this business declined 64.5% year-on-year to ¥6,522 million, which are primarily generated by the Company and SBI Life Living, Inc. (formerly Living Corporation, Inc.)

(Financial Real Estate Business)

In the financial real estate business, which together with the real estate business forms the Group's housing and real estate ecosystem, operating revenues rose 15.4% to ¥9,110 million. Operating revenues in this business are derived from SBI Mortgage Co., Ltd. and CEM Corporation.

(Lifestyle Networks Business)

This 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. Operating revenues in this business dropped 6.0% year-on-year to ¥13,775 million.

System Solution Business

Operating revenues in this business declined 27.1% to ¥4,630 million for the fiscal year under review. Operating revenues in the business are primarily generated by SBI Net Systems Co., Ltd.

Note: Operating revenues by segment are prior to the elimination of intersegment revenues.

Selling, General and Administrative Expenses

During the fiscal year under review, selling, general and administrative expenses amounted to ¥61,971 million, down 1.5% year-on-year, and primarily comprised of personnel costs and securities system outsourcing costs.

Other Income (Expenses)

Net other loss was ¥2,511 million (net other loss of ¥20,536 million in the previous fiscal year) mainly owing to allowance for doubtful accounts of ¥1,973 million and interest expense of ¥1,960 million.

Cash Flows

Total assets stood at ¥1,229,940 million at the end of March 2010, an increase of ¥150,706 million compared with the balance of ¥1,079,234 million a year earlier. Key factors behind the rise included increases of ¥52,500 million in cash segregated as deposits and ¥80,840 million in margin transaction assets booked by the Brokerage & Investment Banking Business. In addition, compared with the end of the previous fiscal year, net current assets rose ¥9,276 million to ¥428,615 million.

Cash and cash equivalents totaled ¥142,582 million at the end of March 2010, an increase of ¥16,269 million compared with the balance of ¥126,313 million a year earlier. The following is a summary of cash flows.

Operating Activities

Net cash used by operating activities totaled ¥53,135 million, compared with net cash provided of ¥103,035 million in the previous fiscal year. This mainly reflected cash outflows of ¥77,075 million for net changes in margin transaction assets and liabilities, and ¥12,962 million for increase in cash segregated as deposits for customers.

Investing Activities

Net cash used in investing activities totaled ¥15,563 million, compared with net cash used in the previous fiscal year of ¥1,104 million. This was mainly attributable to cash outflows of ¥7,653 million for purchases of investment securities, and ¥7,043 million for purchases of intangible assets.

Financing Activities

Net cash provided by financing activities totaled ¥84,599 million, compared with net cash used in the previous fiscal year of ¥137,515 million. This mainly reflected cash of ¥122,219 million for proceeds from the issuance of corporate bonds.

Risk Information

The following principal categories of business risks and other risks affecting the SBI Group's businesses may have a material impact on investment decisions. Although the risks below are those currently recognized by the Company, this is not necessarily a complete list of risks. In recognizing these latent risks, the SBI 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 SBI Group is engaged in a diverse range of businesses that include investments, housing and real estate, financial instrument trading, proprietary trading system (PTS), 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 markets and real estate markets as well as political, economic and industry trends may have a significant impact on the SBI Group. Therefore, such external factors over which the SBI Group has no control could cause changes in business results and have a major impact on the SBI 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 SBI 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 SBI Group's business results.

Competition

The SBI 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 SBI Group can remain competitive in the event of excessive competition that exceeds market growth. The SBI 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 SBI Group to lose its dominant position, and therefore have an impact on its business results.

System Risk

The SBI Group extensively utilizes the Internet in carrying out its businesses. Since a large portion of business activities depend on computer systems, the SBI Group has devised various countermeasures that include the build-up of backup computer systems. Nevertheless, the SBI 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 SBI Group recognizes that ensuring the stability of its system for online transactions is the most crucial management issue. The SBI 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 SBI 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 SBI Group is engaged involve various intellectual property rights such as patent rights and copyrights. The inadequate safeguarding of the SBI 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 SBI 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 SBI 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 SBI 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 SBI Group's business results.

Protection of Personal Information

By extensively utilizing the Internet, the SBI Group carries out wide-ranging business activities that include Financial Services, Real Estate and Lifestyle Networks businesses. In the course of these activities, the SBI Group obtains and uses information on numerous customers. The SBI Group is engaged in financial service businesses, including the financial instrument trading, banking and insurance operations. Since financial service businesses demand confidence, stability and safety, the SBI Group believes that preventing damage from leaks of customer

information and unauthorized access is extremely crucial. The SBI Group thus recognizes that information security is its most crucial issue for ensuring that customers may use its services with confidence.

The SBI 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 SBI Group, or an information leak, the resulting loss of trust among customers and other consequences may have an impact on the SBI Group's business results.

Business Reorganization

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

SBI Futures Co., Ltd. discontinued its commodity trading business in July 2009 and became a wholly-owned subsidiary of the Company through a stock exchange in August 2009. Also, on April 1, 2010, SBI Futures was merged into SBI SECURITIES Co., Ltd.

On February 16, 2010, the Company sold all the shares of SBI AXA Life Insurance it owned to AXA Japan Holding Co., Ltd.

Going forward, the SBI Group will actively expand its business portfolio by taking actions that include M&A activities in fields that can produce synergies with the SBI 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 SBI Group's business results.

In the fiscal year that ended in March 2007, the SBI 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 SBI Group began treating as consolidated subsidiaries several funds that the SBI 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 SBI 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 SBI Group's consolidated financial condition, and results of operations in past fiscal years.

Investment Securities

The SBI Group holds a considerable amount of investment securities that include investments in unconsolidated subsidiaries and affiliated companies. Therefore, any losses incurred by the impairment of said investment securities may affect the results and financial position of the SBI Group.

Entering New Businesses

Based on the management principle of "Aiming to Be a New Industry Creator," the SBI Group is aggressively creating and cultivating core industries of the 21st century. 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 SBI Group's business results. In addition, these new businesses could become subject to new laws or be 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 SBI Group is classified as a financial conglomerate as defined by the regulations of the Financial Services Agency. As a result, the SBI 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 SBI Group is subject to an administrative action or other punishment by the Financial Services Agency, for whatever reason, the SBI Group may have difficulty conducting its business operations.

Funding Liquidity Risk

The SBI 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 ability to procure funds by the Company or its subsidiaries at the required time and desired terms may be restricted, and the cost of fund procurement may rise in the event of turmoil in the financial markets, the reluctance of financial institutions to extend credit, a reduction in the Company's credit rating, a surge in capital demand by the Company's subsidiaries, or other events. Such events may have an impact on the SBI Group's business results.

Reliance on Key Personnel

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

Employees

The SBI 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, 2009 and 2010

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2010	2010
CURRENT ASSETS:			
Cash and cash equivalents (Note 13)	¥ 126,313	¥ 142,582	\$ 1,532,479
Time deposits	1,140	1,233	13,250
Cash required to be segregated under regulations (Note 4)	266,267	318,909	3,427,653
Notes and accounts receivable—trade (Note 13)	7,915	8,484	91,185
Operational investment securities (Notes 6 and 13)	105,236	121,576	1,306,709
Valuation allowance for operational investment securities	(6,207)	(8,424)	(90,544)
Lease receivables and lease investment assets (Note 23)	18,820	17,924	192,652
Operational loans receivable (Note 13)	47,868	34,694	372,898
Real estate inventory (Notes 5 and 13)	36,515	28,768	309,200
Trading assets (Note 7)	7,725	3,515	37,778
Margin transaction assets:			
Receivables from customers	134,792	221,107	2,376,476
Cash deposits as collateral for securities borrowed	46,009	40,534	435,661
Short-term guarantee deposits	8,846	5,944	63,887
Deferred tax assets—current (Note 22)	5,921	7,667	82,407
Prepaid expenses and other current assets (Notes 9 and 13)	46,952	37,843	406,737
Allowance for doubtful accounts	(2,703)	(2,033)	(21,850)
Total current assets	851,409	980,323	10,536,578
PROPERTY AND EQUIPMENT—Net (Note 10)	8,578	20,614	221,558
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 6)	10,088	11,248	120,899
Investments in unconsolidated subsidiaries and affiliated companies (Note 11)	23,781	29,956	321,972
Software, net of accumulated amortization of ¥8,222 million and ¥8,676 million (\$93,250 thousand) at March 31, 2009 and 2010, respectively	9,370	11,671	125,436
Rental deposits	7,375	7,144	76,780
Goodwill (Note 3)	136,354	133,008	1,429,580
Long-term trade receivables	47	10	108
Deferred tax assets—non-current (Note 22)	10,602	14,197	152,589
Other assets	28,274	31,536	338,953
Allowance for doubtful accounts	(6,644)	(9,767)	(104,982)
Total investments and other assets	219,247	229,003	2,461,335
TOTAL	¥1,079,234	¥1,229,940	\$13,219,471

LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2010	2010
CURRENT LIABILITIES:			
Short-term debt (Notes 12 and 13)	¥ 54,658	¥ 167,915	\$ 1,804,760
Current portion of long-term debt (Notes 12 and 13)	63,033	13,668	146,909
Income taxes payable	2,625	4,954	53,242
Margin transaction liabilities:			
Payables to financial institutions (Notes 12 and 13)	56,726	48,813	524,645
Proceeds of securities sold for customers' accounts	89,545	101,224	1,087,958
Loans secured by securities on repurchase agreement transactions	46,588	63,781	685,520
Consignment guarantee money received for margin transactions (Note 9)	229,184	222,530	2,391,764
Customers' deposits as collateral for commodity futures (Note 9)	28,885	59,844	643,207
Customers' deposits for securities transactions	23,488	31,176	335,082
Unearned income (Note 14)	2,085	2,049	22,027
Accrued expenses	3,035	2,897	31,137
Deferred tax liabilities—current (Note 22)	6	2,960	31,814
Other current liabilities (Note 7)	23,591	25,280	271,713
Total current liabilities	623,449	747,091	8,029,778
LONG-TERM LIABILITIES:			
Long-term debt, less current portion (Notes 12 and 13)	13,584	27,620	296,861
Deferred tax liabilities—non-current (Note 22)	566	540	5,805
Other long-term liabilities (Note 15)	15,043	18,855	202,650
Total long-term liabilities	29,193	47,015	505,316
STATUTORY RESERVES (Note 16):			
Reserve for financial products transaction liabilities	7,219	7,219	77,592
Reserve for liability for commodity transactions	33		
Reserve for price fluctuation	1		
Total statutory reserves	7,253	7,219	77,592
EQUITY (Notes 17 and 18):			
Common stock—authorized, 34,169,000 shares; issued, 16,768,733 shares in 2009 and 16,782,291 shares in 2010	55,215	55,284	594,198
Capital surplus	219,012	218,969	2,353,489
Stock acquisition rights	12	12	126
Retained earnings	86,866	87,276	938,052
Unrealized loss on available-for-sale securities	(5,946)	(559)	(6,008)
Deferred gain (loss) on derivatives under hedge accounting	(26)	15	157
Foreign currency translation adjustments	(966)	(1,507)	(16,196)
Treasury stock—at cost, 37,661 shares in 2009 and 14,621 shares in 2010	(636)	(247)	(2,654)
Total	353,531	359,243	3,861,164
Minority interests	65,808	69,372	745,621
Total equity	419,339	428,615	4,606,785
TOTAL	¥1,079,234	¥1,229,940	\$13,219,471

See notes to consolidated financial statements.

