

Strategic Business Innovator

SBIH Group Financial Results

for the Six-Month Period Ended Sept. 30, 2008

(Fiscal Year Ending March 31, 2009)

October 31, 2008



The items in this document are provided as information related to the business strategy of SBIH Group companies and not as an invitation to invest in the stock or securities issued by each company.

None of the Group companies guarantees the completeness of this document in terms of information and future business strategy.

The content of this document is subject to revision or cancellation without warning.

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



1. Consolidated Financial Performance



FY2008/1H Consolidated Performance

(Unit: million yen)

	FY2007/1H (AprSep. 2007)	FY2008/1H (AprSep. 2008)	YoY Change (%)
Operating Revenues	118,031	71,747	-39.2
Operating Income	23,409	6,330	-73.0
Ordinary Income	20,937	4,773	-77.2
Income Before Income Taxes	25,075	1,275	-94.9
Net Income	8,938	-1,523	_

SBI Holdings Quarterly Results (Consolidated)



(Unit: million yen)

	FY2007			FY2	2008
	2Q (JulSep. 2007)	3Q (OctDec. 2007)	4Q (JanMar. 2008)	1Q (AprJun. 2008)	2Q (JulSep. 2008)
Operating Revenues	61,945	52,082	52,454	34,603	37,143
Operating Income	10,688	9,482	9,714	3,908	2,421
Ordinary Income	8,747	7,062	7,687	3,296	1,476
Income Before Income Taxes	8,832	5,538	*1 -1,794	*2 -7,327	*3 8,602
Net Income	3,034	1,584	-6,294	-5,908	4,385

^{*1} Recorded an extraordinary loss of 9.3 billion yen for stock investment valuation losses, primarily due to the amortization of all goodwill resulting from asset impairment for the stock of affiliated companies (ZEPHYR, etc.) based on market values at the end of March 2008

^{*2} Recorded an extraordinary loss of 9.4 billion yen for stock investment valuation losses for ZEPHYR stock after ZEPHYR filing for the Japanese version of Chapter 11 bankruptcy filing

^{*3} Recorded an extraordinary gain of 10.4 billion yen from the sale of E*TRADE Korea stock

Highlights of Consolidated Financial Performance



- (1) Major SBIH Group business segments remained profitable at the operating level despite challenges of an unprecedented magnitude
 - IPOs in Japan: 50 in 1H FY2007 → 11 in 1H FY2008
 - Trading value for individuals: Down 31% YoY in 1H FY2008
 - Severe downturn in the real estate market

Despite these challenges, the Asset Management Business, Brokerage & Investment Banking Business, Financial Services Business and Housing and Real Estate Business all posted positive operating income.

(2) Extraordinary gains were insufficient to offset extraordinary losses because of the volatility of the Korean won and other factors

Extraordinary loss of 12.0 billion yen on sale of investment securities due to sale of ZEPHYR stock and funds held by SBI SECURITIES. Extraordinary gain from sale of investment securities (E*TRADE Korea stock) was only 10.4 billion yen, due to decline in the Korean won's value.

- (3) The SBIH Group continued to rapidly develop new businesses that are not as sensitive to stock market volatility, and to set the stage for operations once the stock market recovers
 - Internet bank is performing well and may become profitable in FY2009
 - · Started SBI Liquidity Market that is expected to contribute to earnings in the near term
 - Overseas funds that are already operating are now waiting for investment opportunities; the SBIH Group continues to set up new funds

Completed the Sale of E*TRADE Korea Stock



[Summary of Stock Transfer]

① Schedule: Apr. 10, 2008: Concluded basic agreement

Sept. 26, 2008: Approved by Financial

Supervisory Services of Korea

Sept. 29, 2008: Completed share transfer

2 Transferee of the shares:

G&A KBIC PRIVATE EQUITY FUND

③ Number of shares:

9,744,000 (71.4% of total outstanding shares)

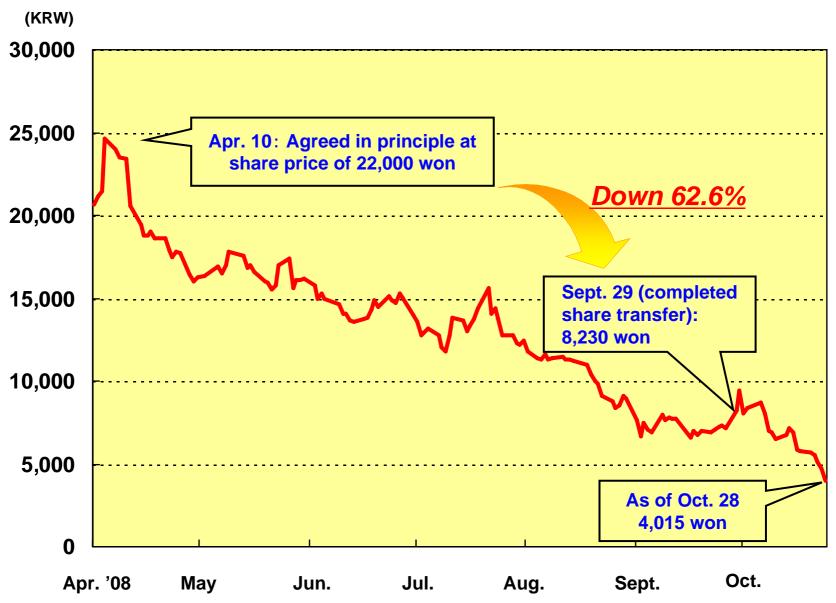
4 Amount transferred:

