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SBI HOLDINGS, INC.
(Incorporated in Japan with limited liability)
(Stock code: 6488)

**CONVOCATION NOTICE
FOR THE 14TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

The following set out the Convocation Notice for the 14th Ordinary General Meeting of Shareholders of SBI Holdings, Inc. to be held on 28 June 2012.

As the HDR holders of SBI Holdings, Inc. are entitled to instruct the Depository or its nominee to attend and vote at the 14th Ordinary General Meeting of Shareholders, extracted version of this Convocation Notice together with the proxy form for the 14th Ordinary General Meeting of Shareholders will be sent to them by post.

On behalf of the Board
SBI Holdings, Inc.
Yoshitaka Kitao
Chief Executive Officer

Japan, 6 June 2012

As of the date of this announcement, the executive Directors are Mr Yoshitaka Kitao, Mr Taro Izuchi, Mr Takashi Nakagawa, Mr Kenji Hirai, Mr Tomoya Asakura, Mr Takashi Okita, Mr Noriaki Maruyama, Mr Shumpei Morita, Mr Shinji Yamauchi, Mr Makoto Miyazaki, Mr Yoshimi Takahashi and Mr Masaki Takayanagi, the non-executive Directors are Mr Yasutaro Sawada, Mr Hiroyoshi Kido, Mr Noriyoshi Kimura and Mr Hiroshi Tasaka and the independent non-executive Directors are Mr Masaki Yoshida, Mr Kiyoshi Nagano, Mr Keiji Watanabe, Mr Takeshi Natsuno and Mr Akihiro Tamaki.

Notes:

- (1) This Notice is made for the holders of shares in SBI Holdings, Inc. on 31 March 2012 and is translated from the Japanese Convocation Notice.
- (2) The record date for determining the list of eligible Shareholders entitled to vote at our ordinary general meeting of shareholders is 31 March each year under our Articles of Incorporation. Therefore our shareholders who have acquired our shares after the record date of 31 March 2012 are not entitled to attend and vote at “THE 14TH ORDINARY GENERAL MEETING OF SHAREHOLDERS”. HDR holders who have acquired our HDRs after the record date of 30 March 2012, are not entitled to instruct the Depositary or its nominee to attend and vote at “THE 14TH ORDINARY GENERAL MEETING OF SHAREHOLDERS” under the terms of the Depositary Agreement.

Securities Code: 8473

June 6, 2012

Yoshitaka Kitao

Representative Director and CEO

SBI Holdings, Inc.

1-6-1, Roppongi, Minato-ku, Tokyo, Japan

**CONVOCATION NOTICE
FOR THE 14TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

Notice is hereby given that the 14th Ordinary General Meeting of Shareholders of SBI Holdings, Inc. (the “Company”) will be held as detailed hereinafter, and your attendance is cordially requested.

In the event that you are unable to attend the meeting, you may exercise your voting rights using one of the methods below. To do so, we kindly ask that you first examine “THE REFERENCE MATERIALS FOR THE GENERAL MEETING OF SHAREHOLDERS” set out later in this document, and then exercise your voting rights in accordance with the manner set out in “How to Exercise Voting Rights” (pp.88-90) by the close of the Company’s business (5:45 p.m., Japan time) on Wednesday, June 27, 2012.

Exercise of Voting Rights in Writing

Please indicate on the Voting Rights Exercise Form enclosed herewith your approval or disapproval of the proposals and return the form. The form must reach the Company by the above-mentioned deadline.

Exercise of Voting Rights via the Internet, Etc.

Please refer to “How to Exercise Voting Rights” (pp.88-90) and exercise your voting rights by the above-mentioned deadline.

Particulars

1. **Date and time:** Thursday, June 28, 2012, at 10 a.m., Japan time
2. **Location:** Heian Room, 1st Floor, Main Building, Hotel Okura Tokyo, 2-10-4 Toranomon, Minato-ku, Tokyo, Japan (The meeting room is different from that used last time, so please see “Access to the Meeting Room” set out at the end of this document and make sure you attend the correct meeting room.)
3. **Matters to be dealt with at the Meeting:**

Matters for Reporting

1. Report on the Business Report and the Consolidated Financial Statements, and report on results of the audit by the Accounting Auditor and the Board of Statutory Auditors on the Consolidated Financial Statements for the 14th fiscal year (from April 1, 2011 to March 31, 2012)
2. Report on the Non-Consolidated Financial Statements for the 14th fiscal year

Matters for Resolution

First Item of Business	Partial Amendment to the Articles of Incorporation
Second Item of Business	Election of Seventeen (17) Directors
Third Item of Business	Election of One (1) Substitute Statutory Auditor

— End of convocation notice —

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- * Attendees are kindly requested to submit the enclosed Voting Rights Exercise Form at the reception desk at the entrance of the meeting room.
 - * In the event of any changes being made to “THE REFERENCE MATERIALS FOR THE GENERAL MEETING OF SHAREHOLDERS”, or to the “Business Report”, “Consolidated Financial Statements”, or the “Non-Consolidated Financial Statements”, matters as changed will be posted on the Company’s website on the Internet (<http://www.sbigroup.co.jp/investors/index.html>).
 - * For the purpose of reducing resource consumption, we will stop sending notices of resolutions and other notices after general meetings of shareholders and will post such notices on the Company website (<http://www.sbigroup.co.jp/investors/index.html>) for this meeting and future meetings. Thank you for your understanding.

Information Regarding Debriefing Session on Recent Management News

We hereby inform you that, after the close of the Ordinary General Meeting of Shareholders, we will hold a debriefing session on recent developments in management at the same location.

In this session, held separately from the Ordinary General Meeting of Shareholders, we would like to provide our shareholders with details of the Group's business activities and explain our future prospects. We also hope to address questions or inquiries from our shareholders.

We would be very grateful if you could use some of your valuable time to attend the session, after the Ordinary General Meeting of Shareholders, to further your understanding of the Group.

Business Report
(April 1, 2011 to March 31, 2012)

I. GROUP

1. BUSINESS IN THE CONSOLIDATED FISCAL YEAR ENDED MARCH 31, 2012

(1) Progress of Business and Results

During the consolidated fiscal year ended March 31, 2012, while Japan's economic environment gradually recovered from the economic downturn caused by the Great East Japan Earthquake in March 2011, causes for concern remain with a continuing high unemployment rate and prolonged yen appreciation.

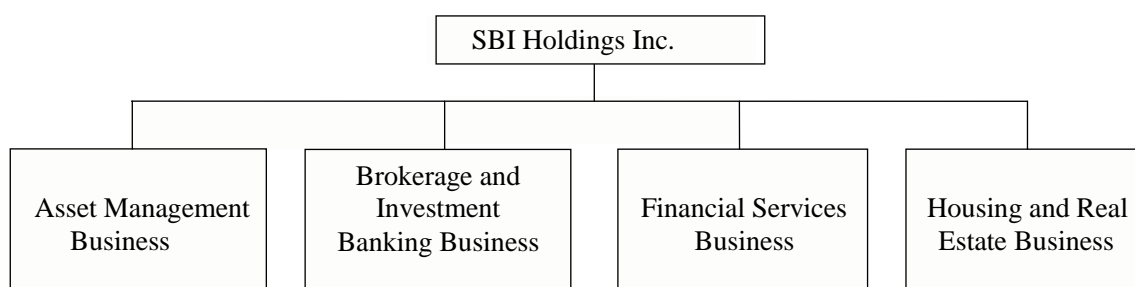
Stock market conditions that significantly impact investment and securities-related businesses were heavily affected by the Great East Japan Earthquake and subsequent economic downturn and remained generally weak in the domestic market with a 14% year-on-year decrease in individual stock brokerage trading value. In overseas markets, high economic growth in emerging countries was impeded by the worldwide economic slowdown stemming from the European Sovereign Debt Crisis. However, the partial recovery of market conditions in Japan, with 37 new listings (up from the preceding year by 14 new listings) and the continuing gentle upswing in the U.S. economy offers hopeful signs for domestic and overseas stock markets.

In the operating environment surrounding the Internet financial services business, consumers continued to be increasingly aware of the merit in utilizing Internet financial services as they sought the most advantageous conditions available in pursuing financial transactions to protect their livelihood. Consequently, the business remained strong with face-to-face transactions shifting to online transactions. We recognize that the market will demonstrate vigorous growth also going forward despite the intensifying competition expected.

The Group's core businesses are the Asset Management Business primarily involving the operation of funds both inside and outside Japan, the Brokerage & Investment Banking Business centered on the securities business, the Financial Services Business offering a wide range of financial services, and the Housing and Real Estate Business mainly involving housing loans and real estate investments. The Group is committed to creating more innovative services and businesses for our customers and investors and maximizing corporate value, which represents the aggregate of customer value, shareholder value, and human capital value.

The consolidated performance for the fiscal year ended March 31, 2012 resulted in net sales of ¥145,074 million (a 2.8% year-on-year increase), operating income of ¥7,575 million (a 15.2% year-on-year decrease), ordinary income of ¥4,860 million (a 37.8% year-on-year increase), and net income of ¥3,200 million (a 29.4% year-on-year decrease), which was affected by the reversal of net deferred tax assets and liabilities owing to the 2011 Tax Reforms.

Principal Contents of Each Business Segment



- Asset Management Business

Asset Management Business primarily consists of fund management and investment in Internet technology, biotechnology, environment and energy, and financial-related venture companies inside and outside Japan; these activities are mainly carried out by the Company, SBI Investment Co., Ltd., and SBI CAPITAL Co., Ltd.

- Brokerage and Investment Banking Business

Brokerage and Investment Banking Business primarily consists of financial businesses, such as entrustment of securities trading, underwriting and offering for sale of IPO shares, offering for subscription or sale of stocks, foreign exchange margin trading, and other financial instrument trading business; these activities are mainly carried out by SBI SECURITIES Co., Ltd. and SBI Liquidity Market Co., Ltd.

- Financial Services Business

Financial Services Business primarily consists of a wide range of financial-related businesses, such as property and non-life insurance businesses and credit card businesses, and the provision of information regarding financial instruments; these activities are mainly carried out by the Company, SBI Insurance Co., Ltd., SBI Card Co., Ltd., and Morningstar Japan K.K.

- Housing and Real Estate Business

Housing and Real Estate Business primarily consists of developing and trading of investment property, financing business related to the granting of mortgage loans and real estate secured loans, operating web sites related to the provision of intermediate services, comparisons, and real estate appraisal services; these activities are mainly carried out by the Company, SBI Life Living Co., Ltd., and SBI Mortgage Co., Ltd.

Outline of Each Business Segment

(millions of yen)

	Reportable segment					Others (Note 2)	Total
	Asset Managem ent Business	Brokerage & Investmen t Banking Business	Financial Services Business	Housing and Real Estate Business	Sub-total		
Net Sales							
Revenue from customers	34,566	41,485	41,001	22,463	139,517	5,557	145,074
Inter-segment revenue	0	2,297	2,352	2	4,652	3,142	7,794
Total	34,566	43,783	43,354	22,466	144,169	8,699	152,869
Segment operating income (loss)	14,183	3,607	(2,640)	3,383	18,533	(3,348)	15,185

(Note)

1. Amounts are rounded down to the nearest million Japanese yen.
2. Business segments classified as “Others” are segments that have been determined to be not reportable and consist of system-related businesses and pharmaceutical businesses.
3. Differences from the operating income of consolidated statement of operations are as follows.

Total of reportable segments	18,533
Losses of “Others”	(3,348)
Elimination among segments	(1,728)
Headquarters expenses	(5,881)
Operating income of consolidated statement of operations	7,575

(i) *Asset Management Business*

In the Asset Management Business, net sales come from two major business categories, namely the Investment in Securities Business and the Investment Advisory Services/Other Businesses.

(Investment in Securities Business)

The Group invests in venture companies in various industries both inside and outside Japan, such as IT, biotechnology, environment and energy, and financial sectors. Revenues come from two main sources in the investment in securities business: (1) “revenue from operational investment securities”, which is derived from the sale of operational investment securities held for the purpose of securing capital gains, and (2) “fees from funds”, which are revenues composed of fund establishment fees, fund management fees, and success fees. When the Company or its consolidated subsidiaries invest in a fund operated by the Group, all net sales 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 consolidated fiscal year ended March 31, 2012, revenue from operational investment securities increased 16.4% year-on-year to ¥31,575 million. This primarily reflected net sales from the funds under the scope of consolidation and revenues from overseas investments. Revenue from fees from funds amounted to ¥1,068 million (down 20.7% year-on-year), which primarily reflected management fees from SBI BROADBAND CAPITAL Silent Partnership and The SBI BB Media Investment Limited Partnership.

(Investment Advisory Services and Other Businesses)

Net sales from investment advisory services and other businesses declined 13.6% year-on-year to ¥1,922 million for the consolidated fiscal year ended March 31, 2012. Revenues mainly came from investment trust management fees and interest income from operational loans receivable.

(ii) *Brokerage & Investment Banking Business*

Net sales in the Brokerage & Investment Banking Business are derived mainly from brokerage commissions from securities transactions, underwriting and sales fees for initial public offerings, commissions from placement and sales of stock, and net trading income and financial revenue from spreads on foreign exchange margin transactions and the like.

In the consolidated fiscal year ended March 31, 2012, net sales in this business decreased 8.5% year-on-year to ¥43,783 million, which was primarily generated by SBI SECURITIES Co., Ltd. and SBI Liquidity Market Co., Ltd.

(iii) *Financial Services Business*

Net sales in the Financial Services Business are composed of revenues generated in the following business components: the Marketplace Business, the Financial Products Business, the Financial Solutions Business, and Other Businesses.

(Marketplace Business)

In this business, the Group operates various finance-related comparison websites such as “InsWeb”, an insurance portal site, and “E-LOAN”, to offer a marketplace of services that enable consumers to search and compare information on financial products and services online.

In the consolidated fiscal year ended March 31, 2012, net sales in the Marketplace Business declined 8.4% year-on-year to ¥5,221 million, which were primarily generated by the Company.

(Financial Products Business)

In the Financial Products Business, we provide a wide range of financial products and services including credit card services, comprehensive leasing services, auto loans and guarantee services, management and collection of specified monetary claims, and receipt financing that involves medical care payment receivables factoring and provision of funds.

In the consolidated fiscal year ended March 31, 2012, net sales in the Financial Products Business rose 10.2% year-on-year to ¥10,253 million. These revenues were generated by SBI Card Co., Ltd., SBI Lease Co., Ltd., SBI Credit Co., Ltd., SBI Servicer Co., Ltd., and SBI Receipt Co., Ltd.

(Financial Solutions Business)

In the Financial Solution Business, we mainly provide online settlement services for EC business operators and call center services for financial institutions.

In the consolidated fiscal year ended March 31, 2012, net sales in this business rose 14.8% year-on-year to ¥9,539 million. This revenue was primarily generated by SBI VeriTrans Co., Ltd. and SBI Business Support Corp.

(Other Businesses)

In the category of Other Businesses, the Group is primarily engaged in the non-life insurance business, with the Internet being the key service channel, the business of providing online information on evaluations of financial products, particularly investment trusts, and other businesses.

Net sales in this category increased 154.0% year-on-year to ¥18,339 million in the consolidated fiscal year ended March 31, 2012. Revenues were mainly generated by SBI Insurance Co., Ltd. and Morningstar Japan K.K.

(iv) *Housing and Real Estate Business*

In the Housing and Real Estate Business, net sales come from the Real Estate Business, the Financial Real Estate Business and the Lifestyle Networks Business.

(Real Estate Business)

In the Real Estate Business, we are primarily engaged in the development and sale of properties for investment purposes, planning and design services associated with investment properties, and advisory services for constructions and real estate.

In the consolidated fiscal year ended March 31, 2012, net sales declined 6.1% year-on-year to ¥9,693 million. This was primarily generated by the Company and SBI Life Living Co., Ltd.

(Financial Real Estate Business)

The Financial Real Estate Business involves provision of housing loans and real estate secured loans.

In the consolidated fiscal year ended March 31, 2012, net sales in this business decreased 4.6% year-on-year to ¥11,107 million. Revenues primarily come from SBI Mortgage Co., Ltd. and CEM Corporation.

(Lifestyle Networks Business)

In the Lifestyle Networks Business, we are mainly engaged in the operation of websites for online intermediary services and comparison and estimate services.

Net sales for the consolidated fiscal year ended March 31, 2012, which were mainly contributed by SBI Life Living Co., Ltd., increased 11.0% year-on-year to ¥1,665 million.

(v) *Others*

In the consolidated fiscal year ended March 31, 2012, net sales in businesses not determined as reportable segments, which consisted of system-related businesses and pharmaceutical businesses, decreased 44.3% year-on-year to ¥8,699 million.

Net sales by business segment as indicated above are before eliminations of intersegment revenues.

(2) **Capital Expenditure**

The amount of capital expenditure for the consolidated fiscal year ended March 31, 2012 was ¥7,108 million.

The amount of capital expenditure by main business segment was as follows.

(i) **Brokerage and Investment Banking Business**

A capital expenditure was made in the amount of ¥4,043 million focusing on enhancement of existing trading systems and software development to provide new services in order to smoothly respond to the increase in the number of orders caused by the increase in the number of customers as well as to provide the customers with expanded services.

(ii) Financial Services Business

A capital expenditure was made in the amount of ¥1,868 million focusing on the development of software to provide convenient and advanced services and the additional development of a core system to smoothly deal with an increase in the number of customers.

(3) **Financing**

In the consolidated fiscal year ended March 31, 2012, the Company procured funds of ¥16,855 million through a public stock offering in relation to its listing on the Main Board of The Stock Exchange of Hong Kong Limited on April 12, 2011 and ¥30,000 million through an issue of unsecured straight bonds on January 30, 2012. Also, the Company newly issued ¥60,000 million in unsecured short-term bonds under the MTN Program established on March 19, 2009. The Company redeemed ¥70,000 million in unsecured short-term bonds under the MTN Program during the consolidated fiscal year ended March 31, 2012, and the amount outstanding as of March 31, 2012 was ¥60,000 million.

2. TRENDS IN GROUP PROPERTY AND GAINS (LOSSES)

Classification	11 th consolidated fiscal year	12 th consolidated fiscal year	13 th consolidated fiscal year	14 th consolidated fiscal year (consolidated fiscal year ended March 31, 2012)
	April 1, 2008 to March 31, 2009	April 1, 2009 to March 31, 2010	April 1, 2010 to March 31, 2011	April 1, 2011 to March 31, 2012
Net sales <i>(millions of yen)</i>	130,922	124,541	141,081	145,074
Ordinary income <i>(millions of yen)</i>	37	1,112	3,525	4,860
Net income <i>(millions of yen)</i>	(18,375)	2,350	4,534	3,200
Net income per share <i>(yen)</i>	(1,232.48)	140.30	236.09	145.58
Total assets <i>(millions of yen)</i>	1,079,233	1,229,939	1,293,606	1,663,814
Net assets <i>(millions of yen)</i>	419,338	428,615	456,982	468,579
Net assets per share <i>(yen)</i>	21,129.47	21,424.02	19,610.64	18,489.18

(Note) The numbers in brackets represent losses.