Consolidated Statements of Operations

SBI Holdings, Inc. and Consolidated Subsidiaries
Years Ended March 31, 2008, 2009 and 2010

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2008	2009	2010	2010
OPERATING REVENUES (Notes 19 and 29)	¥222,568	¥130,923	¥124,542	\$1,338,586
OPERATING COSTS (Note 20)	115,344	63,634	59,139	635,626
Gross profit	107,224	67,289	65,403	702,960
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 21)	64,617	62,885	61,971	666,074
Operating income	42,607	4,404	3,432	36,886
OTHER INCOME (EXPENSES):				
Interest and dividends income	648	1,434	520	5,594
Interest expense	(1,785)	(2,450)	(1,960)	(21,070)
Foreign exchange loss—net	(726)	(621)	(65)	(694)
(Loss) gain on sale of investment securities—net	6,780	(1,517)	2,916	31,341
Impairment loss of investment securities	(677)	(7,548)	(46)	(497)
Provision for statutory reserves (Note 16)	(1,611)	(1)		
Amortization of deferred assets				
under Section 113 of the Insurance Business Act	(20)	(364)	(746)	(8,019)
Equity in loss of unconsolidated subsidiaries and affiliated companies	(4,615)	(2,508)	(99)	(1,061)
Goodwill amortization for equity method affiliates with significant losses	(6,794)	(1,354)	(238)	(2,560)
Allowance for doubtful accounts	34	(2,379)	(1,973)	(21,210)
Other—net	(5,022)	(3,228)	(820)	(8,812)
Other expenses—net	(13,788)	(20,536)	(2,511)	(26,988)
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	28,819	(16,132)	921	9,898
INCOME TAXES (Note 22):				
Current	19,311	11,829	9,096	97,764
Deferred	(2,038)	(5,680)	(8,360)	(89,850)
Total income taxes	17,273	6,149	736	7,914
MINORITY INTERESTS IN NET (INCOME) LOSS	(7,317)	3,906	2,165	23,274
NET INCOME (LOSS)	¥ 4,229	¥ (18,375)	¥ 2,350	\$ 25,258
			Yen	U.S. Dollars
	2008	2009	2010	2010
PER SHARE OF COMMON STOCK (Notes 2.z and 28):				
Basic net income (loss)	¥ 376.63	¥(1,232.48)	¥140.30	\$1.51
Diluted net income	344.65		116.84	1.26
Cash dividends applicable to the year	1,200	100	100	1.07

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

SBI Holdings, Inc. and Consolidated Subsidiaries
Years Ended March 31, 2008, 2009 and 2010

	Millions of Yen											
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealized Gain (Loss) on Available- for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2007	11,215,683	¥54,914	¥116,519	¥ 42	¥122,167	¥ 5,436	¥ 2	¥ 974	¥(53,062)	¥246,992	¥ 99,649	¥346,641
Exercise of warrants (Note 18)	36,113	244	244							488		488
Cash dividends, ¥1,200 per share (Note 17)					(13,558)					(13,558)		(13,558)
Net income					4,229					4,229		4,229
Adjustment of retained earnings for newly consolidated subsidiaries					(790)					(790)		(790)
Adjustment of retained earnings for subsidiaries excluded from consolidation					(16)					(16)		(16)
Adjustment of retained earnings for affiliated companies excluded from the equity method of accounting					307					307		307
Purchase of treasury stock	(83)								(3)	(3)		(3)
Reissuance of treasury stock	26		(1)						1			
Treasury stock held by affiliated company accounted for by the equity method	4											
Net change in the year				(38)		4,698	7	(1,096)		3,571	46,897	50,468
BALANCE, MARCH 31, 2008	11,251,743	55,158	116,762	4	112,339	10,134	9	(122)	(53,064)	241,220	146,546	387,766
Exercise of warrants (Note 18)	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 17)					(6,796)					(6,796)		(6,796)
Adjustment of retained earnings for newly consolidated subsidiaries					(73)					(73)		(73)
Adjustment of retained earnings for subsidiaries excluded from consolidation					(30)					(30)		(30)
Adjustment of retained earnings for affiliated companies excluded from the equity method of accounting			844		(199)					645		645
Purchase of treasury stock	(37,531)								(644)	(644)		(644)
Reissuance of treasury stock	75,022		(856)						53,072	52,216		52,216
Net change in the year				8		(16,080)	(35)	(844)		(16,951)	(80,738)	(97,689)
BALANCE, MARCH 31, 2009	16,731,072	55,215	219,012	12	86,866	(5,946)	(26)	(966)	(636)	353,531	65,808	419,339
Exercise of warrants (Note 18)	13,558	69	70							139		139
Stock swap	23,040		(113)							(113)		(113)
Net income					2,350					2,350		2,350
Cash dividends, ¥100 per share (Note 17)					(1,673)					(1,673)		(1,673)
Adjustment of retained earnings for merged companies					(194)					(194)		(194)
Adjustment of retained earnings for newly consolidated subsidiaries					218					218		218
Adjustment of retained earnings for affiliated companies excluded from the equity method of accounting					(291)					(291)		(291)
Reissuance of treasury stock									389	389		389
Net change in the year						5,387	41	(541)		4,887	3,564	8,451
BALANCE, MARCH 31, 2010	16,767,670	¥55,284	¥218,969	¥ 12	¥ 87,276	¥ (559)	¥ 15	¥(1,507)	¥ (247)	¥359,243	¥ 69,372	¥428,615

Thousands of U.S. Dollars (Note 1)

	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealized Gain (Loss) on Available- for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2009	\$593,452	\$2,353,956	\$129	\$933,640	\$(63,909)	\$(277)	\$(10,384)	\$(6,837)	\$3,799,770	\$707,311	\$4,507,081
Exercise of warrants (Note 18)	746	746							1,492		1,492
Stock swap		(1,210)							(1,210)		(1,210)
Net income				25,258					25,258		25,258
Cash dividends, \$1.07 per share (Note 17)				(17,982)					(17,982)		(17,982)
Adjustment of retained earnings for merged companies				(2,085)					(2,085)		(2,085)
Adjustment of retained earnings for newly consolidated subsidiaries				2,342					2,342		2,342
Adjustment of retained earnings for affiliated companies excluded from the equity method of accounting				(3,121)					(3,121)		(3,121)
Reissuance of treasury stock		(3)						4,183	4,180		4,180
Net change in the year			(3)		57,901	434	(5,812)		52,520	38,310	90,830
BALANCE, MARCH 31, 2010	\$594,198	\$2,353,489	\$126	\$938,052	\$ (6,008)	\$ 157	\$(16,196)	\$(2,654)	\$3,861,164	\$745,621	\$4,606,785

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

SBI Holdings, Inc. and Consolidated Subsidiaries
Years Ended March 31, 2008, 2009 and 2010

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2008	2009	2010	2010
OPERATING ACTIVITIES:				
Income (loss) before income taxes and minority interests	¥ 28,819	¥ (16,132)	¥ 921	\$ 9,898
Adjustments for:				
Income taxes paid	(30,542)	(15,783)	(4,167)	(44,789)
Amortization and depreciation	11,477	11,961	13,315	143,111
Provision for valuation allowance for operational investment securities	1,365	1,888	3,116	33,494
Provision for allowance for doubtful accounts	2,811	5,648	4,183	44,963
Dilution gain from changes in equity interests	(598)	(341)	(140)	(1,509)
Write-down of operational investment securities	1,962	2,516	602	6,473
Equity earnings in funds	(3,101)	(2,880)	(1,175)	(12,626)
Loss (gain) on sales of investment securities—net	(6,780)	1,518	(2,916)	(31,341)
Changes in assets and liabilities:				
Increase in operational investment securities and operational investments in funds	(5,597)	(20,646)	(8,962)	(96,323)
(Increase) decrease in operational loans receivable	(16,109)	7,358	6,189	66,515
(Increase) decrease in real estate inventory	9,191	(7,617)	(2,036)	(21,885)
(Increase) decrease in segregated assets for customers	18,901	32,380	(12,962)	(139,319)
(Increase) decrease in trading assets	387	(2,039)	(1,487)	(15,980)
Net changes in margin transaction assets and liabilities	55,173	108,341	(77,075)	(828,404)
Increase in customers' deposits for securities transactions	3,822	2,615	7,358	79,079
Increase (decrease) in consignment guarantee money received for margin transactions	(5,491)	(29,706)	4,173	44,854
Net changes in loans receivable and payable secured by securities	(20,291)	11,105	17,194	184,802
Increase in unearned income	1,292	1,450	1,464	15,737
Other—net	3,383	11,399	(730)	(7,848)
Net cash (used in) provided by operating activities	50,074	103,035	(53,135)	(571,098)
INVESTING ACTIVITIES:				
Purchases of intangible assets	(3,457)	(3,914)	(7,043)	(75,699)
Purchases of investment securities	(8,310)	(7,345)	(7,653)	(82,255)
Proceeds from sales of investment securities	3,579	784	3,205	34,445
Proceeds from sales of subsidiaries' stock	7,190	130	28	307
Cash paid in business acquisitions, net of cash acquired	(3,861)	(1,086)	(260)	(2,797)
Cash received in sales of subsidiaries, net of cash relinquished		19,341	2,540	27,302
Investments in subsidiaries	(4,443)	(5,621)	(3,754)	(40,344)
Investments in loans receivable	(200,953)	(42,156)	(15,756)	(169,350)
Collections of loans receivable	191,927	37,520	16,226	174,398
Payments for security deposits	(2,855)	(3,046)	(1,491)	(16,028)
Collection of security deposits	1,378	2,063	1,348	14,488
Other—net	(805)	2,226	(2,953)	(31,744)
Net cash used in investing activities	¥ (20,610)	¥ (1,104)	¥(15,563)	\$(167,277)

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2008	2009	2010	2010
FINANCING ACTIVITIES:				
Increase (decrease) in short-term borrowings—net	¥ (8,330)	¥ (8,959)	¥ 940	\$ 10,107
Proceeds from long-term debt	46,513	1,674	150,579	1,618,432
Repayment of long-term debt	(39,972)	(118,266)	(73,688)	(792,008)
Dividends paid	(13,451)	(6,796)	(1,682)	(18,075)
Dividends paid to minority shareholders	(2,554)	(2,746)	(219)	(2,350)
Distribution to minority investors in investment funds	(25,265)	(7,975)	(3,915)	(42,074)
Proceeds from issuance of common stock	414	134	141	1,519
Proceeds from issuance of common stock to minority shareholders	2,851	325	1,024	11,000
Proceeds from minority investors in investment funds	29,859	5,612	11,932	128,241
Reissuance of treasury stock	1	11		
Purchase of treasury stock	(3)	(586)	(13)	(143)
Other—net	(20)	57	(500)	(5,372)
Net cash provided by (used in) financing activities	(9,957)	(137,515)	84,599	909,277
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES				
	25,365	2,875	843	9,059
CASH AND CASH EQUIVALENTS DECREASED DUE TO EXCLUSION FROM CONSOLIDATION				
	(24)	(107)		
CASH AND CASH EQUIVALENTS OF NEWLY MERGED COMPANIES				
		224	15	166
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS				
	(933)	(102)	(490)	(5,266)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	43,915	(32,694)	16,269	174,861
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	115,092	159,007	126,313	1,357,618
CASH AND CASH EQUIVALENTS, END OF YEAR	¥159,007	¥ 126,313	¥142,582	\$1,532,479
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION (Note 2.a):				
Fair value of assets acquired	¥ (14,115)	¥ (1,082)	¥ (742)	\$ (7,977)
Liabilities assumed	9,707			
Goodwill	(5,094)			
Minority interest	1,175			
Acquisition costs	(8,327)	(1,082)	(742)	(7,977)
Cash acquired	4,124		482	5,180
Transfer from stock of affiliated company	353			
Other	(11)	(4)		
Cash paid in business acquisitions, net of cash acquired	¥ (3,861)	¥ (1,086)	¥ (260)	\$ (2,797)
Fair value of assets sold		¥ 30,505	¥ 5,907	\$ 63,486
Liabilities relinquished		(19,998)	(487)	(5,234)
Minority interest		(2,696)	(2,414)	(25,946)
Foreign currency translation adjustments		2,246	8	87
Gain on sale		10,056	836	8,989
Sale value		20,113	3,850	41,382
Cash relinquished		(772)	(1,310)	(14,080)
Cash received in sales of subsidiaries, net of cash relinquished		¥ 19,341	¥ 2,540	\$ 27,302

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 and investment banking, financial services, housing and real estate business, and system solution business.

SBI's asset management business is principally carried out by the Company, SBI Investment Co., Ltd. and SBI CAPITAL Co., Ltd., and involves the management of venture capital investment funds, corporate restructuring funds and broadband media funds. SBI is one of the largest managers of venture capital funds in Japan in terms of net assets under management.

SBI's brokerage and investment banking businesses are principally carried out by the Company's subsidiary, SBI 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 and 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, SBI Life Living Co., Ltd. (formerly known as LIVING Corporation, Inc. ("LIVING Inc")) ("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's subsidiary, SBI Net Systems Co., Ltd. ("SBINET"). 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 of International Financial Reporting Standards.

Certain disclosures contained herein are not required as part of the basic financial statements in Japan but are presented herein as additional information.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2008 and 2009 financial statements to conform to the classifications used in 2010.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥93.04 to \$1, the approximate rate of exchange at March 31, 2010. Such translations 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, 2010 include the accounts of the Company and its 103 significant (82 in 2009, 74 in 2008) 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.

In May 2008, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Implementation Guidance No. 22, "Guidance on determining a subsidiary and an affiliate." The Company applied this guidance effective April 1, 2009, and 3 companies were newly included in the consolidation scope. The effect of this change was not considered material to net income for the year ended March 31, 2010.

Investments in 1 (1 in 2009, 1 in 2008) unconsolidated subsidiary and 5 (7 in 2009, 7 in 2008) 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.

Investments in 59 (51 in 2009, 47 in 2008) companies and 1 (1 in 2009, 1 in 2008) 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 Practical Issues Task Force ("PITF") No. 20, "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations," but are not consolidated are included in investments in unconsolidated subsidiaries and affiliated companies on the consolidated balance sheets. 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 sheets 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 resolution and approval of the Board of Directors on November 12, 2007, NEXUS CO., LTD. ("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.

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 and was eliminated from its consolidated accounts from July 2008.

Upon approval of the Board of Directors on April 27, 2009 and general shareholders meeting on June 22, 2009, the Company allotted 23,040 shares of its treasury stock to shareholders of SBI Futures Co., Ltd. ("SBIFT") at an exchange ratio of 3 shares for each outstanding share of SBIFT's common stock. As a result of this share exchange, SBIFT became wholly owned by the Company.

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 the 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 the 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 the 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.

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

Due to our withdrawal from commodity futures-related businesses in 2010, SBI did not hold its related securities as of March 31, 2010.

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.

SBI applied this revised 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 and increase loss before income taxes and minority interests by ¥1,393 million for the year ended March 31, 2009.

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 the 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 2008, from 3 to 47 years in 2009 and from 5 to 50 years in 2010 for buildings and leasehold improvements, and for furniture and equipment, from 2 to 20 years in 2008 and 2009, and from 4 to 20 years in 2010.