214,368 mil. won (22,000 won per share)

*Share price of E*TRADE Korea as of Sept. 29, 2008: 8,230 won

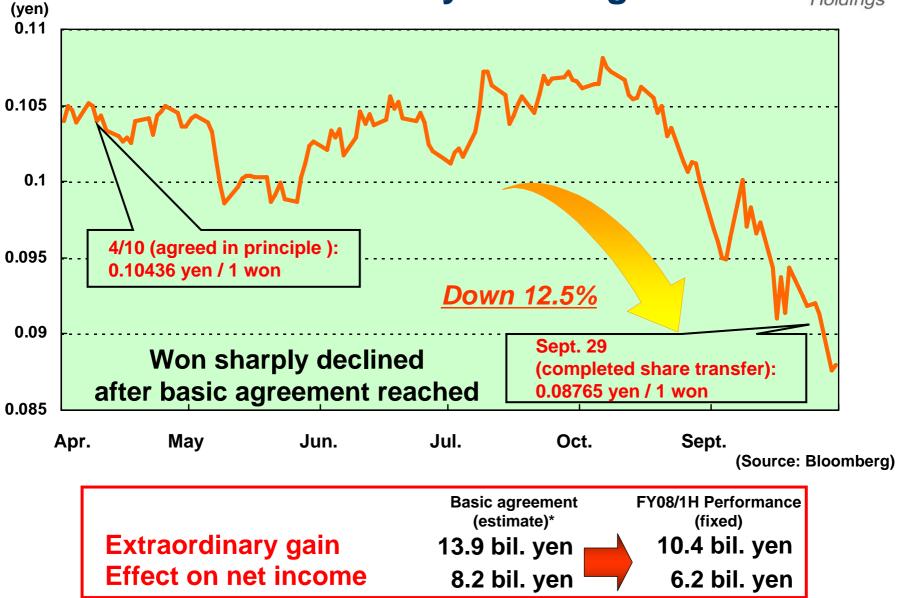
Change in Share Price of E*TRADE Korea





KRW – JPY Currency Exchange Rate

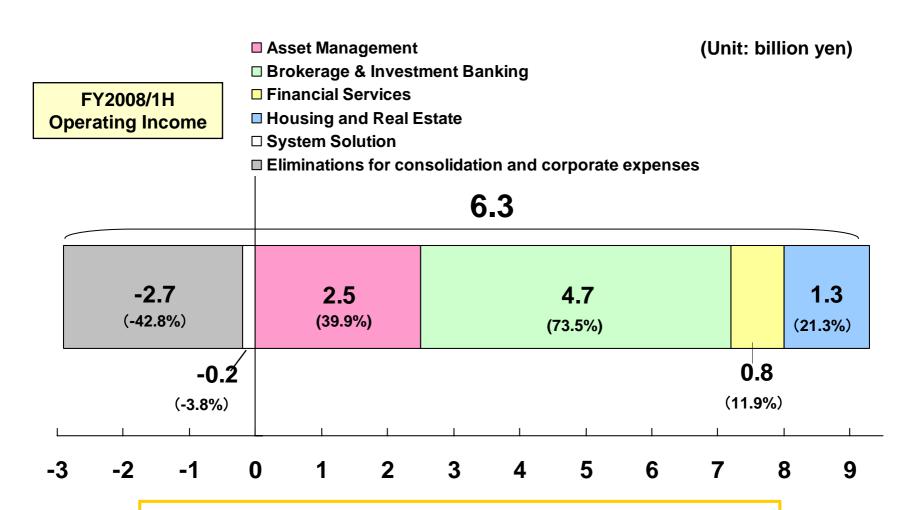




^{*} Assuming that SBI SECURITIES was wholly owned subsidiary when basic agreement was reached

Comparison of Operating Income by Segment





All of SBIH Group's major business segments maintained positive operating incomes

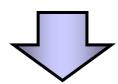
^{*}Amounts are rounded to the nearest 100 million yen.



Bonds to Be Redeemed (SBI Holdings)

Bonds of SBIH to be redeemed during this fiscal year

	Amount (100 mil. yen)	Redemption period
Unsecured Straight Bond (<u>Already Redeemed</u>)	500.0	Sept. 2008
Yen-denominated CB (maturing in 2008)	59.4*	Nov. 2008
Total	559.4	



^{*} Amount of bonds yet to be converted as of the end of Sept. 2008

Required funds already secured through refinancing with Mizuho Corporate Bank, Sumitomo Mitsui Banking, the Sumitomo Trust and Banking, Bank of Tokyo-Mitsubishi UFJ, and SBIH's own capital



Bonds to Be Redeemed (SBI SECURITIES)