3. IMPORTANT PARENT COMPANY AND SUBSIDIARIES

(1) Status of Parent Company

Not Applicable

(2) Important Subsidiaries

Business Segment	Business Description	Name	Ownership Ratio of Voting Rights or Investment Ratio (%) (Note 1)
Asset Management Business	Management and operation of investment partnership	SBI Investment Co., Ltd.	100.0
		SBI CAPITAL Co., Ltd.	100.0
		SBI Capital Solutions Co., Ltd.	100.0 (5.0)
	Investment in venture companies inside and outside Japan	SBI BB Mobile Investment LPS	36.9 (0.9)
		SBI Value Up Fund No.1 Limited Partnership	49.8 (6.5)
		SBI VEN HOLDINGS PTE. LTD.	100.0
		SBI KOREA HOLDINGS CO., LTD.	100.0
Investment advisory and other businesses	SBI Asset Management Co., Ltd.	100.0 (10.0)	
Brokerage & Investment Banking Business	Securities-related businesses	SBI SECURITIES Co., Ltd.	100.0
		SBI Liquidity Market Co., Ltd.	100.0
		SBI Japannext Co., Ltd. (Note 2)	47.4 (10.4)
Financial Services Business	Financial products business	SBI Card Co., Ltd.	100.0 (100.0)
		SBI Lease Co., Ltd.	100.0
	Other businesses	SBI Insurance Co., Ltd.	85.5
		Morningstar Japan K.K.	49.2 (0.7)
Housing and Real Estate Business	Real estate business	SBI Life Living Co., Ltd.	68.2
	Financial real estate business	SBI Mortgage Co., Ltd.	95.8 (18.1)
		CEM Corporation	79.7 (57.1)
	Lifestyle networks business	SBI Life Living Co., Ltd.	68.2
Other	System-related business, pharmaceutical business and other	SBI Net Systems Co., Ltd. (Note 3)	100.0 (5.0)
		SBI ALApromo Co., Ltd. (Note 4)	79.2 (79.2)

(Note)

1. In the “Ownership Ratio of Voting Rights or Investment Ratio” column, the investment ratio is presented for investment partnerships, etc. and the ownership ratio of voting rights for other subsidiaries. The numbers in brackets represent the indirect ownership ratio included.
2. SBI Japannext Co., Ltd. is a company accounted for under the equity method.
3. The Company executed a share exchange with SBI Net Systems Co., Ltd. to make the Company a wholly-owning parent company and SBI Net Systems Co., Ltd. its wholly-owned subsidiary on February 1, 2012.
4. SBI ALApromo Co., Ltd. changed its trade name to SBI Pharmaceuticals Co., Ltd. as of April 1, 2012. A subsidiary of the Company executed a share transfer agreement through which a portion of the shares of SBI ALApromo Co., Ltd. was transferred during the consolidated fiscal year ended March 31, 2012.
5. SBI BROADBAND FUND No. 1 LIMITED PARTNERSHIP is excluded from our important subsidiaries because it is currently subject to liquidation.
6. SBI BROADBAND CAPITAL Co., Ltd. is excluded from our important subsidiaries since the liquidation of the silent partnership in which it is a business operator has terminated.
7. The Company and SBI VeriTrans Co., Ltd. executed a share exchange through which the Company became a wholly-owning parent company (through share exchange) of SBI VeriTrans Co., Ltd., which in turn became a wholly-owned subsidiary (through share exchange) of the Company, effective as of August 1, 2011. In addition, the Company excluded SBI VeriTrans Co., Ltd. from its important subsidiaries as it executed a share transfer agreement through which all shares of SBI VeriTrans Co., Ltd. held by the Company were transferred as of March 29, 2012. SBI VeriTrans Co., Ltd. changed its trade name to VeriTrans Inc. as of May 1, 2012.

4. MANAGEMENT ISSUES

The Group has completed the creation of a business structure in Japan as a comprehensive financial conglomerate centered on Internet-based financial services. Overseas, the Group has been rapidly expanding its investment business and establishing an investment framework primarily in Asian countries with remarkable growth. Going forward, we will aggressively promote further expansion of our overseas investment business and provide local foreign financial institutions we invest in with innovative know-how about Internet financial services fostered through our businesses in Japan. By doing so, we expect to become a comprehensive financial group that can make contributions globally with a focus in Asia.

The Company became the first listed company in Japan to be listed on the Main Board of The Stock Exchange of Hong Kong Limited on April 14, 2011. We will maximize this opportunity to enhance our credibility and recognition in Asia to further develop the Group’s businesses.

In Japan, we will accelerate growth as a provider of diverse low-cost, high-quality financial products and services by effectively taking into account the growing sentiment among consumers to cut back on their spending and the increased use of the Internet for executing various financial transactions, and we will also further encourage synergistic effects among businesses we have developed in the Group.

In the Asset Management Business, we recognize as a high priority the expansion of our investments in emerging countries, primarily in Asia, and the establishment of an effective investment system. The Company will pursue setting up funds jointly with our leading local partners while monitoring the economic conditions of such countries as we continue to push establishment and penetration of our global network. We pursue private equity investment by identifying target and concentrating our investments in growth areas with the aim of contributing to developing industries while benefiting from high investment performance. In the future, the Group will continue to invest in four key areas of IT, biotechnology, environment and energy, and finance. In the financial sectors, we will transfer the know-how of the Group and pursue direct investment in overseas financial institutions by which we can expect to enhance the value of corporations we invest in. The Group will also invest in and finance corporations of varying sizes and in different phases of development through operating buy-out and mezzanine funds. In undertaking these business activities, the Group will strive for further growth by continuing to aggressively utilize the resources both inside and outside of the Group and heightening the performance of the funds we operate as we swiftly improve the corporate value of companies we invest in.

In the Brokerage & Investment Banking Business, we will aim to achieve greater growth even in the unstable environment of the Japanese stock markets. SBI SECURITIES Co., Ltd. will continue to expand its overseas product lineups and strengthen foreign exchange transactions and further enhance its call center operations that receive high recognition from evaluating agencies in heightening its service level even more. We will also promote integration of “online” and “real” channels and actively make use of the intermediary business to continue expanding the face-to-face channel while achieving effective cost reductions. Furthermore, with the aim of maximizing synergies within the financial conglomerate, the Company will take a firmer grip on financial companies in the Group, in particular on SBI Sumishin Net Bank, Ltd., to develop the Group’s Internet-based one-stop financial service system.

PTS (proprietary trading system) which has a high level of public accessibility and is operated by SBI Japannext Co., Ltd. posted a considerable increase in trading value, taking up 2.8% of total monthly trading value on the first section of the Tokyo Stock Exchange in March 2012. SBI Liquidity Market Co., Ltd., which began operation in November 2008, provides liquidity and market infrastructure for FX transactions to SBI SECURITIES Co., Ltd. and SBI Sumishin Net Bank, Ltd. The firm will make improvements to the transaction environment and enhance liquidity with the aim of further diversifying sources of revenue in this business.

In the Financial Services Business, we established SBI Sumishin Net Bank, Ltd., SBI Insurance Co., Ltd., and other new companies in 2007 and 2008 for undertaking new businesses in our aim to build an earning structure that does not depend solely on stock markets. It is our key objective to further develop these businesses by encouraging stronger synergistic effects among Group companies. In the Marketplace Business centered on operation of comparison websites such as “InsWeb”, an insurance portal site, and “E-LOAN”, we must continue to expand our service lineups including enhancing content and improving functions. Additionally, in striving for higher growth, we see a need to push development of

Morningstar Japan K.K., which continues to expand its services and channels offered, supported by growing asset management needs.

In the Housing and Real Estate Business, we will pursue real estate development while monitoring market conditions, through making efforts to capture business opportunities and to diversify and stabilize revenues. In the financial real estate category, SBI Mortgage Co., Ltd. has established its own brand as a provider of housing loans with low, all-term fixed interest rates. We will continue to enhance “SBI Money Plaza”, a franchise-based face-to-face channel to continue attracting customers and increasing loan drawdowns. In the lifestyle networks business category under this Business, we are determined to focus our efforts in operating brokering sites to provide useful, attractive services that assist consumers at every stage and for every major event in their lives.

In addition, in July 2010, the Group launched a concept called the “Brilliant Cut Initiative”.

In this initiative, the Group companies and businesses are modeled on the facets of a diamond, namely a “58 brilliant-cut diamond”, known to be the brightest and the most beautiful with each of the facets giving the best shine when cut this way. The 58 major companies and business entities of the Group’s business ecosystem reflect the 58 facets of a brilliant-cut diamond, which together shine most beautifully as one. With the aim of reflecting the most brilliant shine as a Group, we will pursue the “brilliant-cut” initiative in shifting our management emphasis from the traditional group-wide expansion to profitability.

The Group recognizes that continuous enhancement of human resources is an essential Group-wide initiative. It has become increasingly important to secure highly competent individuals that support the rapid expansion of our businesses and to continue developing the skills of our employees. For this purpose, we have been exerting greater efforts in hiring excellent individuals who are willing to share the management philosophy of the Group as well as recruiting university graduates to secure human capital for passing on the Group’s unique corporate culture from one generation of employees to the next. The initiative of recruiting university graduates that began in April 2006 has resulted in individuals with the potential to advance to senior executive positions already contributing strongly in key positions of the organization. We will continue to secure highly competent and global-oriented human resources and promote career development of our staff in pursuing perpetual growth and development of the Group.

5. PRINCIPAL BUSINESS DESCRIPTION OF THE GROUP

(as of March 31, 2012)

Comprehensive financial services with the Asset Management Business, Brokerage & Investment Banking Business, Financial Services Business and Housing and Real Estate Business as core businesses

6. PRINCIPAL PLACE OF BUSINESS OF THE GROUP

(as of March 31,2012)

Tokyo: The Company and headquarters of the important subsidiaries

Hong Kong: SBI Hong Kong Holdings Co., Limited

Singapore: SBI VEN CAPITAL PTE. LTD.

China: SBI (China) Co., Ltd.

7. EMPLOYEES OF THE GROUP (as of March 31, 2012)

Business Segment	Number of Employees
Asset Management Business	150
Brokerage & Investment Banking Business	628
Financial Services Business	1,513
Housing and Real Estate Business	388
Other	316
Company-wide (Common)	154
Total	3,149

(Note)

1. The number of employees represents the number of employed workers and is stated in relation to each business segment.
2. The number of employees decreased by 248 over the previous year due to reasons that include a certain company ceasing to be a subsidiary of the Company as a result of a transfer of all of that former subsidiary's shares held by the Company.
3. The company-wide (common) employees belong to the administrative or other divisions of the Company.

8. PRINCIPAL LENDER

(as of March 31, 2012)

(millions of yen)

Lender	Loan Balance
Mizuho Corporate Bank, Ltd.	49,254
Syndicate loan for which Mizuho Corporate Bank, Ltd. is an arranger	15,400

9. POLICY ON DETERMINATION OF DIVIDENDS FROM SURPLUS

The Company will make decisions regarding distributions to the shareholders based on a comprehensive view of consolidated business performance and other factors including the Group companies.

With respect to dividends from surplus, the basic profit distribution policy of the Company is to target a payout ratio of 20% to 50% of its consolidated net income on a once annual year-end dividend payment. Based on a general rule to provide a dividend of at least 20%, the Company will aim to increase the payout ratio up to 50% if it decides, based on comprehensive consideration taking into account projections of future business conditions, that a higher distribution is possible while securing sufficient retained earnings for sustainable growth.

Taking this policy and other things into consideration, the year-end dividend per share for the consolidated fiscal year ended March 31, 2012 was set at ¥100.

II. COMPANY

1. SHARES (as of March 31, 2012)

- | | |
|---|--|
| (1) Total Number of Shares Authorized for Issue | 34,169,000 shares |
| (2) Total Number of Outstanding Shares | 22,451,303 shares
(including 371,489 shares
of treasury stock) |
| (3) Number of Shareholders | 195,272 shareholders
(including 1 shareholder of
treasury stock) |
| (4) Major Shareholders | |

Major Shareholder	Number of Shares Held shares	Percentage of Shares Held %
CBNY-ORBIS SICAV	2,081,057	9.4
CBNY-ORBIS FUNDS	2,059,542	9.3
Japan Trustee Services Bank, Ltd. (Trust account)	962,362	4.3
The Master Trust Bank of Japan, Ltd. (Trust account)	578,208	2.6
SAJAP	547,664	2.4
THE CHASE MANHATTAN BANK, N.A. LONDON SECS LENDING OMNIBUS ACCOUNT	441,954	2.0
CBHK-EQUITY TRUSTEES LIMITED AS RESPONSIBLE ENTITY FOR ORBIS GLOBAL EQUITY FUND (AUSTRALIA REGISTERED)	427,231	1.9
Yoshitaka Kitao	364,088	1.6
SSBT OD05 OMNIBUS ACCOUNT – TREATY CLIENTS	266,751	1.2
STATE STREET BANK – WEST PENSION FUND CLIENTS – EXEMPT	183,008	0.8

(Note)

1. The percentage of shares held is calculated upon deducting the treasury stock.
2. The Company holds 371,489 shares of treasury stock but is excluded from the major shareholders above.

(5) Other Important Matters Concerning Shares

- (i) The Company has issued 2,000,000 new shares in total in relation to the listing of the Hong Kong Depository Receipts representing the Company's common shares on the Main Board of The Stock Exchange of Hong Kong Limited.
- (ii) The Company executed a share exchange through which the Company became the wholly-owning parent company (through share exchange) of SBI VeriTrans Co., Ltd., which in turn became a wholly-owned subsidiary (through share exchange) of the Company, as of August 1, 2011. The Company delivered 432,216 new shares through the share exchange.
- (iii) The Company introduced the Stock Benefit Trust (Employee Stockholding Association Purchase-type) with the aim of improving the welfare of employees and giving incentives to increase corporate value pursuant to a resolution of the meeting of the Board of Directors held on September 29, 2011. The number of shares of the Company held by the trust as of March 31, 2012 was 70,604 shares.
- (iv) The treasury stock has been increased by 431,489 shares through an acquisition of treasury stock pursuant to a resolution of the meeting of the Board of Directors held on November 29, 2011 and other causes.
- (v) The Company executed a share exchange through which the Company became the wholly-owning parent company (through share exchange) of SBI Net Systems Co., Ltd., which in turn became a wholly-owned subsidiary (through share exchange) of the Company, as of February 1, 2012. The Company delivered 74,621 shares from its treasury stock as well as 74,709 new shares through the share exchange.

2. SHARE OPTIONS

- (1) Delivery of share options as consideration for the execution of duties and held by the Company officers (as of March 31, 2012)
Not Applicable
- (2) Delivery of share options to employees as consideration for the execution of duties during the fiscal year ended March 31, 2012
Not Applicable

3. COMPANY OFFICERS

(1) Directors and Statutory Auditors (as of March 31, 2012)

Position	Name	Responsibilities and Other Significant Concurrent Offices Held
Representative Director and CEO	Yoshitaka Kitao	Representative Director and CEO of SBI Investment Co., Ltd. Representative Director and Chairman of SBI SECURITIES Co., Ltd. Director and Chairman of SBI Mortgage Co., Ltd. Director and CEO of Morningstar Japan K.K. Director of SBI Hong Kong Holdings Co., Limited Director of SBI VEN HOLDINGS PTE. LTD. Director and Chairman of KAWADEN CORPORATION
Director and COO	Taro Izuchi	Director and CFO of SBI Investment Co., Ltd. Director of SBI SECURITIES Co., Ltd.
Director and Executive Officer	Takashi Nakagawa	Head of Fund Investments Overseas Business Div. of the Company Representative Director and COO of SBI Investment Co., Ltd.
Director and Executive Officer	Kenji Hirai	General Manager of Overseas Business Administration Dept., Overseas Business Div. of the Company Director of SBI Hong Kong Holdings Co., Limited Director of SBI VEN HOLDINGS PTE. LTD.
Director and Executive Officer	Tomoya Asakura	Representative Director and COO of Morningstar 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 SBI Navi Co., Ltd. Representative Director and Co-CEO of SBI Research Co., Ltd.
Director and Executive Officer	Noriaki Maruyama	Representative Director and COO of SBI Mortgage Co., Ltd.
Director and CFO	Shumpei Morita	Representative Director and President of SBI Business Solutions Co., Ltd. Outside Statutory Auditor of Morningstar Japan K.K.
Director and Executive Officer	Shinji Yamauchi	Director of SBI Investment Co., Ltd.
Director and Executive Officer	Makoto Miyazaki	The Chief Representative of the Company's Representative Office in Beijing Representative Director and President of SBI (China) Co., Ltd. Director of SBI Hong Kong Holdings Co., Limited
Director and Executive Officer	Yoshimi Takahashi	Representative Director of SBI KOREA HOLDINGS CO., LTD. Representative Director, Chairman and CEO of SBI Investment KOREA Co., Ltd. Director of SBI Investment Co., Ltd.

Position	Name	Responsibilities and Other Significant Concurrent Offices Held
Director and Executive Officer	Masaki Takayanagi	Managing Director and CEO of SBI VEN CAPITAL PTE. LTD. Director of SBI Investment Co., Ltd.
Director	Yasutaro Sawada	Representative Director and President of SBI SECURITIES Co., Ltd.
Director	Hiroyoshi Kido	Representative Director and President of SBI Insurance Co., Ltd.
Director	Noriyoshi Kimura	Executive Officer and CTO of SBI Sumishin Net Bank, Ltd.
Director	Hiroshi Tasaka	Representative Director of SophiaBank, Limited Outside Director of LAWSON, INC. Professor of Tama University Graduate School
Director	Masaki Yoshida	Representative Director of YOSHIDAMASAKI INC. Representative Director and Chairman of Watanabe Entertainment Co., Ltd. Outside Director of Giga Media Inc.
Director	Kiyoshi Nagano	Outside Statutory Auditor of Shin-Etsu Chemical Co., Ltd.
Director	Keiji Watanabe	Outside Director of ASAHI KOGYOSHA CO., LTD. Outside Director of Funai Zaisan Consultants Co., Ltd.
Director	Takeshi Natsuno	Director of DWANGO Co., Ltd. Director of PIA Corporation Outside Director of GREE, Inc. Outside Director of SEGA SAMMY HOLDINGS INC. Outside Director of transcocosmos inc.
Director	Akihiro Tamaki	Representative Director of SiFA Co., Ltd. External Corporate Auditor of Avex Group Holdings Inc.
Standing Statutory Auditor	Atsushi Fujii	Statutory Auditor of SBI Investment Co., Ltd. Outside Statutory Auditor of SBI SECURITIES Co., Ltd.
Statutory Auditor	Ryujiro Shimamoto	Outside Standing Statutory Auditor of SBI Sumishin Net Bank, Ltd. Statutory Auditor of SBI Lease Co., Ltd.
Statutory Auditor	Minoru Tada	Outside Standing Statutory Auditor of SBI SECURITIES Co., Ltd.
Statutory Auditor	Hisashi Hayakawa	Outside Standing Statutory Auditor of SBI Insurance Co., Ltd.

(Note)

1. Directors Kiyoshi Nagano, Keiji Watanabe, Takeshi Natsuno, and Akihiro Tamaki are Outside Directors.
2. Statutory Auditors Ryujiro Shimamoto and Hisashi Hayakawa are Outside Statutory Auditors.

3. Standing Statutory Auditor Atsushi Fujii is qualified as a certified public accountant, and statutory Auditors Ryujiro Shimamoto, Minoru Tada, and Hisashi Hayakawa have many years of experience in financial institutions. All of these Statutory Auditors have a considerable degree of knowledge regarding finance and accounting.
4. Standing Statutory Auditor Susumu Watanabe retired from his office by resignation at the end of the 13th Ordinary General Meeting of Shareholders held on June 29, 2011. Mr. Hisashi Hayakawa was appointed as Statutory Auditor on the same date.
5. The position of the following directors has changed as follows as of October 1, 2011:

Name	New position	Former position
Taro Izuchi	Director and COO	Director
Shumpei Morita	Director and CFO	Director and Executive Officer
Yasutaro Sawada	Director	Director and CFO

Mr. Yasutaro Sawada was appointed as the Representative Director and President of SBI SECURITIES Co., Ltd. as of October 1, 2011.

6. The Company designated Mr. Takeshi Natsuno as an independent director under the provisions of the Tokyo Stock Exchange and the Osaka Securities Exchange and has notified both exchanges.

(2) Remuneration of Directors and Statutory Auditors

(i) Total Amount of Remuneration for the Fiscal Year ended March 31, 2012

Classification	Number of Officers	Amount of Paid Remuneration
Directors (Outside Directors included)	21 officers (4 officers)	¥265 million (¥56 million)
Statutory Auditors (Outside Statutory Auditors included)	2 officers (1 officer)	¥14 million (¥3 million)
Total (Outside Directors and Outside Statutory Auditors included)	23 officers (5 officers)	¥280 million (¥59 million)

(Note) The amount of remuneration of Directors does not include employee remuneration for any director who concurrently serves as an employee.

(ii) Total Amount of Executive Remuneration Received by Outside Directors and Outside Statutory Auditors from Subsidiaries

The total amount of remuneration received as an officer by the Outside Statutory Auditors from subsidiaries for which they concurrently serve as an officer in the fiscal year ended March 31, 2012 amounts to ¥7 million.