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. Leases—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 with certain “as if capitalized” information disclosed in the notes to the lessee’s financial information.

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. For the finance leases which existed at the transition date and did not transfer ownership of the leased property to the lessee, the appropriate book value of the leased assets (after deducting accumulated depreciation) at the transition date is used as the beginning value of the 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 of Japanese Financial Instruments and Exchange Act from April 1, 2008.

Pursuant to Article 46 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 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. Due to a withdrawing from commodity futures-related businesses in 2010, SBI did not recognize the statutory reserve for liability for commodity transaction as of March 31, 2010.

p. Statutory Reserve for Price Fluctuation—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. 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-employee 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.

s. 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-off 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-off 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—In December 2007, the ASBJ issued ASBJ Statement No. 15 "Accounting Standard for Construction Contracts" and ASBJ Guidance No. 18 "Guidance on Accounting Standard for Construction Contracts." Under the previous Japanese GAAP, either the completed-contract method or the percentage-of-completion method was permitted to account 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 the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts. This standard was effective for fiscal years beginning on or after April 1, 2009. The Company applied the new accounting standard effective April 1, 2009. The effect of this change was not considered material to net income for the year ended March 31, 2010.

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 lessor receives lease revenue.

Financial charges and cost of funding—Financial charges mainly related to brokerage and 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.

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

u. 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.

v. 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.

w. 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.

x. 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.

y. 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.

z. 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.

aa. New Accounting Pronouncements

Business Combinations—In December 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 combination 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, an in-process research and development (IPR&D) acquired by the business combination is capitalized as an intangible asset.
- (3) The current accounting standard accounts for 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 Associated Companies for the Equity Method

The current accounting standard requires to unify accounting policies within the consolidation group. However, the current guidance allows to apply the equity method for the financial statements of its foreign associated company which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions without unification of accounting policies.

In March 2008, the ASBJ issued ASBJ Statement No. 16, “Accounting Standard for Equity Method of Accounting for Investments.” The new standard requires adjustments to be made to conform the associate’s accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate’s financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated 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 the equity; (3) expensing capitalized development costs of R&D; (4) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the 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 equity method of accounting for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Asset Retirement Obligations—In March 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 the 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.

Accounting Changes and Error Corrections—In December 2009, ASBJ issued ASBJ Statement No. 24 “Accounting Standard for Accounting Changes and Error Corrections” and ASBJ Guidance No. 24 “Guidance on Accounting Standard for Accounting Changes and Error Corrections.” Accounting treatments under this standard and guidance are as follows:

(1) *Changes in accounting policies*

When a new accounting policy is applied with revision of accounting standards, a new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) *Changes in presentations*

When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) *Changes in accounting estimates*

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) *Corrections of prior period errors*

When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

Segment Information Disclosures—In March 2008, the ASBJ revised ASBJ Statement No. 17 “Accounting Standard for Segment Information Disclosures” and issued ASBJ Guidance No. 20 “Guidance on Accounting Standard for Segment Information Disclosures.” Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

3. Business Combinations

(1) Application of Purchase Method

LIVING Corporation, Inc.

On September 10, 2007, the Company acquired 54.4 percent of the shares of LIVING Inc (currently, LIVING) through a TOB. LIVING Inc 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 Inc are included in the Company’s consolidated statement of operations for the period since October 1, 2007.

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 Inc 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 Inc 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
Total assets acquired	¥7,145
Current liabilities	¥5,795
Non-current liabilities	24
Total liabilities assumed	¥5,819

C4 Technology, Inc.

On March 3, 2008, the Company acquired a 69.2 percent equity interest in C4 Technology, Inc. (currently, SBINET) ("C4T"), 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 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*SBI Securities Co., Ltd.*

On October 1, 2007, SBI Securities Co., Ltd., 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 under common control 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 which consists of ¥152,500 million for the common stock of the Company and ¥26 million of related expenses such as research expenses. The difference between the acquisition cost and the minority interests of SBISEC at the acquisition date was recognized as goodwill. Goodwill recorded in connection with the acquisition totaled ¥83,852 million and is being amortized by the straight-line method over 20 years.

This stock exchange is treated as a transaction under common control 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).

SBI Futures Co., Ltd.

On August 1, 2009, the Company reissued 23,040 shares of its treasury stock to SBIFT's shareholders at an exchange ratio of 3 shares for each outstanding share of SBIFT's common stock. As a result of this share exchange, SBIFT became a wholly owned subsidiary of the Company.

The total acquisition cost was ¥279 million (\$2,995 thousand) which consists of ¥277 million (\$2,972 thousand) for the common stock of the Company and ¥2 million (\$23 thousand) of related expenses such as research expenses. The difference between the acquisition cost and the minority interests of SBIFT at the acquisition date was recognized as goodwill. Goodwill recorded in connection with the acquisition totaled ¥34 million (\$366 thousand) and full amount of this goodwill was charged to income when incurred for immaterial amount.

This stock exchange is treated as a transaction under common control 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, 2009, assets required to be segregated in certain financial institutions according to the Commodities Exchange Act were as follows:

	Millions of Yen
	2009
Cash required to be segregated under regulations	¥200

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

	Millions of Yen
	2009
Cash required to be segregated under regulations	¥24

Due to withdrawing from above-mentioned businesses in 2010, SBI did not have such related segregated assets as of March 31, 2010.

5. Real Estate Inventory

Real estate inventory at March 31, 2009 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Real estate for sale	¥10,983	¥ 9,838	\$105,735
Real estate for sale in progress	13,109	7,926	85,190
Real estate for development	2,853	1,403	15,081
Beneficial interest in real estate investment trust	9,570	9,601	103,194
Total	¥36,515	¥28,768	\$309,200

6. Operational Investment Securities and Investment Securities

Operational investment securities and investment securities as of March 31, 2009 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Current (operational investment securities):			
Marketable equity securities	¥ 5,222	¥ 7,231	\$ 77,717
Non-marketable equity securities	78,778	88,660	952,926
Corporate bonds	874	2,282	24,527
Investment in funds	18,432	22,609	243,001
Trust fund investment	1,690		
Others	240	794	8,538
Total	¥105,236	¥121,576	\$1,306,709

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Non-current (investment securities):			
Marketable equity securities	¥ 3,735	¥ 4,945	\$ 53,148
Non-marketable equity securities	1,589	1,391	14,956
Investment in funds	4,091	4,125	44,343
Corporate bonds	235	281	3,018
Trust fund investment	425	486	5,222
Others	13	20	212
Total	¥10,088	¥11,248	\$120,899

The costs and aggregate fair values of operational investment securities and investment securities as of March 31, 2009 and 2010 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2009				
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
March 31, 2010				
Securities classified as available-for-sale:				
Equity securities	¥11,789	¥ 2,298	¥1,911	¥12,176
Investment in funds	9,654	10,471	71	20,054
Corporate bonds	200	2	4	198
Trust funds investments	608		122	486
Others	1,166	23	406	783

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2010				
Securities classified as available-for-sale:				
Equity securities	\$126,712	\$ 24,691	\$20,538	\$130,865
Investment in funds	103,764	112,543	762	215,545
Corporate bonds	2,150	26	45	2,131
Trust funds investments	6,531		1,309	5,222
Others	12,538	240	4,361	8,417

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2009 were as follows. The similar information for 2010 is disclosed in Note 25.

	Carrying Amount Millions of Yen 2009
Available-for-sale:	
Equity securities	¥ 80,367
Investment in funds	22,523
Corporate bonds	1,109
Debt securities and other	120
Total	¥104,119

Proceeds from sales of available-for-sale securities for the years ended March 31, 2008, 2009 and 2010 were ¥51,063 million, ¥4,170 million and ¥15,778 million (\$169,580 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, ¥1,758 million and ¥1,313 million, respectively, for the year ended March 31, 2009 and ¥5,476 million (\$58,858 thousand) and ¥310 million (\$3,329 thousand), respectively, for the year ended March 31, 2010.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at March 31, 2010 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	¥ 910	\$ 9,779
Due after one year through two years	1,044	11,223
Due after two years through three years	868	9,330
Due after three years through four years	165	1,773
Due after four years through five years		
Due in longer than five years	31	327

Securities whose fair values have declined below 50 percent of the acquisition cost are deemed to be other than temporary declines and are reduced to net realizable value by a charge to income. For the years ended March 31, 2008, 2009 and 2010, impairment losses were recorded in the aggregate amount of ¥2,626 million, ¥9,705 million and ¥648 million (\$6,970 thousand), respectively. The impairment losses for operational investment securities are included in operating costs. Please refer to Note 20, "Operating Costs" of these consolidated financial statements.

At March 31, 2009 and 2010, investments in funds consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
SBI BB Media Fund	¥ 1,372	¥ 1,375	\$ 14,785
NEW HORIZON FUND, L.P.	11,022	10,465	112,480
Other funds	10,129	14,894	160,079
Total	¥22,523	¥26,734	\$287,344

7. Trading Assets and Liabilities

At March 31, 2009 and 2010, trading assets and liabilities consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Trading assets:			
Equity securities	¥ 11		
Debt securities	7,050	¥ 901	\$ 9,688
Derivatives	571	2,488	26,739
Others	93	126	1,351
Total	¥7,725	¥3,515	\$37,778
Trading liabilities—Derivatives	¥ 124	¥1,768	\$18,999

8. Securities Deposited and Received

Fair values of the securities deposited by SBI in securities-related businesses at March 31, 2009 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Securities loaned on margin transactions	¥91,588	¥108,452	\$1,165,654
Securities pledged for payables to financial institutions for margin transactions	53,957	49,620	533,315
Substitute securities for guarantee money paid	50,730	80,829	868,754
Securities loaned under agreement	42,106	61,558	661,627

Fair values of the securities received by SBI in securities-related businesses at March 31, 2009 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Securities pledged for loans receivable for margin transactions	¥115,264	¥216,132	\$2,323,004
Securities borrowed on margin transactions	43,113	41,084	441,579
Substitute securities for guarantee money received, which were agreed on as collateral for other transactions	178,488	216,884	2,331,082
Substitute securities for guarantee money received on futures	506	100	1,074
Others	36,570	68,275	733,824

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 ¥209 million as of March 31, 2009, 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, 2009 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Land	¥ 2,953	¥ 7,557	\$ 81,220
Buildings and leasehold improvements	5,162	9,973	107,186
Furniture and equipment	5,551	5,079	54,593
Others	791	4,502	48,395
Total	14,457	27,111	291,394
Less accumulated depreciation	(5,879)	(6,497)	(69,836)
Property and equipment—net	¥ 8,578	¥20,614	\$221,558

11. Investments in Unconsolidated Subsidiaries and Affiliated Companies

Investments in unconsolidated subsidiaries and affiliated companies at March 31, 2009 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Common stock of unconsolidated subsidiaries	¥11,714	¥10,110	\$108,674
Common stock of affiliated companies	11,457	19,393	208,434
Unconsolidated investments in fund	610	453	4,864
Total	¥23,781	¥29,956	\$321,972

12. Short-term and Long-term Debt

Short-term debt at March 31, 2009 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Short-term debt:			
Borrowings from banks, 1.29 to 4.49 percent in 2009 and 0.65 to 2.58 percent in 2010	¥34,389	¥ 48,516	\$ 521,457
Borrowings from other, 0.00 to 3.92 percent in 2009 and 0.80 to 9.75 percent in 2010	20,269	7,099	76,295
Unsecured Japanese yen bonds under Euro medium term note program with a fixed interest rate from 1.84 to 1.96 percent		110,000	1,182,287
Unsecured Japanese yen bonds with a fixed interest rate of 2.30 percent		2,300	24,721
Total	¥54,658	¥167,915	\$1,804,760

Under Euro Medium Term Note Program, the Company issued ¥110,000 million of Japanese yen bonds with a fixed rate from 1.84 to 1.96 percent for the period from April 22, 2009 through March 29, 2010, which are due serially for the period from April 2010 through March 2011. Weighted average interest rates of payables to financial institutions for margin transactions for the years ended March 31, 2009 and 2010 were 0.96 percent and 0.95 percent, respectively.

Long-term debt at March 31, 2009 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Zero coupon unsecured Japanese yen convertible bonds with warrants due April 2009	¥11,480		
Unsecured Japanese yen bonds with a fixed interest rate of 1.70 percent	300	¥ 300	\$ 3,224
Unsecured Japanese yen bonds with a fixed interest rate of 2.08 percent	30,000		
Unsecured loans from financial institutions, due serially through January 2033 with a weighted average floating interest rate of 1.16 percent in 2009 and 1.37 percent in 2010 and a weighted average fixed interest rate of 2.14 percent in 2009 and 2.22 percent in 2010	34,837	40,988	440,546
Total	76,617	41,288	443,770
Less current portion	(63,033)	(13,668)	(146,909)
Long-term debt, less current portion	¥13,584	¥ 27,620	\$ 296,861

Annual maturities of long-term debt as of March 31, 2010 for the next five years and thereafter were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2011	¥13,668	\$146,909
2012	10,066	108,190
2013	16,494	177,278
2014	100	1,075
2015		
2016 and thereafter	960	10,318
Total	¥41,288	\$443,770

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 became due April 8, 2009 and the unexercised warrants expired on March 18, 2009, their expiration date.