Bonds of SBI SECURITIES to be redeemed during this fiscal year

	Amount (100 mil. yen)	Redemption period
Unsecured Straight Bond	500.0	Mar. 2009



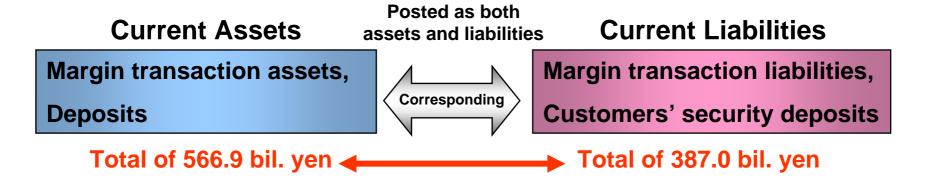
Plan to be redeemed with SBI SECURITIES' own cash and deposits

Since SBI SECURITIES possesses cash and deposits of 97.6 billion yen as of the end of Sept. 2008, neither a bond issuance nor a bank borrowing is planned

Characteristics of SBIH's Consolidated Balance Sheet (1)



The consolidated balance sheet is larger than normal in relation to the group's scale of operations because it includes deposits and other assets in customer accounts at subsidiary SBI SECURITIES.



The difference is mainly margin transaction loans using SBI SECURITIES' own funds; normally, these margin transactions can be financed by margin loans of securities finance companies, etc.

Current assets (cash) increases even more if loans from securities finance companies are used for the margin transaction loans for all customers.

Characteristics of SBIH's Consolidated Balance Sheet (2)



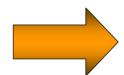
(Unit: billion yen)

Liabilities, **Assets** etc. 1,259.5 812.9 **Net Assets** 446.6

- Eliminated all asset and liability items associated solely with the securities company
- Assumed that securities finance companies are used for all customer margin transaction loans, and then added the difference between these assets and liabilities to current liabilities



Same result as deducting an amount equal to all liability accounts from current assets and current liabilities



Assets 872.5	Liabilities, etc. 425.9
	Net Assets 446.6

SBIHoldings

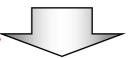
Analysis of SBIH's Financial Statements

Consolidated financial indicators of SBI Holdings

(%)

	FY2007	FY2008/1H
Current Ratio	144.4	135.9
Interest-bearing Debt Ratio	101.0	70.1
Equity Ratio	19.8	30.0

Effective figures after adjusting for asset and liability accounts solely for the securities company



	FY2007	FY2008/1H
Current Ratio	201.3	173.3
Interest-bearing Debt Ratio	101.0	70.1
Equity Ratio	30.0	43.3



2. Summary of Major Business Segments



(1) Asset Management Business

Fiscal 2008 / 1H

(Six month period ended September 30, 2008)

Operating Revenues: 8.7 billion yen (-78% YoY)

Operating Income: 2.5 billion yen (-68% YoY)

Major consolidated subsidiaries and affiliated companies

- SBI Investment
- SBI CAPITAL
- SBI Capital Solutions
- SBI Asset Management

Notes:

- 1. The above figures were calculated using the new accounting standard (with fund consolidation) for each segment.
- 2. The above figures do not include eliminations for consolidation and the deduction of corporate expenses.
- 3. Rounded to the nearest 100 million yen.

Highlights of Asset Management Business



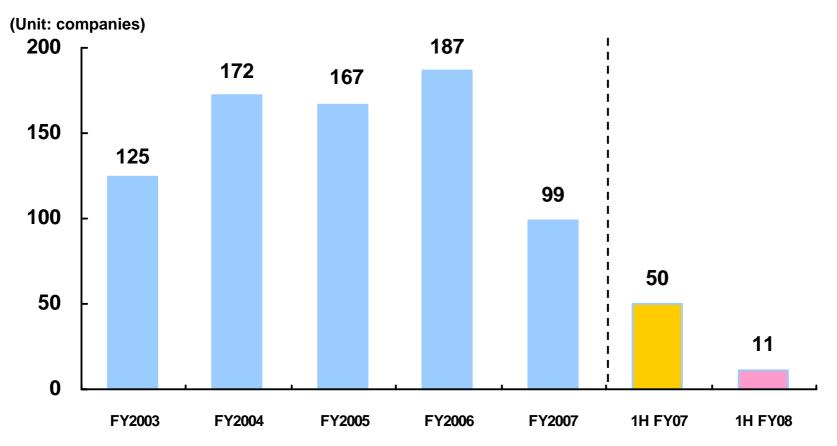
- I. First half revenues from portfolio securities totaled 6.3 billion yen (gain on sales after deducting cost of securities sold was 4.7 billion yen). Down from 37.9 billion yen a year earlier, but revenues were 4.5 billion yen in the second quarter alone. A year earlier, gains included 21.4 billion yen from the sale of Kyobo Life stock, and 9.5 billion yen from the sale of all holdings of a fund that reached maturity. Excluding these one-time events, the decline in this fiscal year's first half was not substantial. 1.2 billion yen was added to the allowance for investment losses during this fiscal year's first half.
- II. New investments during the first half totaled 50.7 billion yen, as a large volume of investments were made, just as in the previous fiscal year. Funds are using opportunities created by the current advantageous negotiating position of investors, while rigorously selecting each investment.
- III. Steady growth is realized in other revenues that is included in the Asset Management Business. In the first half, other revenues included interest and fees from mezzanine funds (Mezzanine Fund #2 recorded 16.9% of investment yield in the latest half period). In addition, these revenues include business support payments for financial advisory services provided by SBIH and one-time contractual payments for SBI Biotech.