(3) Matters Regarding Outside Officers

- (i) Relationship between the companies for which the Outside Officers hold significant concurrent offices and the Company

Position	Name	Significant Concurrent Office
Director	Kiyoshi Nagano	Outside Statutory Auditor of Shin-Etsu Chemical Co., Ltd.
Director	Keiji Watanabe	Outside Director of ASAHI KOGYOSHA CO., LTD. Outside Director of Funai Zaisan Consultants Co., Ltd.
Director	Takeshi Natsuno	Director of DWANGO Co., Ltd. Director of PIA Corporation Outside Director of GREE, Inc. Outside Director of SEGA SAMMY HOLDINGS INC. Outside Director of transcosmos inc.
Director	Akihiro Tamaki	Representative Director of SiFA Co., Ltd. External Corporate Auditor of Avex Group Holdings Inc.
Statutory Auditor	Ryujiro Shimamoto	Outside Standing Statutory Auditor of SBI Sumishin Net Bank, Ltd. Statutory Auditor of SBI Lease Co., Ltd.
Statutory Auditor	Hisashi Hayakawa	Outside Standing Statutory Auditor of SBI Insurance Co., Ltd.

(Note)

1. SBI Lease Co., Ltd. and SBI Insurance Co., Ltd. are subsidiaries of the Company.
2. SBI Sumishin Net Bank, Ltd. is an affiliate of the Company.
3. There is no transaction or other relationship to be noted between other companies in which concurrent offices are held and the Company.

(ii) Principal Activities in the Fiscal Year Ended March 31, 2012

- Attendance at the meetings of the Board of Directors and the Board of Statutory Auditors

		Meeting of Board of Directors (held 13 times)		Meeting of Board of Statutory Auditors (held 16 times)	
		Number of Times Attended	Attendance Rate	Number of Times Attended	Attendance Rate
Director	Kiyoshi Nagano	12 times	92%	—	—
Director	Keiji Watanabe	13 times	100%	—	—
Director	Takeshi Natsuno	13 times	100%	—	—
Director	Akihiro Tamaki	11 times	84%	—	—
Statutory Auditor	Ryujiro Shimamoto	13 times	100%	16 times	100%
Statutory Auditor	Hisashi Hayakawa	11 times	100%	12 times	100%

(Note) Statutory Auditor Hisashi Hayakawa was appointed as a Statutory Auditor on June 29, 2011. Meetings of the Board of Directors were held 11 times and Meetings of the Board of Statutory Auditors were held 12 times on and after June 29, 2011 and the attendance ratio for the above director represents the percentage against the number of times the meetings were held on and after that date.

- Statements at meetings of the Board of Directors and the Board of Statutory Auditors

Directors Kiyoshi Nagano, Keiji Watanabe, Takeshi Natsuno, and Akihiro Tamaki have, as Outside Directors, asked questions from time to time regarding matters to be reported or resolved and offered opinions as necessary from an external point of view at the meetings of the Board of Directors they attended.

Statutory Auditors Ryujiro Shimamoto and Hisashi Hayakawa have sufficiently fulfilled their auditing function by expressing their opinions from the perspective of whether the Directors' performance of their duties and the decision-making process for resolutions of the Board of Directors are appropriate and based on reasonable and accurate understanding of facts during proceedings at the meetings of the Board of Directors. Also, they have made reports and actively offered opinions for every proceeding at the meetings of the Board of Statutory Auditors.

(iii) Outline of Contracts for Limitation of Liability

The Company has executed contracts for limitation of liability with Outside Directors Kiyoshi Nagano, Keiji Watanabe, Takeshi Natsuno, and Akihiro Tamaki to limit liability under Article 423, Paragraph 1 of the Companies Act to the extent of the higher amount of either ¥1,000,000 or the minimum liability amount stipulated by laws and regulations under Article 427, Paragraph 1 of the Companies Act and Article 22, Paragraph 2 of the Company's Articles of Incorporation.

4. ACCOUNTING AUDITOR

- (1) Name Deloitte Touche Tohmatsu LLC
- (2) Amount of remuneration of Accounting Auditor for the Company's fiscal year ended March 31, 2012

¥86
million

- (3) Total amount of money and other property benefits to be paid by the Company and subsidiaries to Accounting Auditor

¥439
million

(Note)

1. Since the audit agreement between the Company and the Accounting Auditor does not clearly distinguish between the amount of remuneration for auditing under the Companies Act and the amount of remuneration for auditing under the Financial Instruments and Exchange Act and it is also not possible to substantially distinguish between them, the amount in (2) above represents the total amount.
 2. As consideration for services other than those set out in Article 2, Paragraph 1 of the Certified Public Accountant Act, (a) the Company paid the Accounting Auditor consideration for services relating to the listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited and (b) SBI Mortgage Co., Ltd., a consolidated subsidiary of the Company, paid the Accounting Auditor consideration for services relating to the listing of SBI Mortgage Co., Ltd. on the securities market (KOSPI Market) of the Korea Exchange.
 3. Five important subsidiaries of the Company are audited by auditors other than the Accounting Auditor of the Company.
- (4) Policy on Determination of Removal or Disapproval of Reappointment

Upon obtaining the consent of, or based on a request from, the Board of Statutory Auditors, the Board of Directors shall make the removal or disapproval of reappointment of the Accounting Auditor a purpose of the general meeting of shareholders if the execution of duties of the Accounting Auditor is interfered with or in any other case where it is deemed necessary.

If the Accounting Auditor is deemed to fall under any item of Article 340, Paragraph 1 of the Companies Act, the Board of Statutory Auditors will remove the Accounting Auditor by consent of all Statutory Auditors. In that case, the Statutory Auditors elected by the Board of Statutory Auditors shall report the removal of the Accounting Auditor and the reason therefore at the first general meeting of shareholders convened after the removal.

5. FRAMEWORKS FOR ENSURING PROPER EXECUTION OF BUSINESS OPERATIONS

Details of resolutions by the Board of Directors concerning frameworks in place at the end of the business year ended March 31, 2012 for ensuring that the Directors execute their duties in compliance with laws, regulations, and the Articles of Incorporation and for ensuring that other business operations of the Company are properly executed are set out below.

- (1) Framework for Ensuring Execution of Duties by Directors and Employees are in Compliance with Laws and Regulations and Articles of Incorporation
 - (i) The Representative Director of the Company is responsible for making all managers and employees aware of the importance of compliance with laws and regulations, as well as ethical standards. Compliance and ethics are both vital aspects of operating within the Company's Management Philosophy and Corporate Vision.
 - (ii) The Company facilitates close communication among the Directors, supervises the performance of the Representative Director, and prevents violations of laws, regulations, and the Articles of Incorporation by holding regular monthly meetings of the Board of Directors in accordance with the Board of Directors Regulations and by holding other extraordinary meetings of the Board of Directors as necessary.
 - (iii) Following a resolution by the Board of Directors, the Company appoints a Director to be responsible for compliance matters, establishes a Compliance Department that is directly managed by that Director, and causes that Director and department to identify compliance-related issues and problems relating to the Company. In addition, following a resolution by the Board of Directors the Company establishes an Internal Audit Department. The Internal Audit Department is an organizational unit independent from all business administration divisions and administrative divisions that comprehensively and objectively evaluates the appropriateness of the Company's internal management structure, which involves compliance with laws and regulations, the appropriateness of operations and the proper management of internal controls, among other responsibilities. Also, recommendations are provided and follow-up measures are taken for the purpose of seeking improvement with respect to issues uncovered as a result of internal audits. Audits are conducted with the help of employees and, if necessary, external specialists.

The results of individual internal audits are reported promptly after completion of audits, 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 Statutory Auditors.

- (iv) The Company has established a Whistleblower System for submitting reports directly to the Internal Audit Department and the Statutory Auditors, allowing Directors and employees to provide information concerning violations at the Company of laws, regulations, and the Articles of Incorporation as well as important facts discovered involving compliance.
- (2) Framework for Data Storage and Management Relating to Execution of Duties by Directors
- (i) The Company has, following a resolution by the Board of Directors, established document management regulations and stores and manages data relating to the execution of duties by the Directors by entering or recording that data on written documents or electromagnetic recordings (“Documents”).
 - (ii) Directors and Statutory Auditors may access Documents at any time.
- (3) Regulations for Managing Risk of Loss and Other Similar Frameworks
- (i) The Company appoints a Director to be in charge of risk management in accordance with risk management and group risk management regulations established by the Board of Directors and has established the Risk Management Department to identify and properly evaluate and manage risks that may impede the execution of business operations or the attainment of our Management Philosophy and Corporate Vision.
 - (ii) If any management crisis comes to light, then the Company deals with that crisis in accordance with the Company’s crisis management regulations by (a) establishing a task force led by the Director responsible for risk management and (b) facilitating a structure that enables timely and appropriate sharing of information relating to the management crisis among the Director responsible for risk management, the managers in charge of the Risk Management Department, the General Affairs and Human Resources Departments, the Corporate Communications Departments, and the Legal and Compliance Departments, and other Directors and employees who require that information.
- (4) Framework for Ensuring the Efficient Execution of Duties by Director
- (i) The Company determines allocation of duties following a resolution by the Board of Directors and clarifies the division of roles among the Directors.

- (ii) The Company facilitates a data system that enables appropriate and prompt decision-making.
 - (iii) In principle, the Company holds regular monthly meetings of the Board of Directors and other extraordinary meetings of the Board of Directors as necessary, and in addition to solving problems that arise in each division in a timely and appropriate manner, makes the Directors aware of know-how gained from the problems solved. By doing so, the Company seeks to streamline execution of duties that Directors are responsible for while also streamlining operations throughout the Company as a whole.
- (5) Framework for Ensuring Proper Execution of Business Operations in Corporate Group Consisting of the Company and Subsidiaries
- (i) Compliance conferences are held to provide an opportunity to exchange information about compliance for the entire corporate 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 from companies belonging to the corporate group. These compliance conferences are promptly convened when a request for convocation is made from a company belonging to the corporate group.
 - (ii) If the Directors discover any material violation of laws, regulations, or the Articles of Incorporation or any other important facts relating to compliance with regard to a company belonging to the corporate group, they report this information to the Company's Statutory Auditors, and the Statutory Auditor who takes receipt of that report notifies the statutory auditor of the company in relation to which those important facts were discovered.
- (6) Framework Relating to Employees Assisting Duties of Statutory Auditors When Appointment of Those Employees is Requested by Statutory Auditors, and Matters Relating to Independence from Directors of Those Employees

When requested by a Statutory Auditor, the Company appoints, for a period determined in consultation with that Statutory Auditor, an employee who is nominated by the Internal Auditing Department as having knowledge that enables that employee to assist with the Statutory Auditor's duties independent of the Directors' chain of command. In this case, the opinions of the Statutory Auditor are respected with regard to personnel changes and evaluation in relation to that employee.

(7) Framework for Reporting by Directors and Employees to Statutory Auditors and Framework for Other Types of Reporting to Statutory Auditors

- (i) The Directors report to the Statutory Auditors in a timely and accurate manner when the Directors come to know of any of the following:
 - (a) any matter likely to cause significant damage to the Company;
 - (b) any important matter relating to management;
 - (c) any important matter relating to internal auditing;
 - (d) any material violation of laws, regulations, or the Articles of Incorporation; or
 - (e) any other matter judged an important matter by the Directors.
- (ii) The Directors will provide the Statutory Auditors with prompt and detailed explanations of the matters (a) through (d) above when requested by the Statutory Auditors and must not refuse such a request unless the Directors have reasonable grounds for doing so.
- (iii) The Company has established a Whistleblower System for submitting reports directly to the Statutory Auditors, enabling Directors and employees to provide information concerning violations of laws, regulations, and the Articles of Incorporation as well as important facts discovered involving compliance.

(8) Other Frameworks for Ensuring that Statutory Auditors Effectively Execute Audits

- (i) The Company will cause the Company's Representative Director to hold regular meetings with the Statutory Auditors for the purpose of sharing information regarding management-based issues and problems and, as necessary, facilitates sharing of information between Statutory Auditors and the Internal Auditing Department with the Accounting Auditor.
- (ii) The meetings described in (8)(i) above are promptly convened by the Company when a request for convocation is made by a Statutory Auditor.

Details concerning the Group's basic philosophy regarding exclusion of anti-social organizations and the implementation status of this philosophy are set out below.

With regard to measures for the exclusion of anti-social organizations, the Group declares in its code of conduct its intent to resolutely defy anti-social organizations and promotes awareness of this initiative by distributing, and by posting on the Company's intranet, manuals for dealing with anti-social organizations in accordance with the "Guidelines for Enterprises to Prevent Damage Caused by Antisocial Forces".

In addition the Company has facilitated an internal framework for strengthening collaborative efforts by establishing a department for carrying out anti-social organization exclusion initiatives and by sharing knowledge with the police, centers for eliminating anti-social organizations, lawyers, and other external professional institutions.

Efforts are also made to increase awareness of the requirement to cut off relationships with anti-social organizations, by carrying out training for managers and employees in the Group.

CONSOLIDATED BALANCE SHEET**SBI Holdings, Inc. (the “Company”) and Consolidated Subsidiaries (collectively the “Group”)**

(Amounts are rounded down to the nearest millions of Japanese Yen)

	As at 31 March
	2012
Assets	
Current assets	
Cash and deposits	146,055
Notes and accounts receivable-trade	11,106
Leases receivable and lease investment assets	13,829
Short-term investment securities	219
Cash segregated as deposits	663,065
Operational investment securities	148,099
Allowance for investment losses	(6,156)
Operational loans receivable	42,281
Real estate inventories	11,699
Trading instruments	1,763
Margin transaction assets	260,048
Loans on margin transactions	220,270
Cash collateral pledged for securities	
borrowings on margin transactions	39,777
Short-term guarantee deposits	16,800
Deferred tax assets	11,425
Others	75,830
Allowance for doubtful accounts	(3,682)
Total current assets	<u>1,392,386</u>
Non-current assets	
Property and equipment	
Buildings	12,970
Furniture and fixtures	1,083
Land	11,787
Others	2,993
Total property and equipment	<u>28,835</u>
Intangible assets	
Software	13,511
Goodwill	122,410
Others	1,254
Total intangible assets	<u>137,176</u>

	As at 31 March
	2012
Investments and other assets	
Investment securities	61,403
Deferred tax assets	15,458
Others	26,013
Allowance for doubtful accounts	(6,535)
Total investments and other assets	<u>96,338</u>
Total non-current assets.	<u>262,349</u>
Deferred charges	
Stock issuance costs	182
Bonds issuance costs	142
Deferred operating costs under Article 113 of the Insurance Business Act.	8,752
Total deferred charges	<u>9,077</u>
Total assets	<u><u>1,663,814</u></u>
Liabilities	
Current liabilities	
Short-term loans payable	103,915
Current portion of long-term loans payable.	19,888
Current portion of bonds payable	60,060
Accrued income taxes	4,875
Advances received	1,941
Margin transaction liabilities	170,800
Borrowings on margin transactions	76,007
Cash received for securities lending on margin transactions	94,792
Loans payable secured by securities	76,592
Guarantee deposits received	289,405
Deposits from customers	347,952
Accrued expenses.	3,262
Deferred tax liabilities	4,047
Provision for bonuses	95
Other provisions	290
Others	36,930
Total current liabilities	<u>1,120,059</u>
Non-current Liabilities	
Bonds payable.	30,480
Long-term loans payable	16,765
Deferred tax liabilities	357
Provision for retirement benefits	16
Other provisions	1,444
Others	21,675
Total non-current liabilities	<u>70,739</u>

	As at 31 March
	2012
Statutory reserves	
Reserve for financial products transaction liabilities	4,436
Reserve for price fluctuation	0
Total statutory reserves	4,436
Total liabilities	1,195,235
Net assets	
Shareholders' equity	
Capital stock	81,664
Capital surplus	249,353
Retained earnings	88,417
Treasury stock	(3,179)
Total shareholders' equity	416,255
Accumulated other comprehensive income(loss)	
Unrealized losses on available-for-sale securities	(2,722)
Deferred losses on derivatives under hedge accounting	(1,889)
Foreign currency translation adjustments	(4,711)
Total accumulated other comprehensive income(loss)	(9,323)
Stock acquisition rights	10
Minority interests	61,636
Total net assets	468,579
Total liabilities and net assets	1,663,814

CONSOLIDATED STATEMENT OF OPERATIONS
SBI Holdings, Inc. and Consolidated Subsidiaries

(Amounts are rounded down to the nearest millions of Japanese Yen)

	Year ended 31 March
	2012
	(From 1 April 2011 to 31 March 2012)
Net sales	145,074
Cost of sales	74,750
Gross profit	70,323
Selling, general and administrative expenses	62,747
Operating income	7,575
Non-operating income	
Interest income	473
Dividend income	208
Share of results of affiliates	2,546
Others	567
Total non-operating income	3,796
Non-operating expense	
Interest expense	2,303
Amortization of deferred operating costs under Article 113 of the Insurance Business Act	1,750
Foreign exchange losses	509
Others	1,948
Total non-operating expense	6,511
Ordinary income	4,860
Extraordinary income	
Gains on sales of investment securities	14,353
Reversal of statutory reserves	760
Others	406
Total extraordinary income	15,520
Extraordinary expense	
Impairment loss	233
Provision of statutory reserves	0
Losses on sales of investment securities	1,104
Losses on valuation of investment securities	80
Losses on disposal of subsidiaries and affiliates	812
Others	598
Total extraordinary expense	2,828
Income before income taxes	17,552
Income taxes-current	(9,381)
Income taxes-deferred	(2,537)
Total income taxes	(11,918)
Income before minority interests	5,633
Minority interests in income	2,432
Net income	3,200

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
SBI Holdings, Inc. and Consolidated Subsidiaries

(Amounts are rounded down to the nearest millions of Japanese Yen)

	Year ended 31 March
	2012
	(From 1 April 2011 to 31 March 2012)
SHAREHOLDERS' EQUITY	
Capital stock	
Balance at the end of previous year	73,236
Changes during the year	
Issuance of new stock	8,428
Total changes during the year	8,428
Balance at the end of current year	81,664
Capital surplus	
Balance at the end of previous year	236,920
Changes during the year	
Issuance of new stock	8,428
Increase through share exchanges	4,004
Total changes during the year	12,432
Balance at the end of current year	249,353
Retained earnings	
Balance at the end of previous year	88,073
Changes during the year	
Dividends	(2,391)
Net income	3,200
Decrease through a merger	(2)
Adjustments due to change of scope of consolidation	(571)
Adjustments due to change of scope of equity method	108
Total changes during the year	343
Balance at the end of current year	88,417
Treasury stock	
Balance at the end of previous year	(246)
Changes during the year	
Purchases of treasury stock	(2,938)
Disposal of treasury stock	5
Total changes during the year	(2,932)
Balance at the end of current year	(3,179)

	Year ended 31 March
	2012
	(From 1 April 2011 to 31 March 2012)
Total shareholders' equity	
Balance at the end of previous year	397,983
Changes during the year	
Issuance of new stock	16,856
Increase through share exchanges	4,004
Dividends	(2,391)
Net income	3,200
Decrease through a merger	(2)
Adjustments due to change of scope of consolidation	(571)
Adjustments due to change of scope of equity method	108
Purchases of treasury stock	(2,938)
Disposal of treasury stock	5
Total changes during the year	<u>18,271</u>
Balance at the end of current year	<u>416,255</u>
Accumulated other comprehensive income (loss)	
Unrealized losses on available-for-sale securities	
Balance at the end of previous year	(3,902)
Changes during the year	
Net changes other than shareholders' equity	1,180
Total changes during the year	<u>1,180</u>
Balance at the end of current year	<u>(2,722)</u>
Deferred gains (losses) on hedges	
Balance at the end of previous year	(239)
Changes during the year	
Net changes other than shareholders' equity	(1,649)
Total changes during the year	<u>(1,649)</u>
Balance at the end of current year	<u>(1,889)</u>
Foreign currency translation adjustments	
Balance at the end of previous year	(3,012)
Changes during the year	
Net changes other than shareholders' equity	(1,698)
Total changes during the year	<u>(1,698)</u>
Balance at the end of current year	<u>(4,711)</u>
Total accumulated other comprehensive income (loss)	
Balance at the end of previous year	(7,155)
Changes during the year	
Net changes other than shareholders' equity	(2,167)
Total changes during the year	<u>(2,167)</u>
Balance at the end of current year	<u>(9,323)</u>

Year ended 31 March

2012

(From 1 April 2011 to 31 March 2012)

Stock acquisition rights	
Balance at the end of previous year	11
Changes during the year	
Net changes other than shareholders' equity	(1)
Total changes during the year	(1)
Balance at the end of current year	<u>10</u>
Minority interests	
Balance at the end of previous year	66,142
Changes during the year	
Net changes other than shareholders' equity	(4,506)
Total changes during the year	(4,506)
Balance at the end of current year	<u>61,636</u>
Total net assets	
Balance at the end of previous year	456,982
Changes during the year	
Issuance of new stock	16,856
Increase through share exchanges	4,004
Dividends	(2,391)
Net income	3,200
Decrease through a merger	(2)
Adjustments due to change of scope of consolidation	(571)
Adjustments due to change of scope of equity method	108
Purchases of treasury stock	(2,938)
Disposal of treasury stock	5
Net changes other than shareholders' equity	(6,675)
Total changes during the year	<u>11,596</u>
Balance at the end of current year	<u><u>468,579</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SBI Holdings, Inc. (the “Company”) and Consolidated Subsidiaries (collectively the “Group”)

(Amounts in millions of Japanese Yen, rounded down to the nearest million except for per share information, unless otherwise stated)

SIGNIFICANT ACCOUNTING POLICIES

1. SCOPE OF CONSOLIDATION

(1) Number of consolidated subsidiaries and name of main consolidated subsidiaries

- Number of consolidated subsidiaries: 118
- Name of main consolidated subsidiaries are listed in “3. IMPORTANT PARENT COMPANY AND SUBSIDIARIES” in the section “I. GROUP” of “Business Report”

As compared with the year ended 31 March 2011, there were 29 additions to and 23 exclusions from the scope of consolidation.