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

SBI has bank overdraft facilities of ¥123,909 million (\$1,331,786 thousand) available for working capital use, ¥80,679 million (\$867,144 thousand) of which was unused at March 31, 2010.

13. Pledged Assets

The carrying amounts of assets pledged as collateral for short-term debt of ¥29,246 million and ¥10,194 million (\$109,567 thousand) at March 31, 2009 and 2010, current portion of long-term debt of ¥4,280 million and ¥905 million (\$9,725 thousand) at March 31, 2009 and 2010 and for long-term debt, including bonds of ¥1,011 million and ¥960 million (\$10,318 thousand) at March 31, 2009 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Cash and cash equivalents	¥ 276	¥ 113	\$ 1,212
Real estate inventory	11,188	10,519	113,061
Operational investment securities		738	7,926
Operational loans receivable	15,261	2,864	30,784
Notes and accounts receivable—trade	574	587	6,312
Prepaid expenses and other current assets	14,455	3,289	35,350
Total	¥41,754	¥18,110	\$194,645

Securities received as collateral for financing from broker's own capital of ¥475 million and ¥1,130 million (\$12,143 thousand) were pledged as collateral for payables to financial institutions for margin transactions at March 31, 2009 and 2010, respectively.

14. Unearned Income

Unearned income at March 31, 2009 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
SBI BB Media Fund	¥ 473	¥ 157	\$ 1,693
SBI BROADBAND CAPITAL K.K.	232	209	2,249
Others	1,380	1,683	18,085
Total	¥2,085	¥2,049	\$22,027

15. Liability for Employees' Retirement Benefits

The Company and certain consolidated subsidiaries have the employee's pension plan, a contributory funded defined benefit pension plan, and a defined contribution pension plan. Certain of the Company's consolidated subsidiaries have the employee's pension plan as a contributory funded defined benefit pension plan together with either a non-contributory funded defined benefit pension plan or a defined contribution pension plan for the employees' retirement plan. During the previous 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 was 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, 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 and ¥140,968 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 Association of Welfare Pension Fund in the Commodity Futures Industry were ¥66,701 million and ¥63,454 million, respectively.

As of March 31, 2010, 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 ¥127,937 million (\$1,375,078 thousand) and ¥155,637 million (\$1,672,795 thousand), respectively.

As of March 31, 2010, fair values of plan assets and actuarial pension liabilities under the contributory funded defined benefit pension plan managed by Association of Welfare Pension Fund in the Commodity Futures Industry were ¥48,151 million (\$517,528 thousand) and ¥62,296 million (\$669,555 thousand), respectively.

The liability for employees' retirement benefits included in other long-term liabilities at March 31, 2009 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Projected benefit obligation	¥227	¥108	\$1,165
Fair value of plan assets	(99)	(56)	(602)
Net liability	¥128	¥ 52	\$ 563

The components of net periodic benefit costs for the years ended March 31, 2008, 2009 and 2010 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2008	2009	2010	2010
Service cost	¥193	¥211	¥177	\$1,908
Net periodic benefit costs	193	211	177	1,908
Contributions to the defined contribution pension plan and advance retirement payments	228	252	277	2,975
Total	¥421	¥463	¥454	\$4,883

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.

16. 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.

17. Equity

Japanese companies are subject to the Companies Act of Japan (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 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, 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 listed in shareholder list. As a result, the Company's common stock and capital surplus increased by ¥57 million and ¥102,250 million, respectively.

During the year ended March 31, 2010, the Company issued 13,558 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 SBIFT a wholly owned subsidiary, the Company allotted 23,040 shares of its treasury stock to SBIFT's shareholders listed in shareholder list. As a result, the Company's common stock increased by ¥69 million (\$746 thousand) and capital surplus decreased by ¥43 million (\$467 thousand), respectively.

18. Stock Option Plan

Stock options outstanding as of March 31, 2010 are as follows:

Stock Options 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 (\$223.52)	From December 20, 2003 to December 19, 2011
2002 Stock Option (1)	11,448 shares	2002.12.20	¥5,984 (\$64.32)	From December 20, 2004 to December 19, 2012
2003 Stock Option (1)	19,368 shares	2003.9.25	¥17,879 (\$192.16)	From December 20, 2004 to December 19, 2012
2003 Stock Option (2)	56,061 shares	2003.9.25	¥17,879 (\$192.16)	From June 24, 2005 to June 23, 2013
2003 Stock Option (3)	15,813 shares	2003.10.23	¥27,655 (\$297.24)	From June 24, 2005 to June 23, 2013
2005 Stock Option (1)	24,534 shares	2005.7.28	¥35,078 (\$377.02)	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	53,082.54 shares	2002.7.1	¥12,079 (\$129.83)	From June 21, 2004 to June 20, 2012
SBI HOME Planner Co., LTD. 2003 Stock Option	474 shares	2004.4.15	¥23,200 (\$249.36)	From June 28, 2005 to June 27, 2013
SBI HOME Planner Co., LTD. 2004 Stock Option	696 shares	2004.9.29	¥25,600 (\$275.15)	From October 2, 2006 to September 30, 2010
SBI HOME Planner Co., LTD. 2004 Stock Option	60 shares	2004.10.29	¥25,600 (\$275.15)	From October 2, 2006 to September 30, 2010
SBI Partners Co., Inc. 2005 Stock Option	550 shares	2005.11.29	¥37,060 (\$398.32)	From December 1, 2005 to October 31, 2013
FINANCE ALL CORPORATION 2002 Stock Option	3,840 shares	2002.9.25	¥4,465 (\$47.99)	From September 25, 2004 to September 24, 2012
FINANCE ALL CORPORATION 2003 Stock Option	6,400 shares	2003.8.2	¥4,465 (\$47.99)	From August 2, 2005 to August 1, 2013
WORLD NICHIEI Securities Co., LTD. 2003 Stock Option	172.50 shares	2003.7.15	¥17,392 (\$186.93)	From July 1, 2005 to June 26, 2013
WORLD NICHIEI FRONTIER Securities Co., LTD. 2004 Stock Option	19,344.15 shares	2004.6.29	¥50,174 (\$539.27)	From June 30, 2006 to June 29, 2014
WORLD NICHIEI FRONTIER Securities Co., LTD. 2004 Stock Option	34.50 shares	2004.12.22	¥31,914 (\$343.01)	From June 30, 2006 to June 29, 2014
SBI Securities Co., Ltd. 2005 Stock Option	19,311.95 shares	2005.7.4	¥46,957 (\$504.70)	From June 30, 2007 to June 29, 2015
SBIH (1) Stock Option*	48,116.70 shares	2008.8.1	¥12,477 (\$134.10)	From August 1, 2008 to June 21, 2010
SBIH (2) Stock Option*	7,987.50 shares	2008.8.1	¥12,477 (\$134.10)	From August 1, 2008 to June 21, 2010
SBIH (3) Stock Option*	13,142.10 shares	2008.8.1	¥48,287 (\$518.99)	From August 1, 2008 to June 23, 2013
SBIH (4) Stock Option*	1,682.70 shares	2008.8.1	¥56,518 (\$607.46)	From August 1, 2008 to June 23, 2013
Total	313,512.64 shares			

* 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
SBI Mortgage Co., Ltd.				
Stock Option (1)	4,700 shares (4,700 shares)	2005.5.25	¥7,500 (\$80.61)	From May 26, 2007 to May 25, 2015
SBI Life Living Co., Ltd.				
Stock Option (2)	19 shares	2005.8.29	¥100,000 (\$1,074.81)	From August 30, 2007 to August 29, 2015
Stock Option (3)	960 shares	2008.6.1	¥270,834 (\$2,910.94)	From June 1, 2008 to March 31, 2013
Total	979 shares			
SBI Biotech Co., Ltd.				
Stock Option (1)	620 shares (620 shares)	2002.10.15	¥5,000 (\$53.74)	30 months after 6 months passed from the IPO
Stock Option (2)	536 shares (536 shares)	2002.10.15	¥5,000 (\$53.74)	From October 15, 2004 to August 31, 2012
Stock Option (5)	90 shares (90 shares)	2005.9.28	¥175,000 (\$1,880.91)	From September 29, 2005 to August 30, 2015
Total	1,246 shares (1,246 shares)			
SBI VeriTrans Co., Ltd.				
2004 Stock Option	516 shares	2004.2.13	¥5,741 (\$61.70)	From February 13, 2006 to February 12, 2014
Morningstar Japan K.K.				
2001 Warrant	256 shares	2001.5.18	¥320,375 (\$3,443.41)	From March 16, 2003 to March 15, 2011
2003 Stock Option (1)	2,448 shares	2003.11.5	¥57,500 (\$618.01)	From March 20, 2005 to March 19, 2013
2006 Stock Option (2)	250 shares	2006.4.21	¥133,500 (\$1,434.87)	From March 24, 2008 to March 23, 2016
Total	2,954 shares			
Gomez Consulting Co., Ltd.				
2003 Stock Option	410 shares	2003.3.15	¥44,250 (\$475.60)	From March 15, 2005 to March 14, 2013
2005 Stock Option	294 shares	2005.6.15	¥100,000 (\$1,074.81)	From June 3, 2007 to June 2, 2015
Total	704 shares			
HOMEOSTYLE, Inc.				
Warrant (1)	4,975 shares (4,975 shares)	2002.4.5	¥9,636 (\$103.57)	From June 1, 2002 to March 12, 2012
Warrant (2)	979 shares (979 shares)	2004.8.24	¥9,636 (\$103.57)	From June 1, 2002 to March 12, 2012
Stock Option (3)	426 shares (426 shares)	2005.2.28	¥16,000 (\$171.97)	From March 1, 2007 to February 24, 2015
Stock Option (4)	8,403 shares (8,403 shares)	2006.3.31	¥19,000 (\$204.21)	From April 1, 2008 to March 25, 2016
TK International Co., Ltd.				
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 (\$127.93)	From July 6, 2006 to June 30, 2014
Total	18,864 shares (18,864 shares)			

Stock Option	Number of Options Outstanding (Non-vested)	Date of Grant	Exercise Price	Exercise Period
Autoc one K.K.				
Stock Option (1)	5,900 shares (5,900 shares)	2002.12.27	¥10,000 (\$107.48)	From November 1, 2004 to September 30, 2012
Stock Option (2)	50 shares (50 shares)	2003.10.20	¥10,000 (\$107.48)	From November 1, 2005 to September 30, 2012
Stock Option (3)	1,300 shares (1,300 shares)	2004.10.29	¥50,000 (\$537.40)	From August 1, 2006 to May 31, 2014
Stock Option (4)	200 shares (200 shares)	2005.2.25	¥50,000 (\$537.40)	From August 1, 2006 to May 31, 2014
Stock Option (5)	100 shares (100 shares)	2005.4.20	¥50,000 (\$537.40)	From August 1, 2006 to May 31, 2014
Stock Option (6)	50 shares (50 shares)	2005.4.20	¥50,000 (\$537.40)	From August 1, 2006 to May 31, 2014
Stock Option (7)	1,090 shares (1,090 shares)	2006.4.20	¥50,000 (\$537.40)	From June 28, 2007 to June 27, 2015
Stock Option (8)	110 shares (110 shares)	2008.3.28	¥60,000 (\$644.88)	From June 29, 2009 to June 28, 2017
Total	8,800 shares (8,800 shares)			
SBI Trade Win Tech Co., Ltd.				
Warrant (2)	1,000 shares (1,000 shares)	2000.10.20	¥50,000 (\$537.40)	From January 1, 2001 to April 16, 2012
Warrant (3)	320 shares (320 shares)	2002.4.17	¥460,000 (\$4,944.11)	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, 2008, 2009 and 2010 is as follows:

	SBI Holdings, Inc.	SBI Mortgage Co., Ltd.	SBI Life Living Co., Ltd.	SBI Biotech Co., Ltd.	SBI Futures Co., Ltd.	SBI VeriTrans Co., Ltd. (Shares)
Year Ended March 31, 2008						
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
Year Ended March 31, 2009						
Non-vested:						
March 31, 2008—outstanding		4,700*2		1,376	473	2,064
Granted	75,923.85*1		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
Year Ended March 31, 2010						
Non-vested:						
March 31, 2009—outstanding		4,700		1,246	183	
Granted						
Cancelled					183	
Vested						
March 31, 2010—outstanding		4,700		1,246		
Vested:						
March 31, 2009—outstanding	330,383.77		979		950	1,632
Vested						
Exercised	13,571.35					1,116
Cancelled	3,299.78				950	
March 31, 2010—outstanding	313,512.64		979			516

*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.	SBI Trade Win Tech Co., Ltd. (Shares)
Year Ended March 31, 2008						
Non-vested:						
March 31, 2007—outstanding	510	380* ³	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* ³			645	
Vested	250	380				
Exercised	68	126				
Cancelled	764	40			125	
March 31, 2008—outstanding	3,094	874			520	
Year Ended March 31, 2009						
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	
Year Ended March 31, 2010						
Non-vested:						
March 31, 2009—outstanding			18,899	9,760		1,320
Granted						
Cancelled			35	960		
Vested						
March 31, 2010—outstanding			18,864	8,800		1,320
Vested:						
March 31, 2009—outstanding	2,954	704			455	
Vested						
Exercised						
Cancelled					455	
March 31, 2010—outstanding	2,954	704				

*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)
Year Ended March 31, 2008					
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	
Year Ended March 31, 2009					
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					
Year Ended March 31, 2010					
Non-vested:					
March 31, 2009—outstanding					
Granted					
Cancelled					
Vested					
March 31, 2010—outstanding					
Vested:					
March 31, 2009—outstanding					
Vested					
Exercised					
Cancelled					
March 31, 2010—outstanding					

19. Revenue From Trading

Gain (loss) on trading included in operating revenues for the years ended March 31, 2008, 2009 and 2010 consisted of the following:

	Millions of Yen								
	2008			2009			2010		
	Realized Gain	Unrealized Gain (Loss)	Total	Realized Gain	Unrealized Gain (Loss)	Total	Realized Gain	Unrealized Gain (Loss)	Total
Equity securities	¥ 360	¥ (5)	¥ 355	¥ 110	¥ (2)	¥ 108	¥ 4	¥ 35	¥ 39
Debt securities	1,512	5	1,517	869	(6)	863	195	42	237
Others	1,475	(17)	1,458	2,943	846	3,789	11,121	297	11,418
Total	¥3,347	¥(17)	¥3,330	¥3,922	¥838	¥4,760	¥11,320	¥374	¥11,694

	Thousands of U.S. Dollars		
	2010		
	Realized Gain	Unrealized Gain (Loss)	Total
Equity securities	\$ 41	\$ 377	\$ 418
Debt securities	2,101	449	2,550
Others	119,529	3,190	122,719
Total	\$121,671	\$4,016	\$125,687

Gains on certain businesses other than securities-related business of ¥43 million, ¥47 million and ¥82 million (\$881 thousand) were included in gain on trading for the years ended March 31, 2008, 2009 and 2010, respectively.