Number of IPOs in Japan on a FY Basis



Fewer than 100 companies completed IPOs during FY2008, which is the lowest level of IPOs in the past 5 years.

In the first half of FY2008, only 11 companies conducted IPOs, which was even fewer than in the first half FY 2007.



Source: Stock exchanges in Japan



IPOs and M&A Deals

	From start of operations to FY2006	FY2007	FY2008 Forecast
IPOs and M&A deals	99	12	5

Portfolio companies continue to prepare for their IPOs even as the investigation and approval process becomes more rigorous and requires more time.

However, these companies are waiting to apply for an IPO because of poor market conditions.

Note: The estimated number of IPOs represents companies in the highest of five categories used to evaluate portfolio companies by SBI's Investment Committee, which meets weekly. The IPO estimate represents the outlook of SBI based on its own evaluations and is not a guarantee of the number of future IPOs. Past performance includes companies that have already been sold.

19

New Investments During 1st Half of FY2008



Continued to make substantive investments despite the global market correction

Unit: million yen (Number of Invested companies)

		New Invest	ment Amount	
	2Q FY2008	1H FY2008	(Reference)	(Reference)
	(Jul Sept.)	(Apr Sept.)	1H FY2007	FY2007 (full year)
[Funds' Investment]	20,538	40,053	45,184	96,596
[Funds investment]	(41 companies)	(61 companies)	(97 companies)	(175 companies)
Proakdown, Stocks	5,451	11,502	22,175	40,444
Breakdown: Stocks	(19 companies)	(30 companies)	(51 companies)	(104 companies)
Others	15,087	28,551	23,008	56,151
(incl. bonds)	(22 companies)	(31 companies)	(46 companies)	(71 companies)
[Direct Investment]	3,004	10,663	3,556	4,444
[Direct Investment]	(4 companies)	(10 companies)	(29 companies)	(33 companies)
Brookdown, Stocko	2,924	10,583	3,556	4,444
Breakdown: Stocks	(3 companies)	(9 companies)	(29 companies)	(33 companies)
Others	80	80		
(incl. bonds)	(1 companies)	(1 companies)	_	_
LTOTAL 1	23,543	50,716	48,740	101,041
[TOTAL]	(45 companies)	(71 companies)	(126 companies)	(208 companies)

Performance of New Horizon Fund

(Approx.

24.6bil. Yen)

Six of the 10 companies in the New Horizon Fund portfolio are now publicly owned companies since its launch in May 2005. A gain of 4.8 billion yen was recorded through the sales of a portion of its portfolio as of Sept. 2008.

	Invoct		IDO / MOA		Capital gair	1	(Unit:
Portfolio companies	Invest -ment	Category	IPO / M&A (planned)	End Mar.07	End Sept. 08	As of Oct.20	US\$ million
Sichuan Meifeng Chemical Industry	14.8	A-Class share		63.7	16.3	11.1	h
Changsha Zoomlion Heavy Industry Science & Technology Development	10.2	A-Class share		144.6	87.8	77.2	
China Printing & Dyeing Holding	3.4	IPO		0.2	-1.9	* -2.9	│
Yingli Green Energy Holding	-	IPO		4.5	-	-	(market value)
Kingsoft	9.4	IPO		2.3	-0.5	-1.1	
Goldwind Science and Technology	4.1	IPO		124.9	50.5	39.8)
Cathay Industrial Biotech	12.0	Pre-M&A	Late 2009	79.1	79.1	79.1	Ŋ
China Stem Cells Holdings	4.1	Pre-IPO	2008	17.6	17.6	17.6	Pre-
Jiangsu Ealong Biotech	2.5	Pre-M&A	Late 2009	5.6	5.6	5.6	IPO/M&A
Shineway Group	20.4	Pre-IPO	2010	15.0	15.0	15.0	(estimated value)
TOTAL	81.1			457.5	269.3	241.4	

^{*}Based on the closing price of Oct. 8, owing to the SGX announced of the trading suspension of China Printing & Dyeing Holding stock

[Estimated Dividend] (estimate as of Oct. 20)

FY2008 5.1 billion yen

Receipt of dividends depends on the timing of sales, but is expected to fully start in August when lock-up period expires

bil. Yen)

(Approx. 45.8 (Approx. 27.9)

bil. Yen)

FY2009 4.8 billion yen

Estimated total dividend 16.4 billion ven

FY2010 6.5 billion ven

21

Assets under Management of the SBIH Group

31.2



AUM of the SBIH Group amounted to 575.8 billion yen as of the end of Sept. 2008 (incl. "Real estate and others")

Private equity	total: 262.3	bil. yen
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(IT/Biotechnology) Total:	121.2
Internet	6.7
Broadband/Media	61.5
Mobile services	28.8
Biotech/Others	24.2

[Environment/Energy]	[Enviro	nment/En	nerav]
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7 0

LBuyout/Mezzanine J Total:	33.9
Value Up	21.0
Mezzanine	129

[Overseas]	Total: 68	3.9
China/ Hong Kong/	Others* 4	18.4
Vietnam*	1	0.2
\India*	1	0.4

[Investment trusts,others]

[Direct investment]

Total:	259.8 bil. yen
Investment trusts	43.7
Investment advisory	213.6
Investment companies	s 2.5

[Real estate, others]

Tot	al:	53.	7 b	il. '	yen
					<i>J</i>

Development	22.4
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Completed properties 31.3

Note: Figures for real estate reflect the total amount of investments. Figures for investment trusts, investment advisory and others reflect net assets at market value as of the end of Sept. 2008. Figures for other funds are net assets at market value based on the latest financial reports of each fund as of the end of Sept. 2008. All figures are rounded to the nearest 100 million yen.