- Additions - 20 entities were newly established or acquired including:
 - SBI China Co., Ltd.
 - SBI-R&D Investment LPS
 - SBI PHOENIX No.1 Investment LPS
 - SBI Value Up Fund No.2 Investment Limited Partnership
 - Shinsai Partners Inc.
- Additions – 9 entities were newly consolidated due to the increased significance of respective entities including:
 - SBI Hong Kong Holdings Co., Limited (SBI Hong Kong Co., Limited changed its company name to SBI Hong Kong Holdings Co., Limited on 9 March 2012.)
 - SBI Royal Securities Plc. (SBI Phnom Penh Securities Co., Ltd. changed its company name to SBI Phnom Penh Securities Plc. on 17 November 2011, and changed its company name to SBI Royal Securities Plc. on 1 January 2012.)
 - SBI Fund Bank Co., Ltd.
 - SBI Remit Co., Ltd.
- Exclusions - 10 entities were deconsolidated due to mergers including:
 - SBI Property Advisors Co., Ltd.
- Exclusions - 10 entities were deconsolidated due to share sales including:
 - SBI VeriTrans Co., Ltd.
 - HOMEOSTYLE Inc.
- Exclusions - 3 entities were deconsolidated due to liquidations including:
 - SBI Mezzanine Fund No1 LIMITED PARTNERSHIP

(2) Name of main non-consolidated subsidiaries and basis for exclusion from scope of consolidation

- Name of main non-consolidated subsidiaries:
 - Searchina Co., Ltd.
- Basis for exclusion from scope of consolidation
Small size entities of which total assets, sales, and proportional share of net income and retained earnings are considered to be immaterial are excluded from consolidation.

(3) Name of entities not classified as subsidiaries despite the ownership of 50 percent or more of the voting power of the investees and basis for exclusion from scope of consolidation

- Name of the entities:
 - NARUMIYA INTERNATIONAL Co., Ltd. and other entities.
- Basis for exclusion from scope of consolidation
These investments were made with purpose of fostering the venture capital portfolio companies and the Group has no intention to control the entities.

2. APPLICATION OF EQUITY METHOD

(1) Number of non-consolidated subsidiaries subject to equity method: 1

Name of the entity:

- SBI Japannext Co., Ltd.

(2) Number of affiliates accounted for using equity method: 20

Name of main entities:

- SBI Sumishin Net Bank, Ltd.
- SOLXYZ Co., Ltd.
- SBI Investment KOREA Co., Ltd.

As compared with the year ended 31 March 2011, there were 13 additions to and 1 exclusion from the scope of equity method application.

- Additions - Main affiliates for which equity method is newly applied are as follows. They were newly incorporated or acquired during the current year.
 - FPT Securities Joint Stock Company
 - Commercial Bank <<Ob'edinennyi Investitsionnyi Bank>> (limited liability company)
 - PT BNI SECURITIES
 - CSJ-SBI Financial Media Co., Ltd.
 - KLab Ventures Co., Ltd. (Startup Laboratory Co., Ltd. changed its company name to KLab Ventures Co., Ltd. on 15 February 2012.)
- Exclusion - 1 affiliate of SBI VeriTrans Co., Ltd. was excluded from the scope of equity method due to the share sales of SBI VeriTrans Co., Ltd.

(3) Name of main non-consolidated subsidiaries and affiliates that are not accounted for using equity method and basis for not applying equity method

• Name of main entities:

- Searchina Co., Ltd.
- NEW HORIZON PARTNERS LTD.

• Basis for not applying equity method

Small size entities of which proportional share of net income and retained earnings are considered to be immaterial individually and collectively are not accounted for using equity method.

(4) Name of entities not classified as affiliates despite the ownership of 20 percent or more of the voting power of the investee but below 50 percent and basis for not applying equity method

• Name of main entities:

- Venture Revitalize Investment, Inc. and other entities

• Basis for not applying equity method

These investments were made with purpose of fostering the venture capital portfolio companies and the Group has no intention to exert influence over the entities.

3. SUMMARY OF ACCOUNTING POLICIES

(1) Valuation method of significant assets

- Trading instruments
Trading instruments, 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 income.
- Available-for-sale securities (consist of investment securities and operational investment securities other than investments in funds), which are not classified as trading instruments
 - Listed securities
Listed securities are measured at fair value, with fair value gains and losses, net of applicable taxes, reported as “unrealized gains (losses) on available-for-sale securities”, a separate component of net assets. The cost of securities sold is determined based on the moving average cost method.
 - Unlisted securities
Unlisted securities are stated at cost less impairment, determined by the moving average cost method.
 - Available-for-sale securities held by certain overseas subsidiaries adopting International Financial Reporting Standards are measured at fair value.
- Investments in funds
For the investments in funds other than those included in the scope of consolidation, the Company’s proportionate share in the net assets of the funds are calculated based on the funds’ annual financial statements or interim financial statements and are presented as “Operational investment securities” (Current assets) or “Investment securities” (Non-current assets).
- Derivative contracts
Derivative contracts are measured at fair value.
- Real estate inventories
Real estate inventories are measured at the lower of cost or net realizable value.

(2) Depreciation method of depreciable assets

- Property and equipment
Property and equipment are stated at cost less accumulated depreciation. Depreciation of property and equipment by the Company and its domestic consolidated subsidiaries is computed using the declining-balance method over the estimated useful lives of assets while the straight-line method is applied to buildings acquired after 1 April 1998. Leased assets were depreciated by using straight-line method over the lease terms with residual value of zero. Overseas consolidated subsidiaries compute depreciation of property and equipment by using the straight-line method. The range of useful lives is principally from 5 to 50 years for buildings, and from 4 to 20 years for furniture and fixtures.
- Intangible assets
Software used for internal purposes is amortized using the straight-line method over its estimated useful life (5 years). Software for sale is amortized using the straight-line method over the estimated saleable period of the software, which is 3 years or less. Leased assets were depreciated by using straight-line method over the lease terms with residual value of zero.

(3) Recognition and measurement of significant provisions and allowances

- Allowance for investment losses
Allowance for investment losses for operational investment securities and investment securities are provided based on the estimated losses of the investments and by considering the financial condition of the investees.
- Allowances for doubtful accounts
Allowance for doubtful accounts for outstanding receivables including notes and accounts receivable-trade, operational loans receivable, loans on margin transactions and other loans receivable is provided based on the Group's past credit loss experience. Allowance for doubtful accounts for outstanding receivables which deems to be uncollectable is provided based on the estimated loss by individual basis.
- Provision for bonuses
Certain consolidated subsidiaries provided provisions for bonuses to employees based on the estimation of current year portion of future payments.
- Employees' retirement benefits
Certain consolidated subsidiaries recorded liabilities for employees' retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. Simplified method was used and under such method, the liabilities were recognized and measured by assuming all the employees voluntarily retired at the end of the year.
- Statutory reserve for financial products transactions
Pursuant to Article 46-5 of the Financial Instruments and Exchange Act, certain consolidated subsidiary provides a statutory reserve against possible losses resulting from execution errors related to securities business transactions. The amount is calculated in accordance with Article 175 of the "Cabinet Office Ordinance concerning Financial Instruments Business".
- Statutory reserve for price fluctuation
Certain consolidated subsidiary provides statutory reserve against possible losses resulting from stock price fluctuations in accordance with Article 115 of the Insurance Business Act.

(4) Recognition for net sales and cost of sales

- Net sales and cost of sales
Group's net sales primarily consist of fees from funds, revenue from operational investment securities, revenue from real estate business, and revenue from securities transactions. The costs of sales principally consist of the cost of operational investment securities, the related provision of allowance for investment losses, and cost of real estate business.
- Revenue and cost of operational investment securities
Revenue from operational investment securities includes all of the revenue which is related to or generated by operational investment securities and securities held by funds. Cost of operational investment securities consists of the carrying value on the sale of operational investment securities and securities held by funds, and write down of operational investment securities and securities held by funds.
- Fees from funds
Fees from funds consist of establishment fees for fund organization, management fees, and success fees from funds which are not within the scope of consolidation. Management fees from funds are recognized over the period of the fund management agreement. Establishment fees and success fees from funds are recognized when those revenue amounts are determined and the services are provided.

- Revenue from construction projects
When the total construction revenue, total construction costs and the stage of completion of the contract can be reliably measured at the balance sheet date, the percentage-of- completion method is applied. The stage of completion is assumed to be the portion of the project's costs incurred to the balance sheet date divided by total estimated costs, "cost-to-cost method". If the outcome of a construction contract cannot be reliably estimated at the balance sheet date, the completed contract method is applied.
- Revenue from securities transactions
Revenue from securities transactions primarily consists of brokerage commissions from securities transactions, fees from underwriting activities and offering of securities for initial public offerings and fees for placements and sales of securities.
- Revenue from finance lease transactions
Revenue and cost of finance lease transactions are recognized when payments are received.
- Financial charges and cost of funding
Financial charges and cost of funding, which consist of interest expense for margin trading transactions and costs from repurchase agreement transactions, etc. which are related to the investment banking businesses, are recorded as cost of sales. As for certain consolidated subsidiaries, interest expense other than financial charges is classified as interests related to operating assets (e.g. leases receivable and lease investment assets, etc.) or to non-operating assets. Interest expense (cost of funding) related to operating asset is classified as cost of sales. During the development of a project, interest expense related to long term and large scale real estate development is included in the cost of the real estate inventories.

(5) Translations of significant assets and liabilities denominated in foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese Yen using the exchange rates at the balance sheet date. The resulting translation gains or losses are included in the accompanying consolidated statement of operations. The balance sheets of the consolidated foreign subsidiaries are translated into Japanese Yen using their exchange rate as at the balance sheet date except for net assets, which are translated at the historical rates. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese Yen using the average exchange rate of the year. Differences arising from such translation are shown as "Foreign currency translation adjustments", as a separate component under "Net assets" except for the portion pertaining to the minority shareholders, which is included under "Minority interests" as a separate component under "Net assets".

(6) Accounting for significant hedging transactions

Accounting for hedges

The Group applied deferred hedge accounting when certain criteria are met. Foreign currency forward contracts are used to hedge foreign currency exposures in the Group. Receivables, payables and investment securities denominated in foreign currencies are translated at the contracted rates if the forward contracts are qualified for deferred hedge accounting. Interest rate swaps, which are qualified for hedge accounting and met the specific matching criteria, are not remeasured at market value. The differential paid or received under the swap agreements is recognized and included in interest expense or income.

Hedging instruments and hedged item

- a. Hedging instruments - foreign exchange forward contracts
Hedged items - foreign currency denominated receivables and payables and investment securities.

- b. Hedging instruments - interest rate swap contracts
Hedged items - loans and bonds payable.

Hedging policy

- a. For foreign currency-denominated transactions, the foreign currency forward contracts are used to hedge foreign currency exposures in the Group.
- b. For interest expense on borrowing, interest rate swap contract is utilized to mitigate the volatility of interest rates through converting variable interest rates to fixed interest rates.

Assessment of hedge effectiveness

- a. The Group does not assess hedge effectiveness of foreign exchange forward contracts which meet specific matching criteria and qualify for deferred hedge accounting.
- b. The Group assesses hedge effectiveness by comparing the cumulative changes in the fair value of the hedged items and those of in the hedging instruments during the period from commencement of hedging to the point of assessing effectiveness, based on changes in both amount and others. The Group does not assess hedge effectiveness of interest rate swaps which meet specific matching criteria and qualify for hedge accounting.

(7) Amortization of goodwill

Goodwill is amortized by straight-line method over the estimated useful life of goodwill. Goodwill is amortized over 20 years when its useful life cannot be reasonably estimated. Immaterial goodwill is charged to consolidated statements of operations when incurred.

(8) Other significant accounting policies for consolidated financial statements

① Accounting for investments in funds

For the investments in funds categorized as subsidiaries but not within the scope of consolidation, the Company's proportionate share in the net assets and revenue/expenses of those funds are calculated based on the funds' annual financial statements or semi-annual financial statements and are presented as "Investment securities" (Non-current assets) and revenue/expenses.

For the investments in funds held for operational investment purpose, which are not categorized as subsidiaries, the Company's proportionate share in the net assets and revenue/expenses of those funds are calculated based on the funds' annual financial statements or interim financial statements and are presented as "Operational investment securities" (Current assets) and revenue/expenses.

For the investment in funds other than those held for operational investment purpose, which are not categorized as subsidiaries, the Company's proportionate share in the net assets and revenue/expenses of those funds are calculated based on the funds' annual financial statements or interim financial statements and are presented as "Investment securities" (Non-current assets) and non-operating income/expenses.

② Deferred charges

- Stock issuance costs
Stock issuance costs are amortized over 3 years by using straight-line method.
- Bond issuance costs
Bond issuance costs are amortized over the bond term by using straight-line method.

- Deferred operating costs under Section 113 of the Insurance Business Act
The deferred operating costs capitalized under section 113 of the Insurance Business Act of Japan are amortized within 10 years according to its articles of incorporation.

③ Accounting for consumption tax

The amounts in the Financial Information are presented primarily without consumption or local consumption taxes.

ADDITIONAL INFORMATION

Changes in Significant Accounting Policies

The Company has applied “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No. 24 issued on 4 December 2009) and “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No.24 issued on 4 December 2009) to the accounting changes and error corrections which have been made after 31 March 2011.

Stock Benefit Trust

At the board meeting held on 29 September 2011, the Directors of the Company resolved to introduce “Stock Benefit Trust (Employee Stockholding Association Purchase-type)” (hereinafter the “Plan” and the “Trust”).

The purpose of the Plan is to improve employees’ welfare and to increase their motivations for work and awareness of the Company’s stock performance through its steady provision of the stock to the employee stockholding association and distribution of the profit created by trust property management in order to increase the Company’s corporate value.

Accounting for the Trust is based upon the assumption that the Company and the Trust are inseparable. The Company’s stock held by the Trust is accounted for as treasury stock while the Trust’s assets and liabilities as well as its income and expenses are included in the Group’s consolidated financial statements. The number of the stocks held by the Trust is included in the number of treasury stock and not included in the number of shares outstanding for the calculation of per share information. The number of treasury stock held by the Trust as at 31 March 2012 was 70,604.

Reversal of Deferred Tax Assets and Liabilities

“Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and social Structures” (Act No.114 of 2011) and “Act on Special Measures for Securing the Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake” (Act No. 117 of 2011) were newly promulgated on December 2, 2011. These reform acts reduce the effective tax rate used for the calculation of deferred tax assets and liabilities from 40.69% to 38.01% and 35.64% for those temporary differences expected to reverse within the three fiscal years beginning on or after 1 April 2012 and for the fiscal years beginning on or after 1 April 2015, respectively. The Tax Reform also set a ceiling on annual deduction for unused tax carry-forward losses to 80% of annual taxable profit for the consolidated fiscal years beginning on or after 1 April 2012.

These changes lead to a decrease in net deferred tax assets by ¥2,265 million and an increase in income tax deferred by ¥2,260 million.

Adoption of the Tax Consolidation

The Company and certain subsidiaries made an application for the tax consolidation to the tax authority in December 2011. The application was approved, and the tax consolidation will be adopted from the fiscal year beginning on 1 April 2012. Preparing for the adoption, the financial statements for this fiscal year are presented in accordance with “Tentative Solution for the Deferred Tax Accounting on Application of Tax Consolidation (part 1)” (Practical Issues Task Force No.5, revised on 18 March 2011) and “Tentative Solution for the Deferred Tax Accounting on Application of Tax Consolidation (part 2)” (Practical Issues Task Force No.7, 30 June 2010).

NOTES TO CONSOLIDATED BALANCE SHEET

1. Pledged assets

Pledged assets consisted of the following:

	As at 31 March 2012
	(millions of Yen)
Cash and deposits	1
Notes and accounts receivable-trade	417
Operational investment securities	1,291
Operational loans receivable	3,047
Real estate inventories	537
Others-current assets	3,407
Buildings	4,391
Land	5,475
Investment securities	1,314
Total	<u>19,883</u>

The assets above were pledged as collateral for short-term loans payable of ¥1,318 million, current portion of long-term loans payable of ¥1,402 million, current portion of bonds payable of ¥60 million, long-term loans payable of ¥12,040 million, and bonds payable of ¥480 million.

2. Accumulated depreciation

	As at 31 March 2012
	(millions of Yen)
Property and equipment	8,489

3. Provision for contingent losses

Credit guarantees

Guarantees for the debts owed to other financial institutions in the Group's credit guarantee business are as follows:

	As at 31 March 2012
	(millions of Yen)
Guarantee of bank loans	47,169

4. Statutory reserves

As at 31 March 2012, reserve for the financial products transaction liabilities was provided in accordance with Article 46-5 of Japanese Financial Instruments and Exchange Act. Statutory reserve for price fluctuations was provided in accordance with Article 115 of the Insurance Business Act.

NOTES TO CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

1. Class and outstanding number of capital stock

	As at 31 March 2012
	<hr/>
	(shares)
Common shares	22,451,303

2. Class and number of treasury stock

	As at 31 March 2012
	<hr/>
	(shares)
Common shares	442,093

(Note) As described in “NOTES TO ADDITIONAL INFORMATION, Stock Benefit Trust,” the number of treasury stock includes the shares held by the Stock Benefit Trust.

3. Dividends

(1) Dividend paid

Resolution of Board of Directors’ Meeting on 27 April 2011

- Dividend amount 2,391(millions of Yen)
- Amount per share 120(Yen)
- Declaration date 31 March 2011
- Effective date 9 June 2011

(2) Dividend whose declaration date belonged to the year ended 31 March 2012 and effective date will be in the year ended 31 March 2013

Resolution of Board of Directors’ Meeting on 26 April 2012

- Dividend amount 2,207 (millions of Yen)
- Amount per share 100(Yen)
- Declaration date 31 March 2012
- Effective date 7 June 2012

4. Class and number of shares for stock acquisition rights

	As at 31 March 2012
	<hr/>
	(shares)
Common shares	242,088.18

FINANCIAL INSTRUMENTS

1. Group policy and risk management system for financial instruments

The Group engages in a wide range of businesses related to financial services, such as investment business, fund management business, securities business, leasing business, loan business, credit card business and insurance businesses, to avoid excessive concentration of risk on specific entities or businesses. To operate these businesses, the Group raises funds by indirect financing such as bank borrowing, direct financing such as bond issuance and equity financing, and transaction with securities financing companies, while considering the market environment and the proper balance of short and long term financing.