20. Operating Costs

Operating costs for the years ended March 31, 2008, 2009 and 2010 consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2008	2009	2010	2010
Cost of operational investment securities	¥ 34,310	¥4,728	¥ 7,805	\$ 83,890
Provision for valuation allowance for operational investment securities	1,125	1,624	3,074	33,040
Financial charges	5,882	6,171	3,851	41,396
Rental and lease costs	5,069	3,627	4,740	50,940
Cost of sales arising from real estate business	41,163	12,051	3,869	41,582
Others, including administrative expenses	27,795	35,433	35,800	384,778
Total	¥115,344	¥63,634	¥59,139	\$635,626

The cost of operational investment securities for the years ended March 31, 2008, 2009 and 2010 included write-downs of operational investment securities and securities held by funds of ¥2,041 million, ¥2,702 million and ¥702 million (\$7,547 thousand), respectively.

21. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2008, 2009 and 2010 consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2008	2009	2010	2010
Compensation for directors	¥ 1,796	¥ 1,564	¥ 1,353	\$ 14,548
Provision for allowance for doubtful accounts	2,768	3,181	2,140	23,007
Payroll and bonuses	8,812	10,018	9,971	107,167
Provision for retirement allowances for directors	24	35		
Retirement benefit costs	61	53	25	269
Provision for accrued bonuses	495	50	54	576
Subcontracting fees	9,265	9,827	10,413	111,917
Amortization of goodwill	2,460	6,002	7,765	83,454
Research and development costs	1,106	615	447	4,809
Others	37,830	31,540	29,803	320,327
Total	¥64,617	¥62,885	¥61,971	\$666,074

22. 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, 2009 and 2010.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2009 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Deferred tax assets:			
Current:			
Write-down of operational investment securities	¥ 1,530	¥ 4,181	\$ 44,942
Valuation allowance for operational investment securities	753	1,712	18,405
Allowance for doubtful accounts	709	1,259	13,527
Tax loss carryforwards	1,387	1,313	14,109
Accrued enterprise taxes	256	399	4,292
Unrealized gain on available-for-sale securities	990		
Other	800	1,373	14,756
Less valuation allowance	(510)	(1,100)	(11,822)
Total	5,915	9,137	98,209
Non-current:			
Tax loss carryforwards	13,706	14,230	152,943
Allowance for doubtful accounts	1,563	1,218	13,090
Write-down of investment securities	5,455	4,287	46,075
Reserve for liability for securities transactions	2,951	2,942	31,623
Other	1,324	2,179	23,422
Less valuation allowance	(14,498)	(9,813)	(105,477)
Total	10,501	15,043	161,676
Total	¥ 16,416	¥24,180	\$ 259,885
Deferred tax liabilities:			
Current—unrealized gain on available-for-sale securities			
		¥ 4,430	\$ 47,616
Total		4,430	47,616
Non-current:			
Unrealized gain on available-for-sale securities	¥ 278	1,198	12,872
Other	188	188	2,020
Total	466	1,386	14,892
Total	¥ 466	¥ 5,816	\$ 62,508

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, 2008, 2009 and 2010 is as follows:

	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	40.69%
Permanent differences	(1.47)
Amortization of goodwill	(17.83)
Investment loss on the equity method	(6.33)
Change in valuation allowance	(40.63)
Other—net	(12.55)
Actual effective tax rate	(38.12)%
	2010
Normal effective tax rate	40.69%
Permanent differences	20.71
Amortization of goodwill	343.09
Minority interests in fund, etc.	50.47
Investment loss on the equity method	4.35
Consolidated adjustments of loss on sale of consolidated subsidiaries	(173.26)
Change in valuation allowance	(219.29)
Other—net	13.20
Actual effective tax rate	79.96%

23. Leases

Lessee

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

Total rental expenses for the years ended March 31, 2008, 2009 and 2010 were ¥6,648 million, ¥6,578 million and ¥6,447 million (\$69,288 thousand), respectively, including ¥2,265 million, ¥2,184 million and ¥1,851 million (\$19,894 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, 2009 and 2010 was as follows:

	Millions of Yen							
	2009				2010			
	Building	Furniture and Equipment	Software	Total	Building	Furniture and Equipment	Software	Total
Acquisition cost	¥661	¥8,661	¥989	¥10,311	¥661	¥5,645	¥501	¥6,807
Accumulated depreciation	522	5,859	730	7,111	551	4,346	394	5,291
Net leased property	¥139	¥2,802	¥259	¥ 3,200	¥110	¥1,299	¥107	¥1,516

	Thousands of U.S. Dollars			
	2010			
	Building	Furniture and Equipment	Software	Total
Acquisition cost	\$7,103	\$60,679	\$5,384	\$73,166
Accumulated depreciation	5,919	46,712	4,242	56,873
Net leased property	\$1,184	\$13,967	\$1,142	\$16,293

Obligations under finance leases including interest portion as of March 31, 2009 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Due within one year	¥1,744	¥1,168	\$12,559
Due after one year	1,653	484	5,199
Total	¥3,397	¥1,652	\$17,758

Depreciation expense and interest expense under finance leases for the years ended March 31, 2008, 2009 and 2010 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2008	2009	2010	2010
Depreciation expense	¥2,149	¥1,986	¥1,678	\$18,035
Interest expense	111	92	53	574
Total	¥2,260	¥2,078	¥1,731	\$18,609

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, 2009 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Due within one year	¥7	¥1	\$16
Due after one year	2	1	7
Total	¥9	¥2	\$23

Lessor

The net investments in leases as of March 31, 2009 and 2010 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Gross lease receivables	¥14,862	¥12,566	\$135,062
Unguaranteed residual values	40	39	420
Unearned interest income	(865)	(645)	(6,932)
Investment in lease, current	¥14,037	¥11,960	\$128,550

Maturities of lease receivables for finance leases that deem to transfer ownership of the leased property to the lessee as of March 31, 2010 are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
	2010	2010
2011	¥2,077	\$22,329
2012	1,861	20,002
2013	1,357	14,586
2014	704	7,564
2015	321	3,448
2016 and thereafter		
Total	¥6,320	\$67,929

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, 2010 are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
	2010	2010
2011	¥ 3,177	\$ 34,146
2012	2,452	26,361
2013	2,105	22,620
2014	1,885	20,256
2015	1,761	18,931
2016 and thereafter	1,186	12,748
Total	¥12,566	\$135,062

The future minimum lease receivables under noncancelable operating leases at March 31, 2009 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Due within one year	¥2	¥2	\$19
Due after one year	2		6
Total	¥4	¥2	\$25

The lease receivables and lease investment assets under sublease transaction recorded at the amount including interest portion as of March 31, 2009 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Current assets	¥8,474	¥7,231	\$77,714

Obligations under sublease transaction recorded at the amount including interest portion as of March 31, 2009 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Current liabilities	¥1,350	¥1,530	\$16,449
Long-term liabilities	6,682	5,152	55,371

24. Related Party Information

a. Related Party Transactions

Transactions of SBI with unconsolidated subsidiaries and affiliated companies for the years ended March 31, 2008, 2009 and 2010 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2008	2009	2010	2010
Loan receivable		¥15,000		
Interest income		143		

Transactions of SBI with the Company's Representative Director and CEO for the years ended March 31, 2008, 2009 and 2010 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2008	2009	2010	2010
Sales of common stock	¥350	¥1,002	¥2,975	\$31,977
Loans payable		900		
Repayment of loans payable		900		
Interest expense		6		

b. Significant Related Companies Information

Summarized financial information of SBI Sumishin NetBank, Ltd. as a significant related company for the year ended March 31, 2010 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2010	2010
Total assets	¥1,248,640		\$13,420,469
Total liabilities	1,222,011		13,134,262
Total equity	26,629		286,207
Operating revenues	20,739		222,903
Income before income taxes	2,323		24,966
Net income	2,316		24,893

25. Financial Instruments and Related Disclosures

On March 10, 2008, the ASBJ revised ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. SBI applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) Group Policy for Financial Instruments

SBI is engaged in a wide range of financial related businesses such as investment businesses, fund management businesses, securities businesses, leasing businesses, loan businesses, credit card businesses, and insurance businesses to avoid excessive concentration of risk on specific entities or businesses.

To operate these businesses, SBI raises funds by indirect financing such as bank borrowing, direct financing such as bond issuance and equity financing, and transaction with securities finance companies, considering market environment and the balance of short and long term financing.

SBI enters into foreign currency forward contracts and interest swap transactions primarily to hedge foreign exchange risk and to manage its interest rate exposures on borrowings and does not hold or issue them for speculative purpose. SBI enters into stock index futures for the purpose of day trading or capping of the

size of their transactions. Foreign exchange margin transactions are used for business purpose and for avoiding the risk of developing from transactions to clients. One to one transaction is conducted to counterparties based on the "Position Management Rule."

(2) Nature and Extent of Risks Arising from Financial Instruments

Financial assets held by SBI primarily consist of investment-related assets, securities-related assets and financing-related assets.

Investment-related assets include marketable securities, operational investment securities, and investment securities, which primarily represent equity interests in stocks and funds. These assets are held through the Company or certain consolidated subsidiaries (including the consolidated investment funds) of the Company for the purpose of alliance with or aiming at either income or capital gain. These assets are exposed to the issuer's credit risk and the stock price fluctuation risk. Furthermore, unlisted equity securities have low liquidity and investment assets denominated in foreign currency are exposed to the risk of exchange fluctuations.

Securities-related assets consist of trading assets, margin transaction assets, short-term guarantee deposits and cash required to be segregated under regulations. These assets are exposed to the credit risk of the brokerage customers of some of the consolidated subsidiaries, securities finance companies, and financial institutions as well as the interest-rate risk.

Financing-related assets consist of operational loans receivable, lease receivables and lease investment assets and accounts receivable. These assets include real-estate loans for domestic companies and individuals, unsecured personal loans, lease receivables and lease investment assets for domestic operational companies and the proceeds from the sales of leasing business or credit card business. These assets are exposed to the credit risk of accounts such as failure of the performance of obligations due to worsening economic circumstances together with the credit risk.

Financial liabilities of SBI primarily consist of borrowings, bonds and securities-related liabilities.

Borrowings create credit risk by change or reluctance of financial institutions toward SBI while bonds are subject to credit risk through finance limitation caused not only by the market environment but also by lower credit ratings.

Securities-related liabilities consist of margin transaction liabilities, loans secured by securities on repurchase agreement transactions, consignment guarantee money received for margin transactions, customers' deposits as collateral for commodity futures and customers' deposits for securities transactions. The financing environment of the security business operated by SBI's certain subsidiaries is affected by the business policy of security finance companies and change in customers' investment strategy. However, our control to match the financing with the related security assets is considered to reduce the resulting risks.

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. Stock index futures are managed as a part of investment business and exposed to market risk. Because the counterparties to foreign currency forward contracts and interest rate swap agreements are limited to major domestic financial institutions, and stock index futures are traded in the public market, the credit risk arising from non-performance is considered minimal. Foreign exchange margin transactions are used with customers for business purpose as well as avoiding the risk developing from transactions with customers. Foreign exchange margin transactions are subject to market risk such as interest and foreign exchange rate, and credit risk for customers. Transactions with counterparties are subject to credit risk and settlement risk.

(3) Risk Management for Financial Instruments

In order to secure financial strength and operational health, SBI has basic risk control policy to grasp and analyze relevant risks and launch appropriate integrated risk control measures. SBI's control policy for credit risk, market risk, and liquidity risk are as follows:

Credit risk management

- (a) Accurately analyze financial conditions of investees/borrowers and quantify relevant credit risk.
- (b) Appropriately manage the balance between own capital and risk by periodic monitoring.
- (c) In case of foreign investments or lending, identify intrinsic risk of investees/borrowers through collaboration with domestic/foreign offices as well as with overseas partners followed by periodic monitoring.
- (d) Recognize investment risk as significant risk to be controlled among various credit risks, and perform detailed analysis of increase/decrease in risk associated with operational investment securities.