(2) Brokerage & Investment Banking Business

Fiscal 2008 / 1H

(Six month period ended September 30, 2008)

Operating Revenues: 27.0 billion yen (-26% YoY)

Operating Income: 4.7 billion yen (-59% YoY)

Major consolidated subsidiaries and affiliated companies

- SBI SECURITIES
- SBI Futures
- SBI Japannext (equity method affiliate)

Notes:

- 1. The above figures were calculated using the new accounting standard (with fund consolidation) for each segment.
- 2. The above figures do not include eliminations for consolidation and the deduction of corporate expenses.
- 3. Rounded to the nearest 100 million yen.

Highlights of Brokerage & Investment Banking Business



SBI SECURITIES' share continues to grow, supported by a dominant customer base

The downturn in the securities markets resulted in reduction of commission fees. Operating revenues decreased by 18.2% YoY to 26.7 bil. yen, and operating income decreased by 49.4% to 6.4 bil. yen.

- (1) The increase in customer accounts continues to greatly exceed its competitors
- Total number of customer accounts as of the end of Sept. 2008 : 1.73 million accounts (as of the end of Sept. 2007 1.5 million accounts, as of the end of Mar. 2008 1.66 million accounts)
- The number of accounts increased by 35,076 in 2Q FY2008 (Jul. to Sept. 2008), which greatly exceeded its competitors' increase

(2) Trading value share continues to increase on a YoY basis

- Retail trading value share was at 38.0% which was a YoY increase of 3.9%, and retail
 margin trading value share was at 44.1% which was a YoY increase of 5.3% for 2Q
 FY08; both shares are higher than a year earlier.
- Market share of retail trading value (45.4%) and retail margin trading value (50.8%) set record highs in Sept. 2008 on a monthly basis.

(3) Continues to diversify the profit structure to stabilize earnings

 Foreign exchange margin trading value achieved a substantial increase after starting to offer foreign exchange margin trading services at no regular fee and significantly narrowed spreads (started in July 2008). Monthly trading value in September 2008 was 2,549.5 billion yen, which is 5.9 times greater than that recorded in June 2008.

In 2Q 2008, recorded an extraordinary gain for sale of E*TRADE Korea stock, and an extraordinary loss of 1.2 billion yen for sale of funds with unrealized losses.



SBI SECURITIES First Half FY2008 Consolidated Performance

(million yen, %)

	1H FY2007 (Apr. to Sep. 2007)	1H FY2008 (Apr. to Sep. 2008)	YoY Change
Operating Revenues	32,578	26,658	-18.2
Net Operating Revenues	29,249	23,699	-19.0
Operating Income	12,658	6,406	-49.4
Ordinary Income	12,539	6,445	-48.6
Net Income	7,334	8,902	+21.4

SBI SECURITIES Quarterly Results (Consolidated)



(million yen, %)

	FY2007			FY2007 FY2008		
	2Q (JulSep. 2007)	3Q (OctDec. 2007)	4Q (JanMar. 2008)	1Q (AprJun. 2008)	2Q (JulSep. 2008)	YoY change
Operating Revenues	17,138	17,205	14,715	13,921	12,736	-8.5
Net Operating Revenues	15,133	15,675	13,092	12,579	11,120	-11.6
Operating Income	6,544	5,966	4,217	3,879	2,527	-34.9
Ordinary Income	6,426	5,921	3,945	4,021	2,423	-39.7
Net Income	4,113	4,202	*1 385	2,808	_{*2} 6,094	+117.0

^{*1} Deferred tax liabilities of about 1.49 billion yen was recorded due to the basic agreement to sell stock of E*TRADE Korea

^{*2} Extraordinary gain of about 10 billion yen was recorded due to the sale of E*TRADE Korea stock

SBI SECURITIES' Ranking in the Securities Industry (Six-month period FY2008, consolidated)



Ranking by Operating Revenues

		(million yen)
1	Nomura *1	515,608
2	Daiwa	296,935
3	Mitsubishi UFJ	288,254
4	Mizuho	207,193
5	Nikko *2	141,352
6	Shinko	63,400
7	Okasan	29,301
8	SBI	26,658
9	Tokai Tokyo	24,827
10	SMBC Friend	24,582
11	Mizuho Investors	21,241
12	Matsui	15,022
13	Monex	13,952
14	Rakuten	12,331
15	Kabu.com *3	8,706
16	Ichiyoshi	8,640
17	Cosmo	8,142
18	Tovo	7.102

(Source: Compiled by SBIH from information disclosed by each company)

Ranking by Operating Income

(million ven)

		(IIIIIIIOII yeii)
1	Matsui	6,487
2	SBI	6,406
3	Mitsubishi UFJ	5,120
4	Nikko *2	4,285
5	Monex	3,998
6	SMBC Friend	3,432
7	Kabu.com *3	3,310
8	Rakuten	2,611
9	Tokai Tokyo	1,506
10	Okasan	122
11	Ichiyoshi	-501
12	Toyo	-591
13	Shinko	-994
14	Cosmo	-3,563
15	Mizuho Investors	-6,152
16	Mizuho	-17,239
17	Daiwa	-26,616
18	Nomura *1	-153,605

each company)