The Group and certain consolidated subsidiaries used derivative instruments, including foreign currency forward contracts, interest rate swaps, index futures and foreign currency margin transactions.

The Group enters into foreign currency forward contracts and interest swap transactions primarily for hedging purposes, and the Group does not generally hold or issue them for speculative purpose. Index futures were mainly daily trading under limited trading scale. Foreign currency margin transactions are generally with customers, and covered transactions are conducted with counterparties based on the Group's "Position Management Rule".

In order to maintain financial strength and appropriate operational procedures, the Company has risk management policies and group risk control rules approved by the Company's board of directors. Under the policies, the Company assigns a risk management officer who is in charge of risk management and sets up a risk management department. The risk management department monitors the Group's risk on timely basis, and identifies and analyzes credit risk, market risk, and liquidity risk to manage relevant risks integrally.

2. Fair value of financial instruments

The table below presents the carrying amounts, the fair value of the financial instruments, and the difference between the carrying amounts and fair value as at 31 March 2012. The table below does not include assets and liabilities which cannot be measured at fair value due to difficulties in determining fair value (refer to Note 2).

	Carrying amount	Fair value	Difference
	(millions of Yen)	(millions of Yen)	(millions of Yen)
(1) Cash and deposits	146,055	146,055	—
(2) Notes and accounts receivable-trade	11,106	11,038	(68)
(3) Leases receivable and lease investment assets . . .	13,829	13,903	73
(4) Short-term investment securities, operational investment securities and investment securities			
Available-for-sale securities	58,918	58,918	—
Securities in affiliates	5,165	3,417	(1,747)
(5) Cash segregated as deposits.	663,065	663,065	—
(6) Operational loans receivable.	42,281		
Allowance for doubtful accounts (*1)	(548)		
	41,732	42,754	1,021
(7) Trading instruments			
Trading securities	296	296	—
(8) Margin transaction assets	260,048	260,048	—
(9) Short-term guarantee deposits	16,800	16,800	—
Assets, total	1,217,019	1,216,298	(720)
(1) Short-term loans payable	103,915	103,915	—
(2) Accrued income taxes	4,875	4,875	—

(3) Margin transaction liabilities	170,800	170,800	—
(4) Loans payable secured by securities	76,592	76,592	—
(5) Guarantee deposits received	289,405	289,405	—
(6) Deposits from customers.	347,952	347,952	—
(7) Bonds payable (*2).	90,540	91,038	498
(8) Long-term loans payable (*3)	36,654	36,491	(163)
Liabilities, total	1,120,736	1,121,072	335
Derivatives (*4)	1,191	1,191	—

(*1)Includes general reserve and specific reserve for operational loans receivable.

(*2)Includes current-portion of bonds payable.

(*3)Includes current-portion of long term loans payable.

(*4)Receivables and payables arising from derivative transactions are stated at net value in the tables above.

NOTES:

1. Calculation of fair value of financial instruments

Fair values of financial instruments are based on quoted market price. If quoted market price is not available, fair values are calculated with valuation techniques which are considered to be reasonable. As the fair value determination takes variable factors into consideration, such fair values may fluctuate by using different assumptions.

Assets

(1)Cash and deposits, (5)Cash segregated as deposits, and (9)Short-term guarantee deposits

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

(2)Notes and accounts receivable—trade

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

The fair values of receivables settled over long-term period such as installment sales receivable are measured at the present value of the future cash inflow discounted at the rate determined by reference to an appropriate index such as a government bond yield adjusted with relevant credit risk.

(3)Leases receivable and lease investment assets

The fair values of leases receivable and lease investment assets are measured at the present value of the future cash inflow discounted at the rate determined by reference to an appropriate index such as a government bond yield adjusted with relevant credit risk.

(4)Short-term investment securities, operational investment securities and investment securities and

(7)Trading instruments

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 quoted price provided by financial institutions. The fair values of investment trusts are measured at the price quoted by financial institutions. The fair values of investments in funds are measured at the fair values of partnership net assets based on the Group's percentage share in the contributed capital, if such fair values are available. Equity securities held by some overseas subsidiaries adopting International Financial Reporting Standards are measured at fair value.

(6)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 a government bond yield adjusted with relevant credit risk.

As the estimated credit losses are provided based on the individual assessment of recoverability of loans receivable held by certain consolidated subsidiaries with corporate restructuring business, the fair values are measured at the carrying values less allowance for doubtful accounts since they approximate the measured values.

(8)Margin transaction assets

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

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 carrying value. 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 carrying value as for their short maturities.

Liabilities

The fair values of liabilities other than (7)Bonds payable and (8)Long-term loans payable are measured at the carrying values as they approximate the carrying values because of their short maturities.

(7)Bonds payable

With respect to bonds payable with floating interest rates, the fair values are measured at the carrying value as the interest rates of the debt reflect the market interest rate within a short period and as the credit condition of companies that obtained the debt are not expected to change significantly.

With respect to bonds payable with fixed interest rates, the fair values are measured at the present value of the future cash outflows considering remaining periods and discount rate adjusted with credit risks.

With respect to bonds payable with maturity of within one year, the fair values are measured at the carrying values as they approximate the carrying values because of their short maturities.

(8) Long-term loans payable

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

With respect to long-term loans payable 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

Financial instruments included in trading inventory are valued based on spot rate at the balance sheet date. For interest rate swaps that meet the specific matching criteria under hedge accounting rules, the fair values of derivative financial instruments were included in the fair value of loans payable as hedged items.

2. Financial instruments whose fair value can not be reliably determined

As at 31 March 2012	Carrying amount
Classification	(millions of Yen)
Available-for-sale securities	99,716
Investments in subsidiaries and affiliates	45,921

The securities above were primarily unlisted equity securities and investments in funds whose investments were mainly composed of unlisted equity securities. Their fair values were considered not to be reliably measured. They were excluded from “Assets-(4) Short-term investment securities, operational investment securities and investment securities” of “Fair value of financial instruments”.

NOTES TO PER SHARE INFORMATION

	Year ended 31 March
	2012
	Yen
Net assets per share	18,489.18
Net income per share	145.58

BALANCE SHEET
SBI Holdings, Inc. (the “Company”)

(Amounts are rounded down to the nearest millions of Japanese Yen)

	As at 31 March
	2012
Assets	
Current assets	
Cash and deposits	15,674
Accounts receivable-trade.	959
Accounts receivable-others.	20,427
Real estate for sale	268
Real estate for sale in progress.	6,238
Operational investment securities	25,598
Allowance for investment losses	(330)
Short-term investment securities	37
Prepaid expenses.	481
Operational loans receivable	916
Short-term loans receivable	57,773
Deferred tax assets	4,951
Others	2,899
Allowance for doubtful accounts	(1,673)
Total current assets	<u>134,222</u>
Non-current assets	
Property and equipment	
Buildings	5,979
Furniture and fixtures.	185
Vehicles	9
Land	3,182
Construction in progress.	307
Total property and equipment.	<u>9,664</u>
Intangible assets	
Patents	6
Trade mark.	26
Software	1,086
Telephone rights	5
Others.	27
Total intangible assets.	<u>1,151</u>

	at 31 March
	2012
Investments and other assets	
Stocks of subsidiaries and affiliates.	387,574
Allowance for investment losses	(469)
Investments in other securities of subsidiaries and affiliates	48,617
Investment securities.	4,355
Investments in subsidiaries and affiliates other than equity securities.	41
Long-term loans receivable from subsidiaries and affiliates.	2,475
Long-term prepaid expenses.	610
Lease and guarantee deposits.	1,684
Others	10
Total investments and other assets	444,899
Total non-current assets.	455,716
Deferred charges	
Stock issuance costs	180
Bonds issuance costs	303
Total deferred charges	484
Total assets	590,422
Liabilities	
Current liabilities	
Short-term loans payable	130,950
Current portion of bonds payable	60,000
Accounts payable	619
Accrued expenses	435
Deposits received	111
Others	75
Total current liabilities	192,192
Non-current Liabilities	
Bonds payable.	30,000
Long term loans payable.	456
Deferred tax liabilities.	1,451
Asset retirement obligation	116
Long-term deposits received	5,120
Total non-current liabilities	37,145
Total liabilities.	229,338

	As at 31 March 2012
Net assets	
Shareholders' equity	
Capital stock	81,664
Capital surplus	
Legal capital surplus	126,776
Other capital surplus	101,179
Total capital surplus	<u>227,956</u>
Retained earnings	
Other retained earnings	
Retained earnings brought forward	54,428
Total retained earnings	<u>54,428</u>
Treasury stock	<u>(3,179)</u>
Total shareholders' equity	<u>360,869</u>
Valuation and translation adjustments	
Unrealized gains on available-for-sale securities	214
Total valuation and translation adjustments	<u>214</u>
Total net assets	361,084
Total liabilities and net assets	<u>590,422</u>

STATEMENT OF OPERATIONS
SBI Holdings, Inc.

(Amounts are rounded down to the nearest millions of Japanese Yen)

	Year ended 31 March
	2012
	(From 1 April 2011 to 31 March 2012)
Net sales	31,827
Cost of sales	16,643
Gross profit	15,183
Selling, general and administrative expenses	7,116
Operating income	8,067
Non-operating income	
Interest income	1,811
Dividend income	106
Others	111
Total non-operating income	2,029
Non-operating expense	
Interest expense	3,617
Amortization of bond issuance costs	456
Commission fee	714
Others	225
Total non-operating expense	5,014
Ordinary income	5,081
Extraordinary income	
Gains on disposal of investment in subsidiaries and affiliates	29,252
Others	156
Total extraordinary income	29,408
Extraordinary expense	
Losses on disposal of investment in subsidiaries and affiliates	3,252
Losses on valuation of investment in subsidiaries and affiliates	7,667
Others	109
Total extraordinary expense	11,029
Income before income taxes	23,460
Income taxes-current	(4)
Income taxes-deferred	(7,485)
Total income taxes	(7,489)
Net income	15,970

STATEMENT OF CHANGES IN NET ASSETS
SBI Holdings, Inc.

(Amounts are rounded down to the nearest millions of Japanese Yen)

	Year ended 31 March
	2012
	(From 1 April 2011 to 31 March 2012)
SHAREHOLDERS' EQUITY	
Capital stock	
Balance at the end of previous year	73,236
Changes during the year	
Issuance of new stock	8,428
Total changes during the year	8,428
Balance at the end of current year	81,664
Capital surplus	
Legal capital surplus	
Balance at the end of previous year	114,716
Changes during the year	
Issuance of new stock.	8,428
Increase through share exchanges	3,631
Total changes during the year	12,060
Balance at the end of current year	126,776
Other capital surplus	
Balance at the end of previous year	101,179
Balance at the end of current year	101,179
Total capital surplus	
Balance at the end of previous year	215,896
Changes during the year	
Issuance of new stock.	8,428
Increase through share exchanges	3,631
Total changes during the year	12,060
Balance at the end of current year	227,956
Retained earnings	
Other retained earnings	
Retained earnings brought forward	
Balance at the end of previous year.	40,849
Changes during the year	
Dividends.	(2,391)
Net income.	15,970
Total changes during the year	13,579
Balance at the end of current year	54,428
Total retained earnings	
Balance at the end of previous year	40,849
Changes during the year	
Dividends.	(2,391)
Net income.	15,970
Total changes during the year	13,579
Balance at the end of current year	54,428

Year ended 31 March

2012
(From 1 April 2011 to 31 March 2012)

Treasury stock	
Balance at the end of previous year	(246)
Changes during the year	
Purchases of treasury stock	(3,480)
Disposal of treasury stock	547
Total changes during the year	(2,932)
Balance at the end of current year	(3,179)
Total shareholders' equity	
Balance at the end of previous year	329,734
Changes during the year	
Issuance of new stock	16,856
Increase through share exchanges	3,631
Dividends	(2,391)
Net income	15,970
Purchases of treasury stock.	(3,480)
Disposal of treasury stock.	547
Total changes during the year	31,134
Balance at the end of current year	360,869
Valuation and translation adjustments	
Unrealized gains (losses) on available-for-sale securities	
Balance at the end of previous year	(9,979)
Changes during the year	
Net changes other than shareholders' equity.	10,194
Total changes during the year	10,194
Balance at the end of current year	214
Total valuation and translation adjustments	
Balance at the end of previous year	(9,979)
Changes during the year	
Net changes other than shareholders' equity.	10,194
Total changes during the year	10,194
Balance at the end of current year	214
Total net assets	
Balance at the end of previous year	319,755
Changes during the year	
Issuance of new stock	16,856
Increase through share exchanges.	3,631
Dividends	(2,391)
Net income	15,970
Purchases of treasury stock.	(3,480)
Disposal of treasury stock.	547
Net changes other than shareholders' equity.	10,194
Total changes during the year	41,329
Balance at the end of current year	361,084

NOTES TO THE FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES

1. Valuation method of significant assets

(1) Stocks of subsidiaries and affiliates

Cost determined by the moving-average cost method

(2) Available-for-sale securities (including operational investment securities)

• Listed securities

Measured at fair value, with unrealized gains and losses, net of applicable taxes, reported as a separate component of net assets. The cost of securities sold is determined based on the moving average cost method.

• Unlisted securities

Stated at cost determined by the moving-average cost method

(3) Investment in Funds

For the investments in funds which are categorized as subsidiaries and consolidated, the Company's proportionate share in the net assets of those funds are calculated based on the provisional financial statements of the funds as at the Company's year end and are presented as "investments in other securities of subsidiaries and affiliates" (Non-current assets).

For the investments in funds which are categorized as subsidiaries and not within the scope of consolidation, the Company's proportionate share in the net assets of those funds are calculated based on the funds' annual financial statement or semi-annual financial statements and are presented as "investments in other securities of subsidiaries and affiliates" (Non-current assets).

For investment in funds which are not categorized as subsidiaries, the Company's proportionate share in the net assets of those funds are calculated based on the funds' annual financial statements or interim financial statements and are presented in "operational investment securities" (Current assets).

Shares of the Company's subsidiaries and affiliates that are held by funds are included in "Stocks of subsidiaries and affiliates" (Non-current assets) based on the Company's percentage of shares owned.

(4) Real estate inventories for sale

Real estate inventories for sale are stated at cost determined by the specific identification method. Balance sheet account balance is measured at the lower of cost or net realizable value.

(5) Derivative contracts

Derivative contracts are measured at fair value.

2. Depreciation method of depreciable assets

(1) Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the declining balance method, while the straight-line method is applied to buildings. The range of useful lives is principally from 5 to 50 years for buildings, from 4 to 20 years for furniture and fixtures, and from 5 to 6 years for vehicles.

(2) Intangible assets

Intangible assets are amortized using the straight-line method. Software used for internal purposes is amortized using the straight-line method over its estimated useful life (principally 5 years).

3. Recognition and measurement of significant provisions and allowances

(1) Allowance for investment losses

Allowance for investment losses for operational investment securities and investment securities are provided based on the estimated losses of the investments and by considering the financial condition of the investees.

(2) Allowance for doubtful accounts

Allowance for doubtful accounts for outstanding receivables including notes and accounts receivable-trade, operational loans receivable, loans on margin transactions and other loans receivable is provided based on the Company's past credit loss experience. Allowance for doubtful accounts for outstanding receivables which deems to be uncollectable is provided based on the estimated loss by individual basis.

4. Recognition for net sales and cost of sales

(1) Net sales and cost of sales

Net sales primarily consist of revenue from operational investment securities, revenue from real estate business, and revenue from dividend income. The costs of sales principally consist of the cost of operational investment securities, provision of allowance for investment losses and cost of real estate business.

(2) Revenue and cost of 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. Cost of operational investment securities consists of the cost of operational investment securities and securities held by funds, fees related to securities transactions, and write down of operational investment securities and securities held by funds.

(3) Dividend income

Dividends from subsidiaries and affiliates are recorded as dividend income which is included in net sales in the statement of operations.

5 Other significant accounting policies for financial statements

(1) Deferred charges

(a) Stock issuance costs

Stock issuance costs are amortized over 3 years by using the straight-line method.

(b) Bond issuance costs

Bond issuance costs are amortized over the bond term by using straight-line method.

(2) Translations of significant assets and liabilities denominated in foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese Yen using the exchange rates at the balance sheet date. The resulting translation gain or loss is recognized in income.

(3) Accounting for significant hedging transactions

(a) Accounting for hedges

Foreign currency forward contracts are used to hedge foreign currency exposures and receivables, payables and investment securities denominated in foreign currencies are translated at the contracted rates if the forward contracts are qualified for deferred hedge accounting.

(b) Hedging instruments and hedged item

(i) Hedging instruments

Foreign exchange forward contracts

(ii) Hedged item

Foreign currency-denominated receivables and payables.

There were no foreign currency forward contracts outstanding at the end of the year.

(c) Hedging policy

For foreign currency denominated transactions, the foreign currency forward contracts are used to hedge foreign currency exposures.

(d) Assessment of effectiveness between the hedging instruments and the hedged items

The Company does not assess hedge effectiveness of foreign exchange forward contracts which meet specific matching criteria and qualify for deferred hedge accounting.

(4) Accounting for investments in funds

As for the investments in funds categorized as subsidiaries and are included in the scope of consolidation, the Company's proportionate share in the net assets and revenue/expenses of those funds are calculated based on the provisional financial statements of the funds as at the Company's year end and are presented as "Investment in other securities of subsidiaries and affiliates" (Non-current assets) and revenue/expenses. For the investment in funds categorized as subsidiaries but not within the scope of consolidation, the Company's proportionate share in the net assets and revenue/expenses of those funds are calculated based on the funds' annual financial statements or semi-annual financial statements and are presented as "Investments in other securities of subsidiaries and affiliates" (Non-current assets) and revenue/expenses. For investment in funds, which are not categorized as subsidiaries, the Company's proportionate share in the net assets and revenue/expenses of those funds are calculated based on the funds' annual financial statements or interim financial statements and are presented in "Operational investment securities" (Current assets) and revenue/expenses. The Company's proportionate share of investments in subsidiaries or affiliates held by funds and related gains/losses from the sale are presented as "Stocks of subsidiaries and affiliates" (Non-current assets) and "Gains/losses on disposal of investment in subsidiaries and affiliates" (Extraordinary income/expense).

(5) Accounting for consumption tax

The amounts in the financial statements are presented without consumption or local consumption taxes. Nondeductible consumption taxes are recorded as selling, general and administrative expenses.

ADDITIONAL INFORMATION

Changes in Significant Accounting Policies

The Company has applied "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24 issued on 4 December 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No.24 issued on 4 December 2009) to the accounting changes and error corrections which have been made after 31 March 2011.

Stock Benefit Trust

At the board meeting held on 29 September 2011, the Directors of the Company resolved to introduce "Stock Benefit Trust (Employee Stockholding Association Purchase-type)" (hereinafter the "Plan" and the "Trust").

The purpose of the Plan is to improve employees' welfare and to increase their motivations for work and awareness of the Company's stock performance through its steady provision of the stock to the employee stockholding association and distribution of the profit created by trust property management in order to increase the Company's corporate value.

Accounting for the Trust is based upon the assumption that the Company and the Trust are inseparable. The Company's stock held by the Trust is accounted for as treasury stock while the Trust's assets and liabilities as well as its income and expenses are included in the Company's financial statements. The number of the stocks held by the Trust is included in the number of treasury stock and not included in the number of shares outstanding for the calculation of per share information.

The number of treasury stock held by the Trust as at 31 March 2012 was 70,604.

Adoption of the Tax Consolidation

The Company and certain subsidiaries made an application for the tax consolidation to the tax authority in December 2011. The application was approved, and the tax consolidation will be adopted from the fiscal year beginning on 1 April 2012. Preparing for the adoption, the financial statements for this fiscal year are presented in accordance with "Tentative Solution for the Deferred Tax Accounting on Application of Tax Consolidation (part 1)" (Practical Issues Task Force No.5, revised on 18 March 2011) and "Tentative Solution for the Deferred Tax Accounting on Application of Tax Consolidation (part 2)" (Practical Issues Task Force No.7, 30 June 2010).