Market risk management

- (a) Understand underlying currency and term of assets, and quantify market risk.
- (b) Appropriately manage the balance between own capital and risk by periodic monitoring.
- (c) Never enter into derivative transactions for speculative purposes without established operating rules.

Liquidity risk management

- (a) Secure various means of financing such as bank overdraft arrangement, bond issuance registration or stock issuance.
- (b) Collect information on SBI's capital needs and understand accurate cash flow positions.
- (c) Acknowledge cash flow risk as the significant risk to be controlled among various liquidity risks, receive reports from the department responsible of cash management based upon the liquidity risk management policies stated in (a) and (b) above.

With these policies, SBI assigns a risk management officer who is in charge of risk management and sets up a risk management department in line with the risk management rules and the group risk control rules in order to properly analyze and control the risks. Such risk management department periodically and constantly analyzes and controls SBI's risk conditions.

(4) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted price in active markets. If quoted price is not available, other rational valuation techniques are used instead. As the fair value determination takes variable factors into consideration, such fair values may fluctuate by using different assumptions. The contract amounts of derivative transactions disclosed in this Note do not represent market risk of those derivatives. Also please see Note 26 for the detail of fair value for derivatives.

(a) Fair value of financial instruments

	Millions of Yen		
As of March 31, 2010	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥142,582	¥142,582	
Time deposits	1,233	1,233	
Cash required to be segregated under regulations	318,909	318,909	
Notes and accounts receivable—trade	8,484	8,509	¥ 25
Operational investment securities, investment securities and investments in affiliated companies:			
Available-for-sale	33,697	33,697	
Investments in affiliated companies	1,134	1,136	2
Lease receivables and lease investment assets	17,924	18,063	139
Operational loans receivable	34,694		
Allowance for doubtful accounts	(1,080)		
Operational loans receivable—net	33,614	35,984	2,370
Trading assets—Trading securities	1,027	1,027	
Margin transaction assets	261,641	261,641	
Short-term guarantee deposits	5,944	5,944	
Total	¥826,189	¥828,725	¥2,536
Short-term debt	¥167,915	¥167,915	
Current portion of long-term debt	300	300	
Income taxes payable	4,953	4,953	
Margin transaction liabilities	150,037	150,037	
Loans secured by securities on repurchase agreement transactions	63,781	63,781	
Consignment guarantee money received for margin transactions	222,530	222,530	
Customers' deposits as collateral for commodity futures	59,844	59,844	
Customers' deposits for securities transactions	31,176	31,176	
Long-term debt	40,988	40,994	¥ 6
Total	¥741,524	¥741,530	¥ 6
Derivative transactions	¥ 735	¥ 735	

As of March 31, 2010	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	\$1,532,479	\$1,532,479	
Time deposits	13,250	13,250	
Cash required to be segregated under regulations	3,427,653	3,427,653	
Notes and accounts receivable—trade	91,185	91,452	\$ 267
Operational investment securities, investment securities and investments in affiliated companies:			
Available-for-sale	362,179	362,179	
Investments in affiliated companies	12,186	12,215	29
Lease receivables and lease investment assets	192,652	194,145	1,493
Operational loans receivable	372,898		
Allowance for doubtful accounts	(11,614)		
Operational loans receivable—net	361,284	386,758	25,474
Trading assets—Trading securities	11,038	11,038	
Margin transaction assets	2,812,137	2,812,137	
Short-term guarantee deposits	63,887	63,887	
Total	\$8,879,930	\$8,907,193	\$27,263
Short-term debt	\$1,804,760	\$1,804,760	
Current portion of long-term debt	3,224	3,224	
Income taxes payable	53,242	53,242	
Margin transaction liabilities	1,612,604	1,612,604	
Loans secured by securities on repurchase agreement transactions	685,520	685,520	
Consignment guarantee money received for margin transactions	2,391,764	2,391,764	
Customers' deposits as collateral for commodity futures	643,207	643,207	
Customers' deposits for securities transactions	335,082	335,082	
Long-term debt	440,546	440,613	\$ 67
Total	\$7,969,949	\$7,970,016	\$ 67
Derivative transactions	\$ 7,899	\$ 7,899	

Assets

Cash and Cash Equivalents, Time Deposits, Cash Required to Be Segregated under Regulations, and Short-Term Guarantee Deposits

The fair values are measured at the book values as they approximate the book values because of their short maturities.

Notes and Accounts Receivable—Trade

With respect to notes and accounts receivable with short maturities, fair values are measured at the book values as they approximate the book values.

The fair values of receivables settled over a long-term such as installment sales receivables are measured at the present value of the future cash inflow discounted at the assumed discount rate considering government rates and credit risk rates, by classifying into each type of receivables.

Operational Investment Securities, Investment Securities and Investments in Affiliated Companies, and Trading Assets

The fair values of equity securities are measured at the quoted market price of the stock exchange. The fair values of bonds are measured at the quoted market price of the stock exchange or the price provided by financial institutions. The fair values of investment trust are measured at the basic price announced by financial institutions. The fair values of investments in funds are measured at the fair values of partnership assets based on SBI's percentage share in the contributed capital, if such fair values are available.

The information of the fair value for the marketable and investment securities by classification is included in Note 6.

Lease Receivables and Lease Investment Assets

The fair values of lease receivables and lease investment assets are measured at the present value of the future cash inflow discounted at the assumed discount rate considering government rates and credit risk rates, by classifying into each type of receivables.

Margin Transaction Assets

With respect to receivables from customers of margin transaction assets, the fair values are measured at the book value as the interest rates of the loans are floating rate and reflect the market interest rate within a short period so that, unless the borrower's credit condition changes significantly, the fair values are considered to approximate the book values.

Of these receivables, the fair values of those without set maturity date due to certain conditions such as the placing of a cap on the amount of loans which do not exceed the value of pledged assets, are measured at the book value as, based on the expected repayment term and the terms of interest, the fair values are considered to approximate the book values.

With respect to cash deposits as collateral for securities borrowed of margin transaction assets, the fair values are measured at the book value as for their short maturities.

Operational Loans Receivable

The fair values of operational loans receivable are measured at the present value of the future cash inflows, which are classified into different types of receivables and discounted at the rate determined by reference to an appropriate index such as government bond yield adjusted with relevant credit risk.

As the estimated credit losses are provided based on the individual assessment of recoverability for loans receivable held by certain consolidated subsidiaries with corporate restructuring business, the fair values are considered to approximate the book values, which are derived by deducting estimated credit losses from the balance sheet amount as of the consolidated closing date and are measured at such amount.

Liabilities

The fair values of liabilities other than long-term debt are measured at the book values as they approximate the book values because of their short maturities.

With respect to long-term debt with floating interest rates, the fair values are measured at the book value as the interest rates of the debt reflect the market interest rate within a short period as the credit condition of consolidated subsidiaries that obtained the debt are not expected to change significantly.

With respect to long-term debt with fixed rate, the fair values are measured at the present value of the future cash outflows, where the sum of principal and interest at certain intervals, or the sum of principal and interest determined using interest swap rates for which the special hedge accounting treatment is used, is discounted at the discount rate that may be applicable for similar types of debt.

Derivatives

The information of the fair value for derivatives is included in Note 26.

(b) Financial instruments whose fair value cannot be reliably determined

As of March 31, 2010	Carrying Amount	
	Millions of Yen	Thousands of U.S. Dollars
Available-for-sale securities:		
Unlisted equity securities	¥90,051	\$ 967,882
Unlisted bonds—convertible bonds	2,365	25,414
Investments in funds	6,680	71,799
Stock acquisition rights	31	333
Total	¥99,127	\$1,065,428
Investments in consolidated subsidiaries and affiliated companies:		
Unlisted equity securities	¥28,370	\$ 304,922
Investments in funds	453	4,864
Total	¥28,823	\$ 309,786

Above are excluded from the “Fair value of financial instruments” information as there is no market value and it is extremely difficult to measure the fair value.

(5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

March 31, 2010	Millions of Yen					
	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years
Cash and cash equivalents	¥142,582					
Time deposits	1,233					
Notes and accounts receivable—trade	8,068	¥ 324	¥ 76	¥ 12	¥ 3	¥ 1
Operational investment securities, investment securities and investments in unconsolidated subsidiaries and affiliated companies—Corporate bonds	60	150	50			
Cash required to be segregated under regulations	318,909					
Operational loans receivable	22,899	3,434	2,229	1,106	836	4,190
Margin transaction assets	261,641					
Short-term guarantee deposits	5,944					
Total	¥761,336	¥3,908	¥2,355	¥1,118	¥839	¥4,191

March 31, 2010	Thousands of U.S. Dollars					
	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years
Cash and cash equivalents	\$1,532,479					
Time deposits	13,250					
Notes and accounts receivable—trade	86,714	\$ 3,479	\$ 820	\$ 133	\$ 30	\$ 9
Operational investment securities, investment securities and investments in unconsolidated subsidiaries and affiliated companies—Corporate bonds	645	1,612	538			
Cash required to be segregated under regulations	3,427,653					
Operational loans receivable	246,120	36,911	23,958	11,885	8,986	45,038
Margin transaction assets	2,812,137					
Short-term guarantee deposits	63,887					
Total	\$8,182,885	\$42,002	\$25,316	\$12,018	\$9,016	\$45,047

Maturity analysis for lease receivables and lease investment assets is included in Note 23.

(6) Maturity Analysis for Long-Term Debt and Other Interest Bearing Debt

	Millions of Yen					
	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years
March 31, 2010						
Short-term debt	¥167,915					
Short-term bonds payable	300					
Margin transaction liabilities—Payable to financial institutions	48,813					
Long-term debt	13,368	¥10,066	¥16,494	¥100		¥960
Total	¥230,396	¥10,066	¥16,494	¥100		¥960

	Thousands of U.S. Dollars					
	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years
March 31, 2010						
Short-term debt	\$1,804,760					
Short-term bonds payable	3,224					
Margin transaction liabilities—Payable to financial institutions	524,645					
Long-term debt	143,685	\$108,190	\$177,278	\$1,075		\$10,318
Total	\$2,476,314	\$108,190	\$177,278	\$1,075		\$10,318

26. Derivatives

As noted in Note 25, the Company applied ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." The accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010; therefore, the required information is disclosed only for 2010.

Derivative Transactions to Which Hedge Accounting Is Not Applied at March 31, 2010

	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
March 31, 2010				
Foreign currency forward contracts:				
Short	¥ 28			
Long	29			
Foreign exchange margin transactions:				
Short	112,661		¥(1,753)	¥(1,753)
Long	112,078		2,486	2,486
Total			¥ 733	¥ 733
Stock price index futures—Long	63		¥ 2	¥ 2

	Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
March 31, 2010				
Foreign currency forward contracts:				
Short	\$ 295		\$ (4)	\$ (4)
Long	309			
Foreign exchange margin transactions:				
Short	1,210,887		(18,837)	(18,837)
Long	1,204,623		26,721	26,721
Total			\$ 7,880	\$ 7,880
Stock price index futures—Long	673		\$ 18	\$ 18

The fair values of foreign currency forward contracts, foreign exchange margin transactions and stock price index futures were stated at market values using forward exchange rates, spot exchange rates and quoted closing price of the principal stock exchanges, respectively, on the balance sheet date.

Derivative Transactions to Which Hedge Accounting Is Applied at March 31, 2010

		Millions of Yen		
March 31, 2010	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
	Interest rate swaps—fixed rate payment, floating rate receipt	Long-term debt	¥3,650	¥1,730

		Thousands of U.S. Dollars		
March 31, 2010	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
	Interest rate swaps—fixed rate payment, floating rate receipt	Long-term debt	\$39,230	\$18,594

For certain long-term debt for which interest rate swaps are used to hedge the interest-rate fluctuation, the fair value of derivative financial instruments are included in the fair value of long-term debt as hedged items.

The following is the fair value information for SBI's derivatives to which hedge accounting is not applied at March 31, 2009.

March 31, 2009	Assets		Liabilities	
	Contract Amount	Fair Value	Contract Amount	Fair Value
Foreign currency forward contracts	¥ 27		¥ 31	
Nikkei average futures transactions	40	¥ 3		
Interest swap transactions			200	¥ 1
Foreign exchange margin transactions:				
Customer:				
Short			42,585	1,370
Long			44,088	(1,246)
Counter party:				
Short	22,466	(1)		
Long	20,529	569		
Sub total		568		124
Total		¥571		¥ 125

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 was 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.

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the SBI's exposure to credit or market risk.

27. Contingent Liabilities

a. Credit Guarantees

Credit guarantees as of March 31, 2010 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of bank loans	¥542	\$5,829

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 SBI Incubation Co., Ltd. (a consolidated subsidiary of the Company, "SBIncu" and formerly Partners Investment Co., Ltd. ("PTIV")) in the aggregate amount of ¥11,367 million (\$122,172 thousand) as of March 31, 2010, 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.

PTIV has been merged into SBIncu in November 2009.