*1 Pre-tax income in operating and net income (based on the U.S. accounting standard)

*2 Nikko includes the total of Nikko Cordial Securities and Nikko Citigroup

(Source: Compiled by SBIH from information disclosed by

Ranking by Net Income

(million ven)

		(million yen)
1	SBI	8,902
2	Matsui	3,923
ფ	SMBC Friend	2,872
4	Kabu.com *3	2,091
5	Tokai Tokyo	2,047
6	Nikko *2	1,954
7	Okasan	683
8	Monex	244
9	Shinko	56
10	Toyo	-372
11	Ichiyoshi	-865
12	Cosmo	-2,523
13	Rakuten	-3,966
14	Mizuho Investors	-5,913
15	Mitsubishi UFJ	-11,081
16	Daiwa	-14,637
17	Mizuho	-19,810
18	Nomura *1	-149,464
(00)	rce: Compiled by SBIH from info	armetica disclosed by

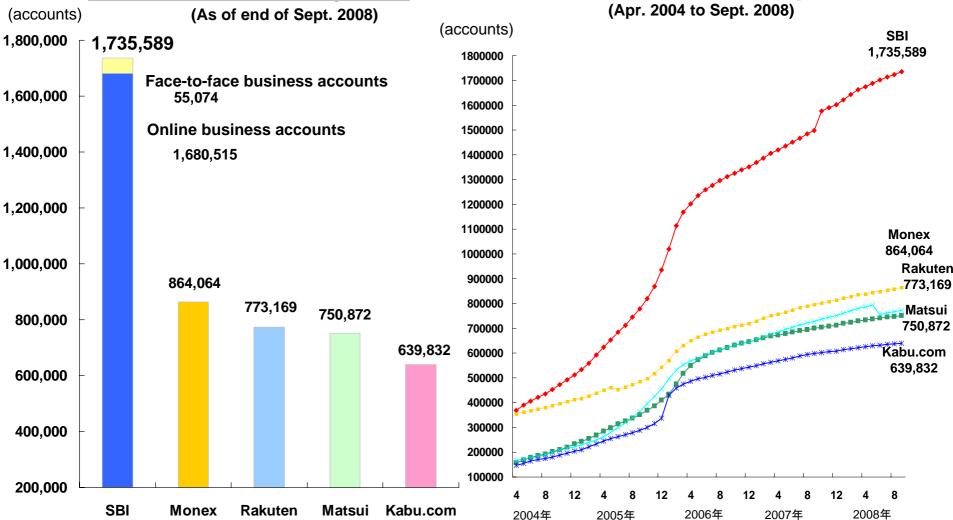
(Source: Compiled by SBIH from information disclosed by each company)

Customer Account Comparison of Five Major Online Securities Companies



Customer accounts of 5 major online securities companies

Customer account trend of 5 major online securities companies



Note: 1. Monex includes the total of Monex Securities and Nikko Beans.

Sources: Competitor figures based on available public information from sources such as various company home pages.

^{2.} Kabu.com Securities merged with MeNet Securities on January 1, 2006.

^{3.} SBI SECURITIES merged with SBI Securities on October 1, 2007.

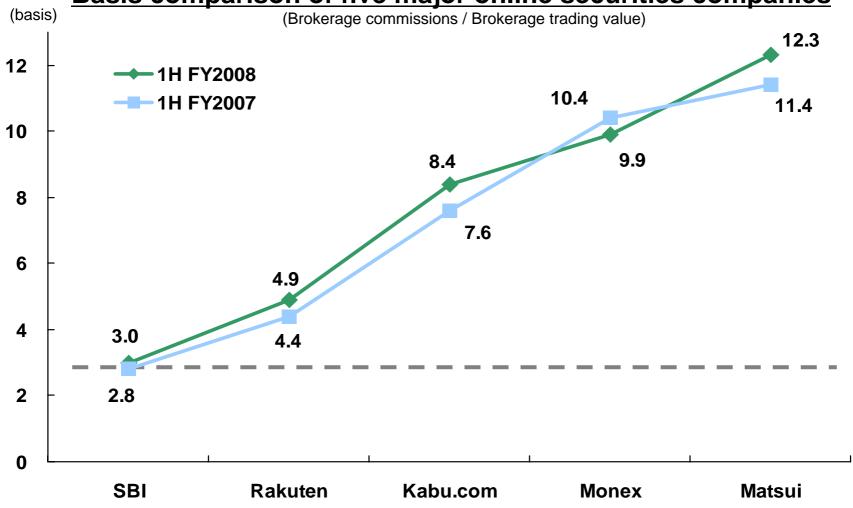
^{4.} Rakuten Securities closed certain non-active customer accounts in June 2008

Basis Comparison of Major Online Securities Companies



Basis increased because of the decrease in trading value per trade although there was no change in the fee structure