NOTES TO BALANCE SHEET

1. Pledged assets

Pledged assets consisted of the following:

	As at 31 March 2012
	(millions of Yen)
Stocks of subsidiaries and affiliates	154,592

The assets above were pledged as collateral for short-term loans payable of ¥79,900 million.

2. Accumulated depreciation:

	As at 31 March 2012
	(millions of Yen)
Property and equipment	1,638

3. Contingent Liabilities:

(1) Guarantees for trade liability ¥2,310million

(2) Others

SBI Liquidity Market Co., Ltd. enters into banking cover deals to ensure liquidity in the foreign exchange margin trading. The Company guarantees the current and future obligation relating to this business which SBI Liquidity Market Co., Ltd. owes to counterparties. As at the end of the period, there are no outstanding obligations.

With respect to the currency margin transaction between SBI Liquidity Market Co., Ltd. and SBI SECURITIES Co., Ltd., a consolidated subsidiary of the Company linked to the foreign exchange margin tradings between SBI SECURITIES Co., Ltd., and its customers, the Company guarantees all obligations which SBI SECURITIES Co., Ltd. owes to SBI Liquidity Market Co., Ltd. As at the end of the period, there are no outstanding obligations.

4. Assets and liabilities of subsidiaries and affiliates:

	As at 31 March 2012
	(millions of Yen)
(1) Short-term receivables	65,060
(2) Long-term receivables	2,479
(3) Short-term payables	81,395
(4) Long-term payables.	4,473

NOTES TO STATEMENT OF OPERATIONS

Transactions with subsidiaries and affiliates

	As at 31 March 2012
	(millions of Yen)
Sales	11,716
Purchases	5,504
Other transactions	45,291

NOTES TO STATEMENT OF CHANGES IN NET ASSETS

Class and number of treasury stock

	As at 31 March
	<u>2012</u>
	(shares)
Common shares	442,093

(Note) As described in “ADDITIONAL INFORMATION, Stock Benefit Trust,” the number of treasury stock includes the shares held by the Stock Benefit Trust.

NOTES TO INCOME TAXES

1. Main factors creating deferred tax assets and liabilities

Deferred tax assets are mainly due to losses on valuation of investment securities and tax loss carried forward, while deferred tax liabilities are mainly due to effect of corporate reorganization.

2. Reversal of Deferred Tax Assets and Liabilities

“Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and social Structures” (Act No.114 of 2011) and “Act on Special Measures for Securing the Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake” (Act No. 117 of 2011) were newly promulgated on December 2, 2011. These reform acts reduce the effective tax rate used for the calculation of deferred tax assets and liabilities from 40.69% to 38.01% and 35.64% for those temporary differences expected to reverse within the three fiscal years beginning on or after 1 April 2012 and for the fiscal years beginning on or after 1 April 2015, respectively.

The Tax Reform also set a ceiling on annual deduction for unused tax carry-forward losses to 80% of annual taxable profit for the consolidated fiscal years beginning on or after 1 April 2012.

These changes lead to a decrease in net deferred tax assets by ¥329 million and an increase in income tax-deferred by ¥332 million.

NOTES TO LEASED NONCURRENT ASSETS

Other than recorded as noncurrent assets on the balance sheet, the Company uses office furniture and fixtures under finance lease agreements where the ownership is not transferred.

RELATED PARTY TRANSACTIONS

Transactions with subsidiaries and affiliates

Type	Company name	Ownership (%)	Business or position	Transaction description	Amounts (millions of yen)	Account name	Balance (millions of Yen)
Subsidiary	SBI Investment Co., Ltd.	100	Interlocking directors	Finance (*1)	16,700	Short-term loans receivable	7,500
Subsidiary	SBI Incubation Co., Ltd.	100 (Indirect : 79.8)	Interlocking directors	Finance (*1)	18,806	Short-term loans receivable	9,848
Subsidiary	e-Research Inc.	100 (Indirect : 100)	—	Finance (*1)	8,100	Short-term loans receivable	8,100
Subsidiary	SBI ALA Hong Kong Co., Limited	100 (Indirect : 100)	Interlocking directors	Capital contribution	8,441	—	—
Subsidiary	SBI Card Co., Ltd.	100 (Indirect : 100)	Interlocking directors	Finance (*1)	30,235	Short-term loans receivable	11,653
Subsidiary	SBI Guarantee Co., Ltd.	100 (Indirect : 100)	—	Finance (*1)	6,227	Short-term loans receivable	451
Subsidiary	CEM Corporation	79.7 (Indirect : 57.1)	Interlocking directors	Finance (*1)	19,100	Short-term loans receivable	9,300
Subsidiary	SBI Insurance, Inc	85.5	Interlocking directors	Capital contribution	8,200	—	—
Subsidiary	SBI VEN HOLDINGS PTE. LTD.	100	Interlocking directors	Capital contribution	14,633	—	—
Subsidiary	SBI Hong Kong Holdings Co., Limited	100	Interlocking directors	Capital contribution	33,748	—	—
				Sales of stocks of subsidiaries and affiliates(*2)	40,345	Accounts receivable-others	6,640
Subsidiary	SBIH UK LIMITED	100	—	Capital contribution	21,354	—	—
Subsidiary	Alberich LLC	100 (Indirect : 100)	—	Finance (*1)	7,710	Short-term loans receivable	3,840
Subsidiary	SBI SECURITIES Co., Ltd.	100	Interlocking directors	Borrowing(*1)	322,600	Short-term loans payable	79,900
				Pledge of collateral(*3)	154,592	Stocks of subsidiaries and affiliates	154,592

(Note)

1. The interest rate was determined based on the market interest rate.
2. The sales price was determined by reference to the valuation made by independent third party.
3. Stocks of subsidiaries and affiliates were pledged for short-term loans payable to the subsidiary.

NOTES TO PER SHARE INFORMATION

Year ended 31 March
2012

(Yen)

Net assets per share	16,406.06
Net income per share	726.14

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

18 May 2012

To the Board of Directors of
SBI Holdings, Inc.:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability
Partner,
Engagement Partner,
Certified Public Accountant:

Yoshitaka Asaeda

Designated Unlimited Liability
Partner,
Engagement Partner,
Certified Public Accountant:

Yasuyuki Onaka

Designated Unlimited Liability
Partner,
Engagement Partner,
Certified Public Accountant:

Kunikazu Awashima

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated balance sheet as of 31 March 2012 of SBI Holdings, Inc. (the "Company") and its consolidated subsidiaries, and the related statements of income and changes in net assets, and the related notes for the for the fiscal year from 1 April 2011 to 31 March 31 2012.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material

misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as of 31 March 2012, and the results of their operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

18 May 2012

To the Board of Directors of
SBI Holdings, Inc.:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability
Partner,
Engagement Partner,
Certified Public Accountant:

Yoshitaka Asaeda

Designated Unlimited Liability
Partner,
Engagement Partner,
Certified Public Accountant:

Yasuyuki Onaka

Designated Unlimited Liability
Partner,
Engagement Partner,
Certified Public Accountant:

Kunikazu Awashima

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the financial statements, namely, the balance sheet as of 31 March 2012 of SBI Holdings, Inc. (the "Company"), and the related statements of income and changes in net assets, and the related notes for the for the fiscal year from 1 April 2011 to 31 March 31 2012, and the accompanying supplemental schedules.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements and the accompanying supplemental schedules in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and the accompanying supplemental schedules based on our audit. We conducted our audit 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 and the accompanying supplemental schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the accompanying supplemental schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the accompanying supplemental schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements and the accompanying supplemental schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the accompanying supplemental schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2012, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

Report by the Board of Statutory Auditors

AUDIT REPORT

With respect to the directors' performance of their duties during the 14th fiscal year (from April 1, 2011 to March 31, 2012), the Board of Statutory Auditors has prepared this audit report after deliberations based on the audit reports prepared by each Statutory Auditor, and hereby reports as follows.

1. Method and Contents of Audit by Each Statutory Auditor and Board of Statutory Auditors

The Board of Statutory Auditors has established the audit policies, assignment of duties, etc. and received a report from each Statutory Auditor regarding the status of implementation of their audits and results thereof. In addition, the Board of Statutory Auditors has received reports from the Directors and the Accounting Auditor regarding the status of performance of their duties, and requested explanations as necessary.

In conformity with the Statutory Auditors' auditing standards established by the Board of Statutory Auditors, and in accordance with the audit policies and assignment of duties, etc., each of the Statutory Auditors endeavored to facilitate a mutual understanding with the directors, the internal audit division, and other employees, etc., endeavored to collect information and maintain and improve the audit environment, has attended the meetings of the Board of Directors and other important meetings, received reports on the status of performance of duties from the directors and other employees and requested explanations as necessary, examined important approval/decision documents, and inspected the status of the corporate affairs and assets at the Company's head office.

Also, in relation to (i) the contents of the Board of Directors' resolutions regarding the development and maintenance of the system to ensure that the Directors' performance of their duties described in the Business Report complied with all laws, regulations, and the Articles of Incorporation and other systems set out in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act of Japan as being necessary for ensuring the appropriateness of the corporate affairs of a joint stock company (kabushiki kaisha), and (ii) the systems (internal control systems) based on those resolutions, each Statutory Auditor has regularly received reports on the structure of that system and status of operation from Directors and other employees, requested explanations as necessary, and expressed its opinion. With respect to internal controls over financial reporting, the Board of Statutory Auditors has received reports regarding assessments and the status of auditing of such internal controls from the Directors, etc. and Deloitte Touche Tohmatsu LLC and requested explanations as necessary. With respect to subsidiaries, each Statutory Auditor endeavored to facilitate a mutual understanding and exchanged information with the directors and statutory auditors, etc. of each subsidiary and received from subsidiaries reports on their

respective business as necessary. Based on the above-described methods, each Statutory Auditor examined the Business Report and the supplementary statements for the relevant fiscal year under consideration.

In addition, each Statutory Auditor monitored and verified whether the Accounting Auditor maintained its independence and properly conducted its audit, received a report from the Accounting Auditor on the status of their performance of duties, and requested explanations as necessary. Each Statutory Auditor was notified by the Accounting Auditor that it had established a “system to ensure that the performance of the duties of the Accounting Auditor was properly conducted” (the matters listed in the items of Article 131 of the Company Accounting Regulations) in accordance with the “Quality Control Standards for Audits” (Business Accounting Council on October 28, 2005), and requested explanations as necessary. Based on the above-described methods, each Statutory Auditor examined the Non-Consolidated Financial Statements (the balance sheets, the statements of operations, the statements of changes in net assets, and the related notes) and the supplementary statements, and the Consolidated Financial Statements (the consolidated balance sheets, the consolidated statements of operations, the consolidated statements of changes in net assets, and the related consolidated notes) for the fiscal year under consideration.

2. Results of Audit

(1) Results of Audit of Business Report, etc.

- (i) We acknowledge that the Business Report and the supplementary statements fairly present the status of the Company in conformity with the applicable laws, regulations, and the Articles of Incorporation.
- (ii) We acknowledge that no misconduct or material fact constituting a violation of laws, regulations, or the Articles of Incorporation was found with respect to the Directors' performance of their duties.
- (iii) We acknowledge that the Board of Director's resolutions with respect to the internal control systems are appropriate. We did not find any matter in the Business Report or the Directors' performance of their duties concerning the internal control systems that requiring mentioning.

(2) Results of Audit of the Non-Consolidated Financial Statements and the Supplementary Statements

We acknowledge that the methods and results of audit performed by the Accounting Auditor, Deloitte Touche Tohmatsu LLC, are appropriate.

(3) Results of Audit of the Consolidated Financial Statements

We acknowledge that the methods and results of audit performed by the Accounting Auditor, Deloitte Touche Tohmatsu LLC, are appropriate.

May 22, 2012

The Board of Statutory Auditors of SBI Holdings, Inc.

Standing Statutory Auditor

Atsushi Fujii (seal)

Outside Statutory Auditor:

Ryujiro Shimamoto (seal)

Statutory Auditor:

Minoru Tada (seal)

Outside Statutory Auditor:

Hisashi Hayakawa (seal)

-End-

**THE REFERENCE MATERIALS FOR
THE GENERAL MEETING OF SHAREHOLDERS**

First Item of Business: Partial Amendment to the Articles of Incorporation

1. Reasons for the Proposal

- (1) In order to set the trading unit of shares of the Company as 100 shares in light of the purpose of the “Action Plan for Consolidating Trading Units” announced by the Japanese stock exchanges, the Company proposes to adopt a share unit system in which 1 unit is 100 shares. Also, for reasons including that Rule 445 of the Securities Listing Regulations of the Tokyo Stock Exchange prescribes that the desirable level of investment units is between 50,000 yen and 500,000 yen, the Company decided, together with the adoption of the share unit system, to conduct a stock split in which each share is split into 10 shares, in consideration of the current level of the market price of shares of the Company.
- (2) This proposal is to newly establish Article 8 (Share Unit Number) in order to adopt the share unit system in (1) above and set the share unit number as 100 shares, effective on October 1, 2012. Also, in order to provide rights to holders of shares less than one unit who do not have voting rights pursuant to the adoption of the share unit system, the Company proposes newly establishing Article 9 (Rights for Shares Less than One Unit) and Article 10 (Additional Sale of Shares Less than One Unit), and, pursuant to the foregoing amendments, to renumber Article 8 onwards of the current Articles of Incorporation.
- (3) As stated in (1) above, together with the adoption of the share unit system, the Company will conduct a stock split, and thus at the meeting of the Board of Directors held on April 26, 2012 it was decided to conduct a stock split in which each share is split into 10 shares, effective on October 1, 2012 and on the condition that this proposal is approved at this Ordinary General Meeting of Shareholders. Pursuant to this, the Company proposes amending Article 6 of the current Articles of Incorporation in order to increase the total number of authorized shares of the Company.
- (4) In order to provide for an effective date for the amendment of Article 6 and the new establishment of Article 8 through Article 10 of the current Articles of Incorporation and amendment of the Article numbering pursuant thereto, the Company proposes establishing Article 1 of the Supplementary Provisions.

2. Contents of Amendments to the Articles of Incorporation

Proposed amendments are shown in the table below:

(Underlined sections will be amended)

Current Articles of Incorporation	Proposed amendments
<p>Articles 1 through 5 (Provisions omitted)</p> <p>(Total Number of Shares Authorized to be Issued)</p> <p>Article 6 The total number of shares authorized to be issued by the Company shall be <u>34,169,000</u>.</p> <p>Article 7 (Provisions omitted)</p> <p>(Newly established)</p> <p>(Newly established)</p>	<p>Articles 1 through 5 (Same as current Articles of Incorporation)</p> <p>(Total Number of Shares Authorized to be Issued)</p> <p>Article 6 The total number of shares authorized to be issued by the Company shall be <u>341,690,000</u>.</p> <p>Article 7 (Same as current Articles of Incorporation)</p> <p><u>(Share Unit Number)</u></p> <p><u>Article 8</u> <u>The share unit number of the Company shall be 100 shares.</u></p> <p><u>(Rights for Shares Less than One Unit)</u></p> <p><u>Article 9</u> <u>Shareholders of the Company may not exercise rights for shares less than one unit other than the rights listed below.</u></p> <p><u>(1) The rights listed in each of the items of Article 189, Paragraph 2 of the Companies Act</u></p> <p><u>(2) Rights for which a request is made under the provisions of Article 166, Paragraph 1 of the Companies Act</u></p> <p><u>(3) Rights to subscribe to allotments of shares for subscription and share purchase warrants for subscription in proportion to the number of shares held by shareholders</u></p> <p><u>(4) Rights to make the request in the following Article</u></p>

Current Articles of Incorporation	Proposed amendments
<p>(Newly established)</p> <p>Articles 8 through 32 (Provisions omitted)</p> <p>(Newly established)</p>	<p><u>(Sale of Additional Shares Less than One Unit)</u> <u>Article 10</u> <u>In accordance with the provisions of the Rules Concerning Handling of Shares, shareholders of the Company may request the Company to sell them shares in a number that, together with the shares less than one unit held thereby, will constitute one share unit.</u></p> <p>Articles 11 through 35 (Same as current Articles of Incorporation)</p> <p><u>(Supplementary Provisions)</u> <u>Article 1</u></p> <ol style="list-style-type: none"> <li data-bbox="815 875 1385 1088">1. <u>The effective date of the amendment of Article 6 and the new establishment of Articles 8 through 10, and the amendment of the Article numbering pursuant thereto, shall be October 1, 2012.</u> <li data-bbox="815 1093 1385 1200">2. <u>This Supplementary Provision shall be deleted as of the effective date in the preceding paragraph.</u>

Second Item of Business: Election of Seventeen (17) Directors

The term of office of all twenty-one (21) current Directors expires as of the end of this Ordinary General Meeting of Shareholders. In connection with this, and to enable strategic and flexible decision-making by the Board of Directors, the Company proposes that the total number of Directors be reduced by four (4), and that seventeen (17) Directors be elected including two (2) candidates for new Directors in order to maintain and enhance the function of corporate governance.

1. The candidates for Directors to be reelected upon expiry of the term of office are as follows:

Number	Name (Date of Birth)	Career Summary, Position, Responsibilities and Other Significant Concurrent Offices Held	Number of Company's Shares Owned
1	Yoshitaka Kitao (January 21, 1951)	<p>April 1974 Entered Nomura Securities Co., Ltd.</p> <p>June 1995 Executive Vice President and CFO of SOFTBANK CORP.</p> <p>March 1999 Representative Director of Softbank Finance Corp. (Currently, SOFTBANK TELECOM Corp.)</p> <p>July 1999 Representative Director and President of the Company</p> <p>June 2003 Representative Director and CEO of the Company (present)</p> <p>July 2004 Director and Chairman of E*TRADE SECURITIES Co., Ltd. (Currently, SBI SECURITIES Co., Ltd.)</p> <p>June 2005 Representative Director and CEO of SBI VENTURES K.K. (Currently, SBI Investment Co., Ltd.) (present)</p> <p>Aug. 2005 Director and Chairman of SBI Mortgage Co., Ltd. (present)</p> <p>Sep. 2005 Director and Chairman of Gomez Consulting Co., Ltd. (Currently, Morningstar Japan K.K.)</p> <p>March 2006 Director and CEO of Morningstar Japan K.K. (present)</p> <p>June 2006 Director and CEO of SBI VeriTrans Co., Ltd. (Currently, VeriTrans Inc.)</p> <p>June 2006 Director and Chairman of KAWADEN CORPORATION (present)</p> <p>June 2007 Director of SBI VEN HOLDINGS PTE. LTD. (present)</p> <p>Sep. 2008 Director of SBI Hong Kong Co., Limited (Currently, SBI Hong Kong Holdings Co., Limited) (present)</p> <p>Oct. 2010 Representative Director and Chairman of SBI SECURITIES Co., Ltd. (present)</p>	364,088 shares

Number	Name (Date of Birth)	Career Summary, Position, Responsibilities and Other Significant Concurrent Offices Held	Number of Company's Shares Owned
2	Taro Izuchi (March 22, 1957)	<p>April 1979 Entered Nomura Securities Co., Ltd.</p> <p>July 1998 Director of SoftVenture Capital Co., Ltd. (Currently, the Company)</p> <p>Oct. 1998 Representative Director and President of Osawa Securities Co., Ltd. (Currently, SBI SECURITIES Co., Ltd.)</p> <p>May 2000 Representative Director and President of E*TRADE Japan K.K. (Currently, the Company)</p> <p>June 2005 Representative Director, Executive Officer, and President of E*TRADE SECURITIES Co., Ltd. (Currently, SBI SECURITIES Co., Ltd.)</p> <p>June 2005 Director of SOFTBANK INVESTMENT CORPORATION (Currently, the Company)</p> <p>June 2009 Director of the Company</p> <p>Oct. 2010 Representative Director and President of SBI SECURITIES Co., Ltd.</p> <p>Sep. 2011 Director and CFO of SBI Investment Co., Ltd. (present)</p> <p>Oct. 2011 Director of SBI SECURITIES Co., Ltd. (present)</p> <p>Oct. 2011 Director and COO of the Company (present)</p>	32,017 shares