28. 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, 2008, 2009 and 2010 was as follows:

	Millions of Yen	Shares	Yen
	Net Income (Loss)	Weighted- Average Shares	EPS
Year Ended March 31, 2008			
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
Year Ended March 31, 2009			
Basic EPS—Net loss available to common shareholders	¥(18,375)	14,909,151	¥(1,232.48)

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

	Millions of Yen	Shares	Yen	U.S. Dollars
	Net Income (Loss)	Weighted- Average Shares		EPS
Year Ended March 31, 2010				
Basic EPS—Net income available to common shareholders	¥2,350	16,750,592	¥140.30	\$1.51
Effect of dilutive securities—Warrants	(387)	49,358		
Diluted EPS—Net income for computation	¥1,963	16,799,950	¥116.84	\$1.26

29. Segment Information

SBI operates in the following business segments:

“Asset Management Business” primarily consists of fund management and investment in Internet technology, environmental energy, financial-related, biotechnology and restructuring companies.

“Brokerage and 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, 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, 2008, 2009 and 2010 was as follows:

(1) Business Segments

a. Revenue and Operating Income (Loss)

Millions of Yen								
Year Ended March 31, 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								
Year Ended March 31, 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								
Year Ended March 31, 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

March 31, 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

Note: 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 for the year ended March 31, 2009.

a. Revenue and Operating Income (Loss)

Millions of Yen

Year Ended March 31, 2010	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	¥20,195	¥46,986	¥24,442	¥29,406	¥3,513	¥124,542		¥124,542
Intersegment revenue		3,137	1,164	2	1,117	5,420	¥(5,420)	
Total revenue	20,195	50,123	25,606	29,408	4,630	129,962	(5,420)	124,542
Operating expenses	18,332	40,748	25,399	29,444	5,145	119,068	2,042	121,110
Operating income (loss)	¥ 1,863	¥ 9,375	¥ 207	¥ (36)	¥ (515)	¥ 10,894	¥(7,462)	¥ 3,432

b. Total Assets, Depreciation and Capital Expenditures

Millions of Yen

March 31, 2010	Asset Management Business	Brokerage & Investment Banking Business	Financial Services Business	Housing and Real Estate Business	System Solution Business	Total	Eliminations/Corporate	Consolidated
Total assets	¥203,216	¥880,835	¥96,918	¥118,047	¥8,404	¥1,307,420	¥(77,480)	¥1,229,940
Depreciation	535	2,324	1,003	430	193	4,485	84	4,569
Capital expenditures	213	6,673	3,676	629	757	11,948		11,948

a. Revenue and Operating Income (Loss)

Thousands of U.S. Dollars

Year Ended March 31, 2010	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	\$217,057	\$505,012	\$262,699	\$316,065	\$37,753	\$1,338,586		\$1,338,586
Intersegment revenue		33,710	12,514	17	12,010	58,251	\$(58,251)	
Total revenue	217,057	538,722	275,213	316,082	49,763	1,396,837	(58,251)	1,338,586
Operating expenses	197,028	437,959	272,990	316,469	55,303	1,279,749	21,951	1,301,700
Operating income (loss)	\$ 20,029	\$100,763	\$ 2,223	\$ (387)	\$ (5,540)	\$ 117,088	\$(80,202)	\$ 36,886

b. Total Assets, Depreciation and Capital Expenditures

Thousands of U.S. Dollars

March 31, 2010	Asset Management Business	Brokerage & Investment Banking Business	Financial Services Business	Housing and Real Estate Business	System Solution Business	Total	Eliminations/Corporate	Consolidated
Total assets	\$2,184,174	\$9,467,267	\$1,041,679	\$1,268,782	\$90,327	\$14,052,229	\$(832,758)	\$13,219,471
Depreciation	5,752	24,982	10,784	4,621	2,070	48,209	898	49,107
Capital expenditures	2,294	71,727	39,504	6,756	8,133	128,414		128,414

Notes: 1. Operating expenses mainly incurred in the Company's administrative headquarters cannot be allocated based upon the business segments above and, therefore, are included in "Eliminations/corporate" of operating expenses with the aggregate amount of ¥3,730 million, ¥4,715 million and ¥4,982 million (\$53,549 thousand) for the years ended March 31, 2008, 2009 and 2010, respectively.

2. Total corporate assets of ¥12,108 million, ¥6,882 million and ¥17,071 million (\$183,481 thousand) included in "Eliminations/corporate" of total assets as of March 31, 2008, 2009 and 2010, respectively, mainly consisted of surplus funds (cash, bank deposits and cash in trust).

(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

Year Ended March 31, 2008	Millions of Yen		
	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%

Year Ended March 31, 2009	Millions of Yen		
	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%

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, 2010 is not significant; therefore, foreign revenue information is not presented herein.

30. Subsequent Events

a. Appropriations of Retained Earnings

At the Board of Directors meeting held on May 26, 2010, the following appropriation of retained earnings was approved:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥100 (\$1.07) per share	¥1,677	\$18,022

b. Issuance of New Shares

At the meeting of the Board of Directors held on June 7, 2010, the Board of Directors approved the issuance of new shares through a public offering. Subsequently on June 23, the related capital payment was completed. The outline of this new share issuance is as follows:

(1) Class and number of shares offered:	3,112,000 shares of common stock
(2) Issue price:	¥11,346 per share
(3) Total issue amount:	¥35,308 million
(4) Issue price to be transferred to capital:	¥5,673 per share
(5) Total issue amount to be transferred to capital:	¥17,654 million
(6) Purpose:	The Company expects to use these funds for investment in internal and external funds and investment and finance for financial subsidiaries and foreign financial agencies.

At the same Board of Directors meeting on June 7, 2010, the Board of Directors approved a new share issuance through third-party allocation to Daiwa Securities Capital Markets Co. Ltd. ("DSCM"), the lead Manager of the aforementioned new share issuance through the public offering, associated with their sales of the new shares through over-allotment. The outline of third-party allocation is as follows:

(1) Class and number of shares offered:	288,000 shares of common stock
(2) Issue price:	¥11,346 per share
(3) Total amount of issue price:	Up to ¥3,267 million
(4) Issue price to be transferred to capital:	¥5,673 per share
(5) Total issue amount to be transferred to capital:	¥1,634 million
(6) Allottee:	Daiwa Securities Capital Markets Co. Ltd.
(7) Subscription period:	July 13, 2010
(8) Payment date:	July 14, 2010

However, the above-mentioned new share issuance through third-party allocation to DSCM was subsequently cancelled on July 9, 2010.

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, 2010 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 40 subsidiaries (including 20 funds) and 1 equity-method affiliate, 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 four 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," "trading assets" "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, 2010 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

Independent Auditors' Report



Deloitte Touche Tohmatsu LLC
 MS Shibaui Building
 4-13-23, Shibaui
 Minato-ku, Tokyo 108-8530
 Japan

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, 2009 and 2010, 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, 2010, 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, 2009 and 2010, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2010, in conformity with accounting principles generally accepted in Japan.

As discussed in Note 30 to the consolidated financial statements, at the meeting of the Board of Directors held on June 7, 2010, the Board of Directors approved new share issuances and related public offering. The new share issuance through the public offering was completed on June 23, 2010 while the new share issuance through third-party allocation was subsequently cancelled on July 9, 2010.

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, 2010. 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, 2010 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.

Deloitte Touche Tohmatsu LLC
 June 29, 2010 (July 9, 2010 as to Note 30)

Member of
 Deloitte Touche Tohmatsu

Corporate Information

The SBI Group (Principal Group Companies)

SBI Holdings, Inc. TSE First Section	
Asset Management Business	Brokerage & Investment Banking Business
<p>Fund management, investment advisory services, etc.</p> <ul style="list-style-type: none"> ① SBI Investment Co., Ltd. Venture capital fund management 100.0% ① SBI CAPITAL Co., Ltd. Buyout and value up fund management 100.0% ① SBI Capital Solutions Co., Ltd. Mezzanine fund management 100.0% ① SBI Asset Management Co., Ltd. Investment advisory services, investment trust management 100.0% ① SBI Arsnova Research, Co., Ltd. Arrangement and management of alternative investments 99.0% ① SBI Biotech Co., Ltd. Pharmaceuticals research and development 20.7% [71.5%] ④ SBI ALApromo Co., Ltd. Development and sales of products that use "5-ALA" (5-Aminolevulinic acid hydrochloride) 50.0% [85.0%] ④ SBI VEN CAPITAL PTE. LTD. Overseas investments (100.0%) <li style="text-align: right; margin-right: 20px;">KOSDAQ ③ Korea Technology Investment Corporation Venture capital in Korea (41.8%*) [44.4%*] Became an equity-method affiliated company in July 2010 <li style="text-align: right; margin-right: 20px;">KOSDAQ ① SBI Global Investment Co., Ltd. Investment advisory services in Korea (42.9%*) Formerly Global Investment Advisory Co., Ltd., renamed in June 2010 <p>Management of IT, Biotechnology, Buyout and other funds, primarily through SBI Investment; origination 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</p>	<p>Securities, investment banking, PTS operation, etc.</p> <ul style="list-style-type: none"> ① SBI SECURITIES Co., Ltd. Comprehensive online securities company 100.0% <li style="margin-left: 20px;">① SBI Benefit Systems Co., Ltd. Services for defined-benefit pension plans (87.0%) ① SBI Liquidity Market Co., Ltd. Provision of market infrastructure to supply liquidity to FX margin trading 100.0% ② SBI Japannext Co., Ltd. Operation of PTS (Proprietary Trading System) 35.7% [45.7%] ③ Strategic Consulting Group, Inc. Financial advisory services 44.4% ④ SBI Fund Bank Co., Ltd. Planning services associated with investment trusts 100.0% <p>A comprehensive securities business centered on the operations of SBI SECURITIES, thereby combining online and traditional "bricks-and-mortar" (face-to-face) business models</p>
	Financial Services Business
	<p>A diversified line of financial services</p> <p>Financial Services Business Division (SBI Holdings, Inc.) Operation of financial product comparison, search and estimate websites</p> <p style="text-align: right;">OSE Hercules</p> <ul style="list-style-type: none"> ① Morningstar Japan K.K. Rating information for investment trust, others 49.6% <li style="text-align: right; margin-right: 20px;">OSE Hercules ① Gomez Consulting Co., Ltd. Evaluation of websites, others (67.9%) [74.2%] ① Morningstar Asset Management Co., Ltd. Investment advisory services, others (100.0%) <li style="text-align: right; margin-right: 20px;">OSE Hercules ① SBI VeriTrans Co., Ltd. Provision of settlement services for EC businesses 42.7% ① SBI Lease Co., Ltd. Comprehensive leasing business 100.0% ① SBI Card Co., Ltd. Credit card business 50.0% ① SBI Servicer Co., Ltd. Management, purchase and recovery of receivables 100.0% ① SBI Business Support Co., Ltd. Call center planning and operation, staffing 100.0% ① SBI Marketing Co., Ltd. Advertising agent 93.0% ⑤ Wall Street Journal Japan K.K. Provision of Japanese translations of content through WSJ.com's Japanese-language website 40.0% ④ Searchina Co., Ltd. Operation of "Searchina," Japan's largest Chinese information website 79.6% [84.4%]

As of 30th June, 2010 (*: as of 31st July, 2010) Note: (): Percentages include indirect holdings by SBIH []: Percentages are total holdings by the SBI 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

	Housing and Real Estate Business	System Solution Business
	Housing loans, real estate investments and developments, lifestyle-related services, etc.	Planning, design and operation of IT systems
	Real Estate Business Division (SBI Holdings, Inc.) Real estate investments, real estate developments, and operation of real estate investment funds	TSE Mothers ① SBI Net Systems Co., Ltd. R&D and providing information security products 71.4% [81.0%]
① SBI Insurance Co., Ltd. Internet-based nonlife insurance company 65.5%	① SBI Mortgage Co., Ltd. Long-term, fixed-rate housing loans 82.0% [99.1%]	① SBI Trade Win Tech Co., Ltd. Development and operation of financial transaction systems (100.0%)
③ SBI Sumishin Net Bank, Ltd. Internet-based full service bank 50.0%	① CEM Corporation Real estate secured loans 22.6% [79.7%]	① C4 Business Integration, Inc. System development using information security (100.0%)
① Autoc one K.K. Internet support service for purchasing automobiles 51.3%	TSE Mothers ① SBI Life Living, Inc. Development and sale of properties and operation of lifestyle-related websites 68.2% Formerly LIVING Corporation, Inc. until July 2009	① SBI Technology Co., Ltd. System consulting (100.0%)
① G-ONE Credit Services Co., Ltd. Auto loans, planning and sales of financial products 100%* To be renamed SBI Credit Co., Ltd. on October 1, 2010	① SBI Planners Co., Ltd. Architectural construction and consulting services (100.0%)	
④ SBI AutoSupport Co., Ltd. Provision of financial services through used car dealers, etc. 70.0%	④ SBI ArchiQuality Co., Ltd. Residential structure inspections and evaluations (100.0%)	Development and operation of system solutions for financial institutions; other activities
④ SBIGEO Marketing Co., Ltd. Nonlife and life insurance agency, etc. 51.0%	④ SBI Guarantee Co., Ltd. Rent guarantees for rental housing 100.0%	
JASDAQ ③ SOLXYZ Co., Ltd. Software development 21.9%	④ SBI Moneyplaza Co., Ltd. "Face-to-face" shops that provide financial products 100.0%	
④ SBI Point Union Co., Ltd. Rewards points system for the SBI Group and other companies 95.0%	① HOMEOSTYLE Inc. Sales and services for beauty care and health food products (49.7%) [80.9%]	
④ SBI Business Solutions Co., Ltd. Back office support services 67.0% [78.0%]	④ SBI Wellness Bank Co., Ltd. Healthcare services for membership 100.0%	
④ SBI artfolio Co., Ltd. Purchase and sale of works of art 100.0%		
⑥ TIEN PHONG COMMERCIAL JOINT STOCK BANK Commercial banking services, etc., in Vietnam [20.0%]	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.	
⑥ PHNOM PENH COMMERCIAL BANK Commercial banking services, etc., in Cambodia 40.0%		
Internet banking, Internet nonlife insurance businesses; card businesses; operation of insurance and loan product comparison websites; provision of payment settlement services; investment trust evaluation; other activities		