Basis comparison of five major online securities companies



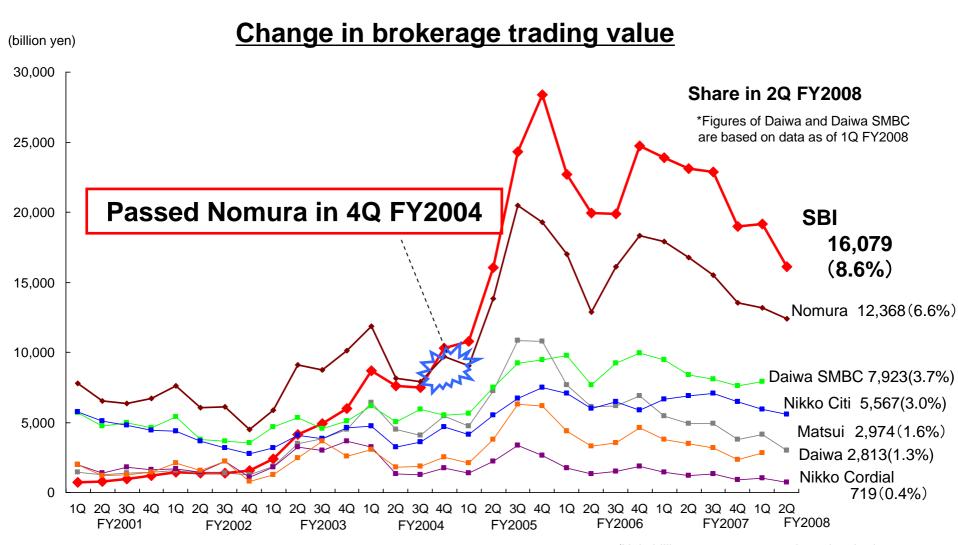
Source: Based on company materials and monthly announcements.

Cumulative figures for April 2007 to March 2008. Brokerage commissions use non-consolidated data.

SBI SECURITIES includes only trades through Internet

Comparison of Stock Brokerage Trading Value with Big Three Securities Companies



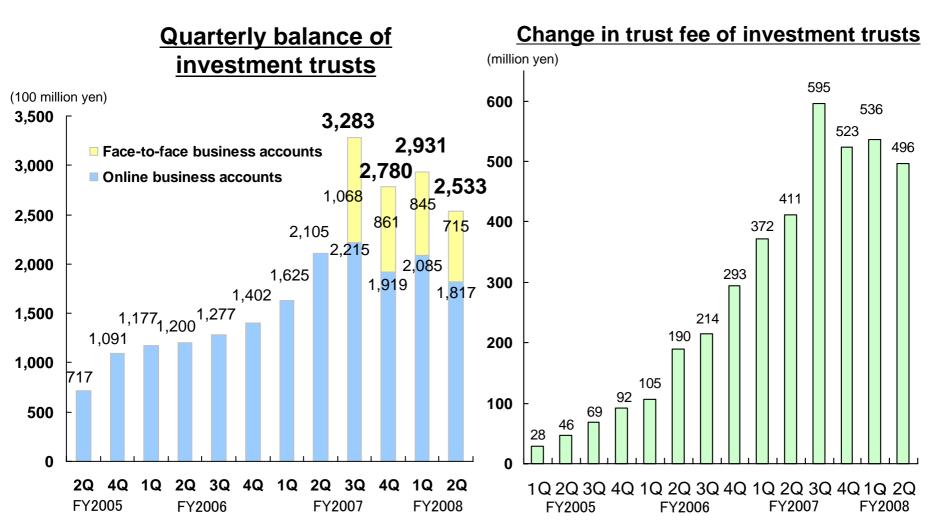


Source: Based on TSE and company materials (SBI includes orders from overseas investors)

(Unit: billion yen; percentages based on brokerage trading value of three major exchanges)

Change in Investment Trust Balance and Trust Fee





^{*}Includes MMF, China fund and deposit of face-to-face accounts

*Includes MMF, MRF, China fund and deposit of face-to-face accounts Trust fee is included in "other commission received"

(3) Financial Services Business



Fiscal 2008 / 1H

(Six month period ended September 30, 2008)

Operating Revenues: 11.1 billion yen (+6% YoY)

Operating Income: 0.8 billion yen (-11% YoY)

Established business:

Operating Revenues 11.2 bil. yen (+7% YoY)

Operating Income 1.5 bil. yen(-11% YoY)

New business:

Operating Revenues 0.4 bil. yen (+245% YoY)

Operating Income -0.7 bil. Yen (-)

SBI Card (-0.2 bil. yen)

SBI Insurance

SBI Card

SBI AXA Life Insurance

SBI Card Processing

Major consolidated subsidiaries and affiliated companies

SBI Card Processing (-0.3 bil. yen) Internet life insurance (-0.1 bil. yen)

- SBI Holdings (Business Div.)
- Morningstar Japan
- Gomez Consulting
- SBI VeriTrans

- SBI Sumishin Net Bank (equity method affiliate)

Notes:

- 1. The above figures were calculated using the new accounting standard (with fund consolidation) for each segment.
- 2. The above figures do not include eliminations for consolidation and the deduction of corporate expenses.
- 3. Rounded to the nearest 100 million yen.