Number	Name (Date of Birth)	Career Summary, Position, Responsibilities and Other Significant Concurrent Offices Held	Number of Company's Shares Owned
3	Takashi Nakagawa (September 6, 1963)	<p>April 1987 Entered The Fuji Bank, Limited (Currently, Mizuho Financial Group, Inc.)</p> <p>April 1999 Entered Softbank Finance Corp. (Currently, SOFTBANK TELECOM Corp.)</p> <p>June 2000 Entered the Company</p> <p>Aug. 2002 Executive Officer of the Company</p> <p>Dec. 2002 Director of the Company</p> <p>June 2003 Director and Executive Officer of the Company</p> <p>June 2005 Director and Managing Executive Officer of SBI VENTURES K.K. (Currently, SBI Investment Co., Ltd.)</p> <p>June 2006 Director of the Company</p> <p>July 2006 Representative Director and COO of SOFTBANK INVESTMENT CORPORATION (Currently, SBI Investment Co., Ltd.) (present)</p> <p>June 2007 Director and Managing Executive Officer of the Company</p> <p>June 2008 Director and Senior Managing Executive Officer of the Company</p> <p>June 2009 Director and Executive Officer of the Company</p> <p>Sep. 2010 Director, Executive Officer, and Head of Fund Investments, Overseas Business Div. of the Company (present)</p>	4,200 shares

Number	Name (Date of Birth)	Career Summary, Position, Responsibilities and Other Significant Concurrent Offices Held	Number of Company's Shares Owned
4	Tomoya Asakura (March 16, 1966)	<p>April 1989 Entered The Hokkaido Takushoku Bank, Ltd.</p> <p>Jan. 1990 Entered Merrill Lynch Japan Incorporated (Currently, Merrill Lynch Japan Securities Co., Ltd.)</p> <p>June 1995 Entered SOFTBANK CORP.</p> <p>Nov. 1998 Entered Morningstar Japan K.K.</p> <p>March 2000 Director and General Manager of Internet Business Division of Morningstar Japan K.K.</p> <p>March 2001 Managing Director of Morningstar Japan K.K.</p> <p>May 2001 Director of Morningstar Asset Management Co., Ltd. (present)</p> <p>March 2004 Representative and Senior Managing Director of Morningstar Japan K.K.</p> <p>July 2004 Representative Director and President of Morningstar Japan K.K.</p> <p>March 2005 Representative Director and CEO of Morningstar Japan K.K.</p> <p>Dec. 2005 Representative Director and COO of Morningstar Japan K.K. (present)</p> <p>June 2006 Director of Kabushiki Shimbun Inc. (Currently, Morningstar Japan K.K.)</p> <p>June 2007 Director and Executive Officer of the Company (present)</p>	—

Number	Name (Date of Birth)	Career Summary, Position, Responsibilities and Other Significant Concurrent Offices Held	Number of Company's Shares Owned
5	Hiroyoshi Kido (June 17, 1965)	<p>April 1990 Entered The Dai-Ichi Kangyo Bank, Ltd. (Currently, Mizuho Financial Group, Inc.)</p> <p>Dec. 1999 General Manager of IR Dept of Softbank Finance Corp. (Currently, SOFTBANK TELECOM Corp.)</p> <p>Dec. 2001 Representative Director and President of WEB-Lease Co., Ltd. (Currently, SBI Lease Co., Ltd.)</p> <p>Feb. 2002 Director of FINANCE ALL CORPORATION (Currently, the Company)</p> <p>March 2005 Director, Senior Managing Executive, and CFO of FINANCE ALL CORPORATION.</p> <p>June 2005 Representative Director and COO of SBI Lease Co., Ltd.</p> <p>March 2006 Director, Executive Officer, and General Manager of Financial Services Business Div. of the Company</p> <p>June 2006 Representative Director of SBI Financial Agency Co., Ltd.</p> <p>June 2006 Director, Managing Executive Officer, and General Manager of Financial Services Business Div. of the Company</p> <p>April 2007 Director and Executive Officer of SBI VeriTrans Co., Ltd. (Currently, VeriTrans Inc.)</p> <p>June 2008 Representative Director and President of SBI Insurance Co., Ltd. (present)</p> <p>June 2009 Director of the Company (present)</p>	11,853 shares

Number	Name (Date of Birth)	Career Summary, Position, Responsibilities and Other Significant Concurrent Offices Held	Number of Company's Shares Owned
6	Shumpei Morita (December 31, 1974)	<p>April 1998 Entered SOFTBANK CORP.</p> <p>April 1999 Entered Softbank Accounting Corp. (Currently, SOFTBANK TELECOM Corp.)</p> <p>July 2000 Representative Director and President of Office Work Corporation (Currently, SBI Business Solutions Co., Ltd.)</p> <p>Oct. 2002 Representative Director and President of Office Work Systems Corporation. (Currently, SBI Business Solutions Co., Ltd.)</p> <p>Nov. 2005 Representative Director and President of JCN Land Co., Ltd (Currently, SBI Business Solutions Co., Ltd.) (present)</p> <p>March 2007 Outside Statutory Auditor of Gomez Consulting Co., Ltd. (Currently, Morningstar Japan K.K.)</p> <p>June 2009 Director and Executive Officer of the Company</p> <p>June 2011 Outside Statutory Auditor of Morningstar Japan K.K. (present)</p> <p>Oct. 2011 Director and CFO of the Company (present)</p>	—
7	Noriaki Maruyama (May 12, 1965)	<p>April 1989 Entered THE TOKAI BANK, LIMITED (Currently, The Bank of Tokyo-Mitsubishi UFJ, Ltd.)</p> <p>Feb. 2000 Entered E-LOAN, Inc. (Currently, the Company)</p> <p>April 2001 Director of GOODLOAN Co., Ltd. (Currently SBI Mortgage Co., Ltd.)</p> <p>Feb. 2003 Director of FINANCE ALL CORPORATION (Currently, the Company)</p> <p>April 2004 Representative Director, COO, and CFO of Equal Credit Co., Ltd. (Currently, SBI Card Co., Ltd.)</p> <p>March 2005 Representative Director and COO of Good Mortgage Corporation (Currently, SBI Mortgage Co., Ltd.)</p> <p>June 2006 Director of the Company</p> <p>June 2007 Director and Executive Officer of the Company</p> <p>June 2009 Director and Executive Officer of the Company (present)</p> <p>April 2012 Representative Director, President, CEO and COO of SBI Mortgage Co., Ltd. (present)</p>	6,933 shares

Number	Name (Date of Birth)	Career Summary, Position, Responsibilities and Other Significant Concurrent Offices Held	Number of Company's Shares Owned
8	Yasutaro Sawada (October 14, 1962)	<p>April 1985 Entered Nomura Securities Co., Ltd. Dec. 1995 Entered SOFTBANK CORP. March 1999 Director of Softbank Finance Corp. (Currently, SOFTBANK TELECOM Corp.) Dec. 2002 Representative Director and Vice President of the Company June 2003 Representative Director, COO, and CFO of the Company Sep. 2003 Outside Director of Broad Band Tower, Inc. June 2005 Director and COO of the Company June 2005 Representative Director and COO of SBI VENTURES K.K. (Currently, SBI Investment Co., Ltd.) July 2006 Director and Executive Officer of SBI Investment Co., Ltd. June 2008 Representative Director and Chairman of C4 Technology, Inc. (Currently, SBI Net Systems Co., Ltd.) June 2008 Director, COO, and CFO of the Company Nov. 2008 Director and CFO of SBI Investment Co., Ltd. June 2009 Director and CFO of the Company Sep. 2011 Director of SBI Net Systems Co., Ltd. (present) Oct. 2011 Director of the Company (present) Oct. 2011 Representative Director and President of SBI SECURITIES Co., Ltd. (present)</p>	16,602 shares

Number	Name (Date of Birth)	Career Summary, Position, Responsibilities and Other Significant Concurrent Offices Held	Number of Company's Shares Owned
9	Noriyoshi Kimura (January 26, 1969)	<p>April 1992 Entered Dentsu System International Ltd. (Currently, Information Services International-Dentsu, Ltd.)</p> <p>Nov. 1998 Entered E*TRADE Japan K.K. (Currently, the Company)</p> <p>April 2000 General Manager of System Development Dept. of E*TRADE Japan K.K.</p> <p>June 2003 General Manager of System Development Dept. of SOFTBANK INVESTMENT CORPORATION (Currently, the Company)</p> <p>Dec. 2005 In Charge of Net Banking Dept. of the Company</p> <p>April 2006 Director and CTO of Sumishin SBI Net Bank Research Co., Ltd. (Currently, SBI Sumishin Net Bank, Ltd.)</p> <p>Sep. 2007 Managing Director and CTO of SBI Sumishin Net Bank, Ltd.</p> <p>June 2009 Managing Executive Officer and CTO of SBI Sumishin Net Bank, Ltd.</p> <p>June 2009 Director of the Company (present)</p> <p>June 2010 Executive Officer and CTO of SBI Sumishin Net Bank, Ltd. (present)</p>	713 shares
10	Hiroshi Tasaka (April 17, 1951)	<p>April 1981 Entered Mitsubishi Metal Corporation (Currently, Mitsubishi Materials Corporation)</p> <p>March 1990 Entered The Japan Research Institute, Limited</p> <p>June 1996 Director of The Japan Research Institute, Limited</p> <p>March 2000 Director of the Company</p> <p>April 2000 Fellow of The Japan Research Institute, Limited (present)</p> <p>April 2000 Professor of Tama University Graduate School (present)</p> <p>May 2000 Outside Director of LAWSON, INC</p> <p>June 2000 Representative Director of SophiaBank, Limited (present)</p> <p>June 2000 Director of Softbank Finance Corp. (Currently SOFTBANK TELECOM Corp.)</p> <p>June 2005 Director of the Company (present)</p> <p>Dec. 2005 Outside Director of OKWeb (Currently, OKWave)</p> <p>June 2007 Outside Director of CCC Casting Co., Ltd. (Currently, Culture Convenience Club Co., Ltd.)</p> <p>March 2011 Special Advisor to the Cabinet</p>	8,022 shares

Number	Name (Date of Birth)	Career Summary, Position, Responsibilities and Other Significant Concurrent Offices Held	Number of Company's Shares Owned
11	Takashi Okita (March 11, 1977)	<p>April 1999 Entered SoftbankFinance Corp. (Currently, SOFTBANK TELECOM Corp.) Assigned to CyberCash K.K. (Currently, VeriTrans Inc.)</p> <p>Aug. 2001 Moved to CyberCash K.K. from Softbank Finance Corp.</p> <p>Oct. 2002 Director of OfficeWork Systems Corporation (Currently, SBI Business Solutions Co., Ltd.)</p> <p>Feb. 2004 Director of VeriTrans Inc.</p> <p>June 2005 Representative Director and COO of SBI VeriTrans Co., Ltd. (Currently, VeriTrans Inc.)</p> <p>June 2006 Representative Director, Executive Officer, and COO of SBI VeriTrans Co., Ltd. (Currently, VeriTrans Inc.)</p> <p>Nov. 2006 Representative Director and CEO of eCURE Co., Ltd.</p> <p>June 2008 Director and Executive Officer of the Company (present)</p> <p>May 2009 Representative Director and CEO of eCURE Co., Ltd. (present)</p> <p>Nov. 2009 Representative Director and Co-CEO of SBI Research Co., Ltd. (Currently, iResearch Japan Co., Ltd.) (present)</p> <p>Jan. 2010 Representative Director and CEO of SBI Navi Co., Ltd. (Currently, NaviPlus Co., Ltd.) (present)</p> <p>April 2012 Representative Director, Executive Officer, and CEO of SBI VeriTrans Co., Ltd. (Currently, VeriTrans Inc.) (present)</p>	7,661 shares

Number	Name (Date of Birth)	Career Summary, Position, Responsibilities and Other Significant Concurrent Offices Held	Number of Company's Shares Owned
12	Masaki Yoshida (August 13, 1959)	<p>April 1983 Entered Fuji Television Network, Inc. (Currently, Fuji Media Holdings, Inc.)</p> <p>June 2003 Director of Music and Variety Center of Programming and Production Department of Fuji Television Network, Inc.</p> <p>June 2006 Senior Director of Music and Variety Center of Programming and Production Department of Fuji Television Network, Inc. Senior Director of Digital Content Development of Digital Content Department of Fuji Television Network, Inc.</p> <p>April 2007 Outside Statutory Auditor of KLab Inc.</p> <p>Jan. 2009 Representative Director of YOSHIDAMASAKI INC. (present) Representative Director and Chairman of Watanabe Entertainment Co., Ltd. (present)</p> <p>March 2009 Outside Director of KLab Inc.</p> <p>May 2009 Outside Director of Giga Media Inc. (present)</p> <p>June 2010 Director of the Company (present)</p>	1,000 shares
13	Kiyoshi Nagano (November 29, 1940)	<p>April 1963 Entered The Nikko Securities Co., Ltd. (Currently, SMBC Nikko Securities Inc.)</p> <p>June. 1994 Executive Director of The Nikko Securities Co., Ltd.</p> <p>Feb. 1996 Executive Managing Director of The Nikko Securities Co., Ltd.</p> <p>June 1997 Representative Director and President of Yamaka Shoken K.K. (Currently, KAZAKA Securities, Co., Ltd.)</p> <p>June 1999 President of Jasdaq Market Services, Inc. (Currently, Osaka Securities Exchange, Co., Ltd.)</p> <p>June 2004 Chairman & President of Jasdaq Market Inc. (Currently, Osaka Securities Exchange, Co., Ltd.)</p> <p>Dec. 2004 Chairman & President of Jasdaq Securities Exchange, Inc. (Currently, Osaka Securities Exchange, Co., Ltd.)</p> <p>June 2005 Senior Corporate Advisor of Jasdaq Securities Exchange, Inc.</p> <p>June 2007 Outside Statutory Auditor of Shin-Etsu Chemical Co., Ltd. (present)</p> <p>June 2010 Outside Director of the Company (present)</p>	—

Number	Name (Date of Birth)	Career Summary, Position, Responsibilities and Other Significant Concurrent Offices Held	Number of Company's Shares Owned
14	Keiji Watanabe (January 21, 1943)	<p>Oct. 1975 Entered Price Waterhouse (Currently, PricewaterhouseCoopers Aarata)</p> <p>July 1987 Partner of Aoyama Audit Corporation (Currently, PricewaterhouseCoopers Aarata) (concurrent position as Partner of Price Waterhouse (Currently, PricewaterhouseCoopers Aarata))</p> <p>Aug. 1995 Entered Deloitte Touche Tohmatsu (Currently, Deloitte Touche Tohmatsu LLC)</p> <p>April 1996 Partner of Deloitte Touche Tohmatsu (retired in June 2008)</p> <p>June 2000 Outside Director of Ichiyoshi Securities Co., Ltd.</p> <p>July 2003 Deloitte Touche Tohmatsu Global Middle Market Leader (retired in June 2009)</p> <p>June 2008 Outside Director of ASAHI KOGYOSHA CO., LTD. (present)</p> <p>June 2010 Outside Director of the Company (present)</p> <p>March 2011 Outside Director of Funai Zaisan Consultants Co., Ltd. (present)</p>	—
15	Akihiro Tamaki (October 25, 1966)	<p>Sep. 1994 Entered Price Waterhouse LLP, New York (Currently, PricewaterhouseCoopers LLP)</p> <p>Sep. 1996 Entered Deloitte Touche Tohmatsu (Currently, Deloitte Touche Tohmatsu LLC)</p> <p>March 1998 Registered as a US certified public accountant</p> <p>June 2006 Representative Director of SiFA Co., Ltd. (present)</p> <p>June 2008 External Corporate Auditor of Avex Group Holdings Inc. (present)</p> <p>June 2010 Outside Director of the Company (present)</p>	—

2. The candidates for new Directors are as follows:

Number	Name (Date of Birth)	Career Summary, Position, Responsibilities and Other Significant Concurrent Offices Held	Number of Company's Shares Owned
16	Li Peilung (October 31, 1974)	<p>April 2000 Entered Deloitte Tohmatsu Consulting Co., Ltd.</p> <p>Oct. 2003 Entered Daiwa Securities SMBC Co., Ltd. (Currently, Daiwa Securities Co., Ltd.)</p> <p>Aug. 2006 Entered Taiyo Pacific Partners LP</p> <p>April 2008 Entered the Company</p> <p>Nov. 2008 The Company's Representative Office in Beijing</p> <p>Dec. 2009 The Chief Representative of the Company's Representative Office in Shanghai (present)</p> <p>March 2010 Outside Director of Searchina, Inc. (present)</p> <p>Sep. 2010 General Manager of Overseas Business Div. of the Company</p> <p>June 2011 Director and CEO of CSJ-SBI Financial Media Co., Ltd.(present)</p> <p>Nov. 2011 Director of Tianan Insurance Co., Ltd.(present)</p>	—

Number	Name (Date of Birth)	Career Summary, Position, Responsibilities and Other Significant Concurrent Offices Held	Number of Company's Shares Owned
17	Masanao Marumono (May 13, 1950)	<p>April 1974 Entered Sumitomo Bank (Currently, Sumitomo Mitsui Banking Corporation)</p> <p>Jan. 1990 Deputy Manager of 1st Tokyo Sales Dept. of Sumitomo Bank</p> <p>April 1991 Deputy Manager of 3rd Tokyo Sales Dept. of Sumitomo Bank</p> <p>April 1992 Branch Manager of Shintomicho Branch of Sumitomo Bank</p> <p>Oct. 1994 Branch Manager of Higashi-Shinjuku Branch of Sumitomo Bank</p> <p>Oct. 1996 Branch Manager of Sakaemachi Branch of Sumitomo Bank</p> <p>Oct. 1998 General Manager of Branch Operations Dept. of Head Office of Sumitomo Bank</p> <p>Oct. 1999 General Manager of Planning Dept., Consumer Banking Unit of Head Office of Sumitomo Bank</p> <p>April 2003 General Manager of Human Resources Development Dept. of Head Office of Sumitomo Mitsui Banking Corporation</p> <p>May 2004 Chief of Human Resources Development Dept. of Head Office of Sumitomo Mitsui Banking Corporation</p> <p>June 2005 Senior Managing Director of SMBC Center Service Co., Ltd.</p> <p>June 2007 Representative Director and President of SMBC Green Service Co., Ltd.</p> <p>June 2010 Outside Statutory Auditor of GINSEN CO., LTD (present)</p> <p>May 2011 Managing Director of Japan Association of Employers of Persons with Severe Disabilities</p> <p>May 2012 Vice-President of Japan Association of Employers of Persons with Severe Disabilities (present)</p> <p>June 2012 Counsel for SMBC Green Service Co., Ltd. (Present)</p>	—

(Note)

1. The candidates have no special interest in the Company.
2. Mr. Kiyoshi Nagano, Mr. Keiji Watanabe, Mr. Akihiro Tamaki, and Mr. Masanao Marumono are candidates for Outside Directors.
3. The Company selected Mr. Nagano and Mr. Marumono as candidates for Outside Directors in order to utilize their ample experience and knowledge developed through their past careers in the Company's management. If Mr. Nagano and Mr. Marumono are elected in accordance with the original proposal, then for the reasons set out below the Company will notify Tokyo Stock Exchange and Osaka Securities Exchange that these two persons are Independent Directors under the provisions stipulated by Tokyo Stock Exchange and Osaka Securities Exchange.