Corporate History

1999	March	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
	July	SOFTBANK INVESTMENT CORPORATION (currently SBI Holdings, Inc., hereafter "SBIH") established to undertake venture capital and incubation business
2000	June	Morningstar Japan K.K. listed on NASDAQ Japan (currently Hercules market of the Osaka Securities Exchange)
	September	E*TRADE Japan K.K. (currently SBI Holdings, Inc.) listed on NASDAQ Japan (currently Hercules market of the Osaka Securities Exchange)
	December	SBIH listed on NASDAQ Japan (currently Hercules market of the Osaka Securities Exchange)
2001	August	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)
2002	February	SBIH listed on First Section of Tokyo Stock Exchange
	November	SBIH listed on First Section of Osaka Securities Exchange
2003	June	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
	September	Listed FINANCE ALL CORPORATION on the Hercules market of the Osaka Securities Exchange
	October	SBIH acquired WORLD NICHIEI Securities Co., Ltd. (formerly SBI Securities Co., Ltd.) and converted this company into a subsidiary
2004	October	Listed VeriTrans Inc. (currently SBI VeriTrans Co., Ltd.) on the Hercules market of the Osaka Securities Exchange
	November	Listed subsidiary E*TRADE SECURITIES Co., Ltd. (currently SBI SECURITIES Co., Ltd.) on JASDAQ
2005	March	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
	July	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
2006	March	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
	May	Listed SBI Futures Co., Ltd. on the Hercules market of the Osaka Securities Exchange
	August	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.
2007	February	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 South Korea
	October	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
2008	August	SBI SECURITIES Co., Ltd. became a wholly owned consolidated subsidiary through a share exchange
	September	Sold stock of E*TRADE Korea Co., Ltd., a subsidiary of SBI SECURITIES Co., Ltd.
2009	August	SBI Futures Co., Ltd. became a wholly owned consolidated subsidiary through a share exchange
2010	February	Sold all shares of SBI AXA Life Insurance Co., Ltd. to AXA Japan Holding Co., Ltd.
	April	SBI Futures Co., Ltd. was merged with SBI SECURITIES Co., Ltd.
	June	Accepted the capital increase of KTIC Global Investment Advisory Co., Ltd. (currently "SBI Global Investment Co., Ltd."), a South Korean company listed on KOSDAQ, through a third-party allocation of new shares, and converted this company into a subsidiary
	July	Accepted the capital increase of Korea Technology Investment Corporation, a South Korean company listed on KOSDAQ, through a public offering, and converted this company into an equity-method affiliated company

Topics

2009

- 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 Chinese people
- 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 SBI 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
- SBI Group acquired a 20% equity share of TIEN PHONG COMMERCIAL JOINT STOCK BANK, a commercial bank in Vietnam
- Reached a basic agreement on a comprehensive business alliance and the establishment of a joint venture company with GEO CORPORATION
- September** ■ A part of the VC business of HIKARI Private Equity, Inc., a wholly-owned subsidiary of HIKARI TSUSHIN Inc., was transferred to SBIH with its operating authority of funds
- A TOB was announced for NARUMIYA INTERNATIONAL CO., LTD., through a fund operated by an SBI subsidiary
- October** ■ Announced a business alliance with Gulliver International Co., Ltd. in the field of auto-related financial products
- November** ■ SBI VeriTrans Co., Ltd. established a joint venture, SBI Research Co., Ltd., with the founder of iResearch, China.
- SBI SECURITIES Co., Ltd. started the first “Russian stocks trading” service among major Internet securities companies
- Established a joint venture, SBIGEO Marketing Co., Ltd., with GEO CORPORATION
- December** ■ Launched “The Wall Street Journal” Japan Edition
- The number of customer accounts at SBI SECURITIES Co., Ltd. exceeded 2 million, making it the first company to achieve this figure in the Internet securities business

2010

- January** ■ SBI Liquidity Market Co., Ltd. started providing a market infrastructure for FX margin trading to customers of SBI Sumishin Net Bank, Ltd.
- February** ■ Announced the participation of five SBI Group companies in the “Ponta” common points system
- Sold all shares of SBI AXA Life Insurance Co., Ltd. to AXA Japan Holding Co., Ltd.
- Searchina Co., Ltd., an operator of Japan’s largest Chinese information website, became a subsidiary of SBIH
- March** ■ Announced the entry into Internet-based international money transfer business for the first time in Japan
- Signed a Memorandum of Understanding to establish a joint venture with the China Securities Journal, one of the four major economic newspapers in China
- Concluded the final agreement on the establishment of Shariah compliant PE Funds with the Brunei Ministry of Finance
- Opened “SBI Housing Loan/SBI Money Plaza” in a GEO shop in Yao (Osaka), creating the first shop integrated in a GEO shop
- April** ■ SBI Futures Co., Ltd. was merged with SBI SECURITIES Co., Ltd.
- Established SBI Holdings, Inc. Shanghai Representative Office in Shanghai, China
- May** ■ Accepted the capital increase of KTIC Global Investment Advisory Co., Ltd., a South Korean company listed on KOSDAQ, through a third-party allocation of new shares, and announced it as a subsidiary (Became a consolidated subsidiary and was renamed SBI Global Investment Co., Ltd. in June)
- June** ■ SBI Group acquired 9.99% equity in the Commercial Bank of Ceylon PLC, a major commercial bank in Sri Lanka
- Increased capital by issuing 3.11 million shares through a public offering
- SBI Card Co., Ltd. started issuing “GEO Ponta Visa Card,” a collaborative card with GEO CORPORATION
- Reached an agreement with Jefferies Group, Inc., an American securities company engaged in global investment banking business and others, to establish JV funds for companies in the USA and Asia
- July** ■ Acquired entire holdings of G-ONE Credit Services Co., Ltd. (to be renamed SBI Credit Co., Ltd., on October 1, 2010), which is a credit sales subsidiary of G-ONE Financial Services Co., Ltd., a finance subsidiary of Gulliver International Co., Ltd.
- Announced an acquisition of 7.65% of the outstanding shares of Tianan Insurance Co., Ltd., a major nonlife insurance company in China, from existing shareholders
- Accepted the capital increase of the Korea Technology Investment Corporation, a South Korean company listed on KOSDAQ, through a public offering, and converted this company into an equity-method affiliated company

Board of Directors

(As of June 29, 2010)



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.
Representative Director of Wall Street Journal Japan K.K.
Director of The SBI Children's Hope Foundation



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 Corporate Auditor of Gomez Consulting Co., Ltd.



Director
Taro Izuchi

Representative Director,
Executive Officer 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
Masaki Yoshida

Representative Director and
President of YOSHIDAMASAKI INC.
Representative Director and Chairman
of Watanabe Entertainment Co., Ltd.
Outside Director of KLab Inc.
Outside Director of Giga Media Inc.



Outside Director
Kiyoshi Nagano

Outside Corporate Auditor of
Shin-Etsu Chemical Co., Ltd.



Outside Director
Keiji Watanabe

Independent Outside Director of
ASAHI KOGYOSHA CO., LTD.



Outside Director
Takeshi Natsuno

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



Outside Director
Akihiro Tamaki

Auditor of Essentia Co., Ltd.
Representative Director of SiFA Co., Ltd.
Corporate Auditor of
Avex Group Holdings Inc.



Outside Standing Corporate Auditor
Susumu Watanabe

Outside Director of
MICRO-TECHNICA CO., LTD.



Outside Corporate Auditor
Ryujiro Shimamoto

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



Corporate Auditor
Atsushi Fujii

Outside Corporate Auditor of
SBI SECURITIES Co., Ltd.
Corporate Auditor of
SBI Investment Co., Ltd.



Corporate Auditor
Minoru Tada

Outside Standing Corporate Auditor of
SBI SECURITIES Co., Ltd.

Corporate Data

Company Outline

(As of March 31, 2010)

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

Number of Employees	3,048 (consolidated)
Paid-in Capital	¥55,284 million
Fiscal Year	April 1 to March 31

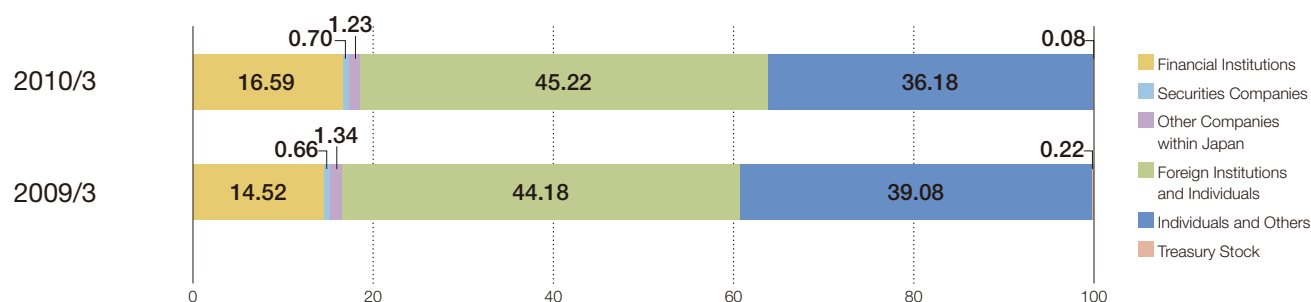
Stock Information

(As of March 31, 2010)

Listings	First Section of the Tokyo Stock Exchange First Section of the Osaka Securities Exchange
Code	8473
Shares Authorized	34,169,000 shares
Shares Outstanding	16,782,291 shares
Shareholder Register	Mizuho Trust & Banking Co., Ltd.

Principal Shareholders	Name	Number of shares held (shares)	Percentage of total outstanding shares (%)
	CBNY-ORBIS Funds	1,668,988	9.94
	CBNY-ORBIS SICAV	1,395,410	8.31
	Japan Trustee Services Bank, Ltd. (Trust account)	835,424	4.97
	The Chase Manhattan Bank, N.A. London S.L. Omnibus Account	580,446	3.45
	The Master Trust Bank of Japan, Ltd. (Trust account)	495,455	2.95
	SSB Client Omnibus OM04	369,205	2.19
	Yoshitaka Kitao	308,126	1.83
	The Bank of New York, Non-Treaty JASDEC Account	163,377	0.97
	State Street Bank-West Pension Fund Clients-Exempt	156,225	0.93
	State Street Bank West Client-Treaty	155,784	0.92

Distribution of Ownership among Shareholders (%)



Major Books of Yoshitaka Kitao, Representative Director & CEO

The SBI Group Vision and Strategy: Continuously Evolving Management

October 2005



(English language translation published by John Wiley & Sons, Inc.)
(Chinese translation published by Tsinghua University Press)

Challenges of E-Finance II

April 2000



(Korean translation published by Dongbang Media Co., Ltd.)

Challenges of E-Finance I

December 1999



(Chinese translation published by The Commercial Press)
(Korean translation published by Dongbang Media Co., Ltd.)

“Value-Creation” Management

December 1997



(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.)

Developing Character

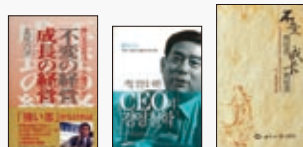
April 2003



(Chinese translation published by World Affairs Press)

Universal Management, Growth Management

October 2000



(Korean translation published by Dongbang Media Co., Ltd.)
(Chinese translation published by World Affairs Press)

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

The Meaning of Life

Successfully Balancing Work and Life

August 2010

Co-authored with Takeshi Natsuno



(Published in Japan by Kodansha Ltd.)

Notes on Masahiro Yasuoka

December 2009



Think Big, Don't Be the Little Guy

My Notes on Chinese Classics

January 2009



Why Do We Work?

March 2007



(Korean translation published by Joongang Books)

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

“Mysterious Powers” Gained from Chinese Classics

July 2005



(Published in Japan by Mikasa Shobo Co., Ltd.)
(Chinese translation published by Peking University Press)

Change Will Be, When Things Are at Their Worst How to Accept and Handle “Change”

October 2009



Reading the Times

August 2008



(Published in Japan by KEIZAIKAI CO., LTD.)

Yoshitaka Kitao's Business Management Lecture

June 2009



(Published in Japan by KIGYOKA NETWORK)

Proverbs of Sages and Renowned Executives Who Overcame Adversity

December 2009



(Published in Japan by Asahi Shimbun Publications Inc.)
(Chinese translation published by Tsinghua University Press)



SBI Holdings, Inc.

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

Tel +81-3-6229-0100 Fax +81-3-3224-1970

www.sbigroup.co.jp/english/



This annual report is printed with soy ink.

Printed in Japan