- (i) The Company has judged that Mr. Nagano is qualified as an Independent Director and that a conflict of interest is unlikely to arise between him and the general shareholders because Mr. Nagano has not worked for either a major shareholder or a major customer of the Company before. Mr. Nagano is from JASDAQ Market Inc. (Currently Osaka Securities Exchange, Co., Ltd., which is not a major customer of the Company), and although the Company has carried out some money transactions with Osaka Securities Exchange, such as for listing fees and the market information system usage fee associated with the listing of the Company on Osaka Securities Exchange, the transaction amount is insignificant and does not affect the independence of Mr. Nagano.
 - (ii) Although Mr. Marumono has worked as a person who executes the business of Sumitomo Bank (Currently Sumitomo Mitsui Banking Corporation, which is the financing bank of the Company) and Sumitomo Mitsui Banking Corporation, seven years have passed since his retirement in 2005, and currently he is not in the position of being a person who executes the business of Sumitomo Mitsui Banking Corporation or any similar position. Although Mr. Marumono has been involved in company management at SMBC Center Service Co., Ltd. and SMBC Green Service Co., Ltd., which are group companies of Sumitomo Mitsui Banking Corporation, after his retirement from Sumitomo Mitsui Banking Corporation, no transactions have been carried out between the Company and these companies. The Company is conducting transactions with several financial institutions other than Sumitomo Mitsui Banking Corporation and the proportion of the amount borrowed from Sumitomo Mitsui Banking Corporation is not extraordinarily high compared with the proportion of the amount borrowed from other financial institutions. Therefore, the Company has judged that Mr. Marumono is qualified as an Independent Director because the transactional relationship between the Company and Sumitomo Mitsui Banking Corporation does not affect the decision-making of Mr. Marumono and a conflict of interest is unlikely to arise between him and the general shareholders.
4. The Company selected Mr. Watanabe and Mr. Tamaki as candidates for Outside Director because of their experience and specialized knowledge as accountants, which can be applied to appropriately supervise the management of the Company from the objective perspective of an accountant. Although Mr. Watanabe has not been directly involved in the company management in a way other than being Outside Director or Outside Statutory Auditor, the Company has judged that he can properly perform his duties as Outside Director in accordance with the reasons above.
5. Mr. Nagano, Mr. Watanabe, and Mr. Tamaki are currently Outside Directors of the Company, and they will have served for two (2) years as Outside Director as of the end of this Ordinary General Meeting of Shareholder.
6. The Company maintains individual agreements with each of Mr. Nagano, Mr. Watanabe, and Mr. Tamaki to limit each of their liability for compensation under Article 423, Paragraph 1 of the Companies Act. The limit of that liability is the higher amount of either 1,000,000 yen or the minimum liability amount under laws and regulations in accordance with Article 427, Paragraph 1 of the Companies Act and the provision of Article 22, Paragraph 2 of the Company's Articles of Incorporation. The Company will continue those individual agreements with each of Mr. Nagano, Mr. Watanabe, and Mr. Tamaki if their respective reelections are approved.
7. The Company will enter into an agreement similar to the contracts for limitation of liability described in 6. above if the election of Mr. Marumono is approved.
8. Mr. Nagano will assume the office of Outside Auditor of LEC, INC. as of June 28, 2012.

9. The Company has notified The Stock Exchange of Hong Kong Limited that Mr. Masaki Yoshida, Mr. Kiyoshi Nagano, Mr. Keiji Watanabe and Mr. Akihiro Tamaki are Independent non-executive directors (INED) under the provisions stipulated by The Stock Exchange of Hong Kong Limited. If their re-election is approved, the Company will continue to notify The Stock Exchange of Hong Kong Limited that these persons are Independent non-executive directors. The Company will notify The Stock Exchange of Hong Kong Limited that Mr. Masanao Marumono is a new Independent non-executive Director if his election is approved.

Third Item of Business: Election of One (1) Substitute Statutory Auditor

In order to maintain the continuity of auditing even when the number of Statutory Auditors required under laws and regulations is lacking, the Company proposes that Mr. Hideaki Asayama be elected as a substitute Outside Statutory Auditor.

The effect of election of Mr. Asayama as a substitute Outside Statutory Auditor may be revoked, only before his assumption of office, by a resolution of the Board of Directors with the consent of the Board of Statutory Auditors.

The Board of Statutory Auditors agrees to this Third Item of Business.

Name (Date of Birth)	Career Summary, Position, Significant Concurrent Positions Held	Number of Company's Shares Owned
Hideaki Asayama (December 5, 1949)	April 1974 Entered TOKYO SHIBAURA ELECTRIC CO., LTD. (Currently, TOSHIBA CORPORATION)	—
	Oct. 1986 Assigned to TOSHIBA MEDICAL DO BRASIL LTDA., Director of Administration & Finance	
	July 1992 Manager of Finance Div. of TOSHIBA CORPORATION	
	June 1995 Assigned to Toshiba Pension Fund, Investment Manager	
	June 1997 Assigned to TOSHIBA INTERNATIONAL CORPORATION, Vice President and Treasurer	
	Dec. 1999 Chief Specialist, Finance & Accounting Div. of Toshiba Information & Social Infrastructure Systems Company, TOSHIBA CORPORATION	
	Oct. 2000 Chief Specialist, Corporate Audit Div. of Toshiba Information & Social Infrastructure Systems Company, TOSHIBA CORPORATION	
	May 2004 Retired from TOSHIBA CORPORATION	
	May 2004 Entered Toshiba Matsushita Display Technology Co., Ltd. (Currently, Japan Display Inc.), General Manager of Corporate Audit Dept.	
	June 2006 Standing Statutory Auditor of Toshiba Matsushita Display Technology Co., Ltd.	
	June 2009 Retired from position of Standing Statutory Auditor of Toshiba Matsushita Display Technology Co., Ltd.	
June 2009 Entered TOSHIBA DESIGN & MANUFACTURING SERVICE CORPORATION, Group Manager of Internal		

	June 2010	Audit Group Statutory Auditor of SBI Liquidity Market Co., Ltd. (present)	
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(Note)

1. The candidate has no special interest in the Company.
2. Mr. Hideaki Asayama is a candidate for substitute Outside Statutory Auditor.
3. The Company selected Mr. Asayama as a candidate for substitute Outside Statutory Auditor because of his ample experience and broad knowledge developed through years of experience in financial affairs and accounting, which the Company deems can be applied to adequately perform the role of supervision and other services regarding the management of the Company.

— End —

How to Exercise Voting Rights

Our shareholders may exercise their voting rights in writing (by using the Voting Rights Exercise Form) or via the Internet, etc. Please find details below for these methods of exercising voting rights.

If a shareholder intends to attend the Ordinary General Meeting of Shareholders, it is not necessary for the shareholder to carry out the procedures for exercising voting rights in writing or via the Internet, etc. that are set out below.

Exercising Voting Rights in Writing (using the Voting Rights Exercise Form)

Please indicate on the Voting Rights Exercise Form enclosed herewith your approval or disapproval of the proposals and return the form. The form must reach the Company by the end of the Company's business hours at 5:45 p.m. (Japan time) on Wednesday, June 27, 2012.

Exercising Voting Rights via the Internet, Etc.

1. Points to note when exercising voting rights via the Internet, etc.

If you choose to exercise your voting rights via the Internet, etc., please note the following matters and exercise your voting rights by the end of the Company's business hours at 5:45 p.m. (Japan time) on Wednesday, June 27, 2012.

- (1) You may exercise voting rights via the Internet only through the website for exercising voting rights designated by the Company (see the URL below). If you choose to exercise your voting rights via the Internet, you will need to enter the code and the password for exercising voting rights that are set out in the Voting Rights Exercise Form enclosed herewith.
- (2) The code and password for exercising voting rights are only effective for this Ordinary General Meeting of Shareholders. A new code and password for exercising voting rights will be issued to each shareholder for the next general meeting of shareholders.
- (3) If you have exercised your voting rights both in writing and via the Internet, etc., we will use your vote via the Internet, etc. as the effective vote.
- (4) If you have exercised your voting rights multiple times via the Internet, etc., we will use your last vote as the effective vote.

- (5) You will bear all costs in connection with your use of the Internet (including, but not limited to, provider fees for your Internet connection and line usage charges).

2. **Specific procedures for exercising voting rights via the Internet**

- (1) Please access <http://www.it-soukai.com/> or <https://daiko.mizuho-tb.co.jp/>.
Please be aware that you cannot access this URL from 3:00 a.m. to 5:00 a.m. during the period for exercising voting rights.
- (2) Please enter your code and password for exercising voting rights and click “Login”. The code and password are printed on the lower right-hand side of the Voting Rights Exercise Form enclosed herewith.
- (3) Please follow the instructions that appear onscreen to exercise your voting rights.

3. **System requirements**

Personal computers: **Windows® models (not available on PDAs or TV game consoles)**

Browser: **Microsoft® Internet Explorer 5.5 or higher**

Internet access: **Internet access required (through subscription with ISP, etc.)**

Screen resolution: **1024 x 768 or higher recommended**

* Microsoft and Windows are trademarks or registered trademarks of Microsoft Corporation, a U.S. corporation, in the U.S. and other countries.

4. **Security issues**

The website uses encryption technology (128-bit SSL) to ensure the prevention of any tampering with or eavesdropping of any information you submit when exercising voting rights so that you may use it with peace of mind.

The code and password for exercising voting rights set out in the Voting Rights Exercise Form are important pieces of information for identifying individual shareholders. Please do not disclose this information to anyone. Please note that the Company will not contact you to request information about your password.

5. **Inquiries**

(1) Contact details for inquiries about operating instructions or the like regarding use of personal computers or similar devices in connection with electronically exercising voting rights

Internet Help Dial, Stock Transfer Agent Department, Mizuho Trust & Banking Co., Ltd.:

Telephone: 0120-768-524 (toll free)

(Weekdays from 9:00 a.m. to 9:00 p.m. (excluding public holidays))

(2) Contact details for any inquiries other than those set out in (1) above

Stock Transfer Agent Department, Mizuho Trust & Banking Co., Ltd.:

Telephone: 0120-288-324 (toll free)

(Weekdays from 9:00 a.m. to 5:00 p.m. (excluding public holidays))

Information on Electronic Voting Platform

If you are a nominee shareholder such as a trust bank (including a standing proxy) and if you apply in advance to use the Electronic Voting Platform operated by ICJ, Inc., you may use the Platform as a method for electronically exercising your voting rights for the Ordinary General Meeting of Shareholders in addition to the aforementioned method of exercising your voting rights via the Internet.

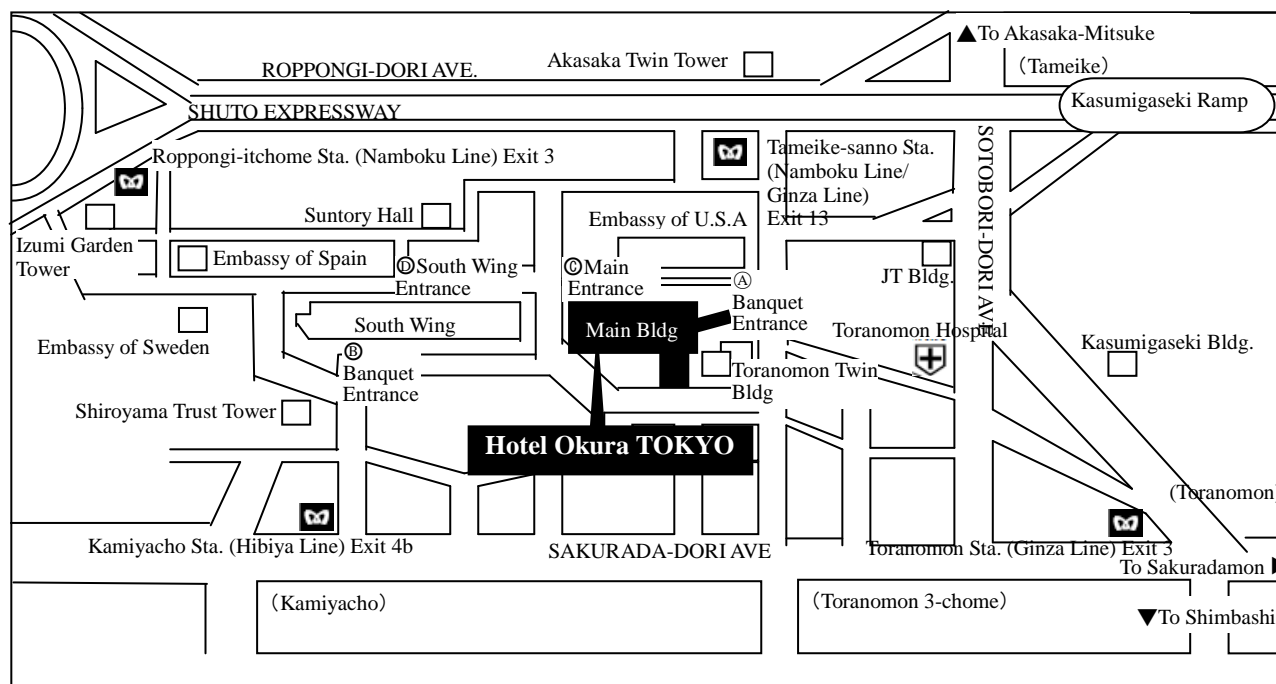
Access to the Meeting Room of the 14th Ordinary General Meeting of Shareholders

Location: Hotel Okura Tokyo

Heian Room, 1st Floor, Main Building

2-10-4 Toranomon, Minato-ku, Tokyo 105-0001

Telephone: +81-3-3582-0111



Access:

- | | |
|--------------------------|---|
| Tokyo Metro/ Ginza Line: | Eight minutes walk from Toranomon Station, Exit 3 |
| Hibiya Line: | Five minutes walk from Kamiyacho Station, Exit 4b |
| Namboku Line: | Ten minutes walk from Roppongi-itchohme Station, Exit 3 |
| Ginza Line and | |
| Namboku Line: | Ten minutes walk from Tameike-Sanno Station, Exit 13 |

Please note that no parking lots are reserved for attendees. We recommend that you use public transportation when travelling to the venue.

End of the translation

Pursuant to the Listing Rules of The Stock Exchange of Hong Kong Limited, any candidates for election or re-election as Directors should provide the biographical details as required under the Listing Rule 13.51(2) to enable the shareholders to make an informed decision on their election. In addition to the details provided in the Convocation Notice, the following additional information is provided pursuant to the Listing Rules in respect of the above candidates for Directors:-

- (1) The above candidates for Directors do not have any relationships with any other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of the Company.
- (2) The above candidates for Directors will hold office until the 15th Ordinary General Meeting of Shareholders. The emoluments of the above candidates for Directors will be determined after the 14th Ordinary General Meeting of Shareholders. Announcement of such details will be made by the Company when the decision is made.
- (3) There is no other information regarding the above candidates for Directors to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, nor are there other matters that need to be brought to the attention of the Company's shareholders.
- (4) The length of service with the Company for the above candidates for Directors is one year.
- (5) Executive Directors, Non-Executive Directors and Independent Non-Executive Directors are to be appointed at a meeting of the Board of the Company after they are being re-elected or elected respectively at the 14th Ordinary General Meeting of Shareholders. The proposed Executive Directors for re-elections are Mr. Yoshitaka Kitao, Mr. Taro Izuchi, Mr. Takashi Nakagawa, Mr. Tomoya Asakura, Mr. Shumpei Morita and Mr. Noriaki Maruyama. The proposed Executive Director for new election is Mr. Li Peilung. The proposed Non-Executive Directors for re-elections are Mr. Yasutaro Sawada, Mr. Hiroyoshi Kido, Mr. Noriyoshi Kimura, Mr. Hiroshi Tasaka, and Mr. Takashi Okita (being re-designated from Executive Director). The proposed Independent Non-Executive Directors for re-elections are Mr. Masaki Yoshida, Mr. Kiyoshi Nagano, Mr. Keiji Watanabe and Mr. Akihiro Tamaki. The proposed Independent Non-Executive Director for new election is Mr. Masanao Marumono.
- (6) The Board considers that Mr. Masanao Marumono satisfies the independence requirements under Rule 3.13 of the Hong Kong Listing Rules. Taking into account that he has no past or present financial or other interest in the Group's business, has no connection with any of the Company's connected persons (as defined in the Hong Kong Listing Rules), has not engaged in any executive management of the Group, is free from any business or other relationship which could materially interfere with the exercise of his independent judgement, the Board believes that he is independent and will provide an independent element on the Board.
- (7) The directors' interests in shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance is as the tables below;

No.	Name of Director	Name of corporation	Nature of Interest	Class of Shares / underlying Shares	Number of Shares/ Underlying shares (As of 31 March 2012)
1	Yoshitaka Kitao	SBI Holdings, Inc.	Registered owner	Ordinary Shares	364,088
			Registered owner	(Underlying Shares) FINANCE ALL CORPORATION-Series 2	2,200
			Registered owner	(Underlying Shares) 2005 Series 1	2,010
		Morningstar Japan K.K.	Registered owner	Ordinary Shares	2,144
		SBI Mortgage Co., Ltd.	Registered owner	Ordinary Shares	100,000
		SBI Point Union Co., Ltd.	Registered owner	Ordinary Shares	100
		SBI ALApromo Co., Ltd.	Registered owner	Ordinary Shares	972
		Searchina Co., Ltd.	Interest of Controlled corporation (House Search Co., Ltd.)	Ordinary Shares	24
		SBI Life Living Co., Ltd.	Registered owner	(Underlying Shares) Series 3	168
2	Taro Izuchi	SBI Holdings Inc.	Registered owner	Ordinary Shares	32,017
			Registered owner	(Underlying Shares) 2005 Series 1	400
			Registered owner	(Underlying Shares) 2003 Series 1	1,612
3	Takashi Nakagawa	SBI Holdings, Inc.	Registered owner	Ordinary Shares	4,200
			Registered owner	(Underlying Shares) 2005 Series 1	1,000
			Registered owner	(Underlying Shares) 2003 Series 2	4,905

No.	Name of Director	Name of corporation	Nature of Interest	Class of Shares / underlying Shares	Number of Shares/ Underlying shares (As of 31 March 2012)
4	Tomoya Asakura	Morningstar Japan K.K.	Registered owner	Ordinary Shares	220
			Registered owner	(Underlying Shares) 2003 Series 1	472
		Searchina Co., Ltd.	Registered owner	Ordinary Shares	20
5	Hiroyoshi Kido	SBI Holdings Inc.	Registered owner	Ordinary Shares	11,853
			Registered owner	(Underlying Shares) E*TRADE Japan K.K. Stock Option	1,667
6	Shumpei Morita	SBI Business Solutions Co., Ltd.	Registered owner	Ordinary Shares	636
		SBI Holdings Inc.	Registered owner	(Underlying Shares) 2005 Series 1	220
			Registered owner	(Underlying Shares) 2003 Series 3	1,524
7	Noriaki Maruyama	SBI Holdings, Inc.	Registered owner	Ordinary Shares	6,933
		SBI Mortgage Co., Ltd.	Registered owner	Ordinary Shares	93,000
8	Yasutaro Sawada	SBI Holdings, Inc.	Registered owner	Ordinary Shares	16,602
			Registered owner	(Underlying Shares) FINANCE ALL CORPORATION-Series 2	1,720
			Registered owner	(Underlying Shares) 2005 Series 1	1,500
			Registered owner	(Underlying Shares) 2003 Series 1	14,655
			Registered owner	(Underlying Shares) 2002 Series 2	12,213

No.	Name of Director	Name of corporation	Nature of Interest	Class of Shares / underlying Shares	Number of Shares/ Underlying shares (As of 31 March 2012)
9	Noriyoshi Kimura	SBI Holdings Inc.	Registered owner	Ordinary Shares	713
			Registered owner	(Underlying Shares) E*TRADE Japan K.K. Stock Option	1,021
			Registered owner	(Underlying Shares) 2003 Series 2	2,863
10	Hiroshi Tasaka	SBI Holdings Inc.	Registered owner	Ordinary Shares	8,022
			Registered owner	(Underlying Shares) 2005 Series 1	400
		Morningstar Japan K.K.	Registered owner	Ordinary Shares	88
				(Underlying Shares) 2003 Stock Option	80
11	Takashi Okita	SBI Holdings Inc.	Registered owner	Ordinary Shares	7,661
12	Masaki Yoshida	SBI Holdings Inc.	Registered owner	Ordinary Shares	1,000
		SBI BB Mobile Investment LPS	Interest of controlled corporation (WATANABE ENTERTAINMENT CO, LTD. And Miki Yoshida (his spouse's name))	Shares(Units)	2
13	Kiyoshi Nagano	-	-	-	0
14	Keiji Watanabe	-	-	-	0
15	Akihiro Tamaki	-	-	-	0
16	Li Peilung	-	-	-	0
17	Masanao Marumono	-	-	-	0