Highlights of Financial Services Business SBI



[Established businesses]

- 1) Morningstar Japan's 08/1H performance declined YoY in consolidated revenues and earnings due to the weak performance of its subsidiary Gomez Consulting. However, there was a <u>significant increase in non-consolidated revenues and earnings.</u> The non-consolidated result was a 129.7% increase to 1,335 million yen in revenues, and a 42.0% increase to 186 million yen in net income from a year earlier.
- 2) Gomez Consulting's 08/1H performance fell short of the plan because of a decrease in sales for financial institutions, even though it improved from 1Q.
- 3) <u>SBI VeriTrans' consolidated 08/1H performance set new records</u> for revenues and earnings, with operating revenues, operating income, ordinary income, and net income up more than 30% YoY.
- 4) As there was a continued increase in transactions at InsWeb, transactions at all the financial comparison websites increased to 427,000, which was another all-time high. Although downturn in Japan's consumer finance industry affected E-LOAN's performance, the marketplace business achieved YoY growth in revenues.

[New businesses]

- 1) <u>SBI Sumishin Net Bank</u> continued to achieve steady growth in deposits to <u>more than</u> 500 billion yen, and customer accounts to <u>more than 270,000</u> as of Oct. 30.
- 2) SBI Insurance started operations in January '08, and increased the number of contracts after the discount of premium and the redesign of the website. SBI AXA Life Insurance started operations in April '08, and will endeavor to acquire new customers through the sales of its products at its agencies.



Performance of Publicly Owned Subsidiaries

(Unit: million yen, figures in parentheses are YoY change (%))

*1	Operating Revenues	Operating Income	Ordinary Income	Net Income
Morningstar Japan (1H FY08)	1,603	246	286	180
	(-)	(-)	(-)	(-)
Gomez Consulting (1H FY08)	228	-7	-3	-2
	(-)	(-)	(-)	(-)
SBI VeriTrans (1H FY08)	2,195	449	454	268
	(+40.9)	(+34.0)	(+32.9)	(+33.9)

^{*1} Morningstar Japan and SBI VeriTrans figures are consolidated, whereas Gomez Consulting figures are non-consolidated.

^{*2} Morningstar Japan and Gomez Consulting changed from a December to March fiscal year in 2007. The current fiscal period for these two companies is the 15-month period from Jan. 2007 through Mar. 2008, therefore, YoY change is not available for these two companies.



(4) Housing and Real Estate Business

Fiscal 2008 / 1H

(Six month period ended September 30, 2008)

Operating Revenues 23.8 bil. yen (-25% YoY)
Operating Income 1.3 bil. yen (-70% YoY)

Major consolidated subsidiaries and affiliated companies

- SBI Holdings (Business Div.)
- LIVING Corporation
- SBI Mortgage
- CEM Corporation

Notes:

- 1. The above figures were calculated using the new accounting standard (with fund consolidation) for each segment.
- 2. The above figures do not include eliminations for consolidation and the deduction of corporate expenses.
- 3. Rounded to the nearest 100 million yen.

Highlights of Housing and Real Estate Business



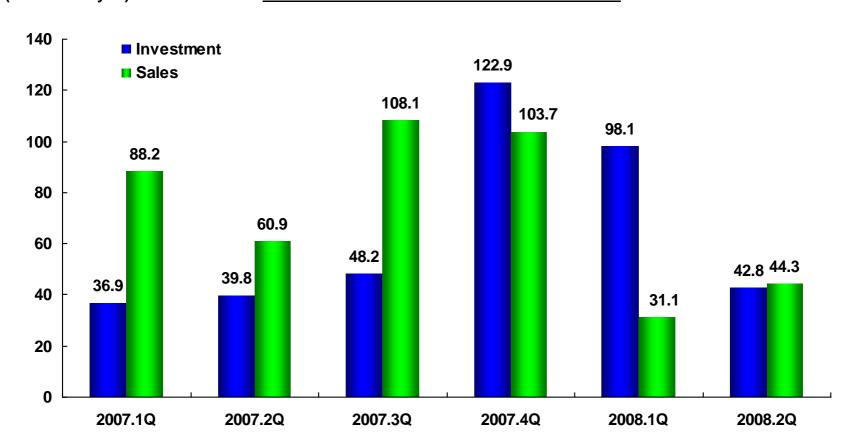
- In the Housing and Real Estate Business, Japan's shrinking real estate market impacted the segment's performance. The result was a 25% drop to 23.8 billion yen in revenues, and a 70% decrease to 1.3 billion yen in operating income from a year earlier.
- II. In the real estate business, there were a number of property sales in 1H FY2007. In 1H FY2008, most planned property sales were completed in the first quarter (Apr.-Jun. '08). As a result, sales were down sharply from a year earlier. Most new investments are in regions of Asia where rapid economic growth is expected.
- III. Due to the current real estate market conditions, the SBIH Group established a 5.5 billion yen credit facility for subsidiary LIVING Corporation. Only 800 million yen of this facility had been used by the end of Sept. 2008, demonstrating that this company can operate largely on its own.
- IV. SBI Mortgage continues to offer the industry's lowest interest rate for "Flat 35", and has steadily increased its <u>loans outstanding to 400.0 billion yen</u> as of the end of Sept. 2008.
- V. The Lifestyle Networks Business achieved consistent growth, as the combined operating income of the Internet Media sector and Market Intermediary sector increased 116.6% YoY to 222 million yen.

The real estate business continues to sell and invest in real estate while closely watching trends in real estate markets in Japan and overseas



Quarterly real estate investments and sales by

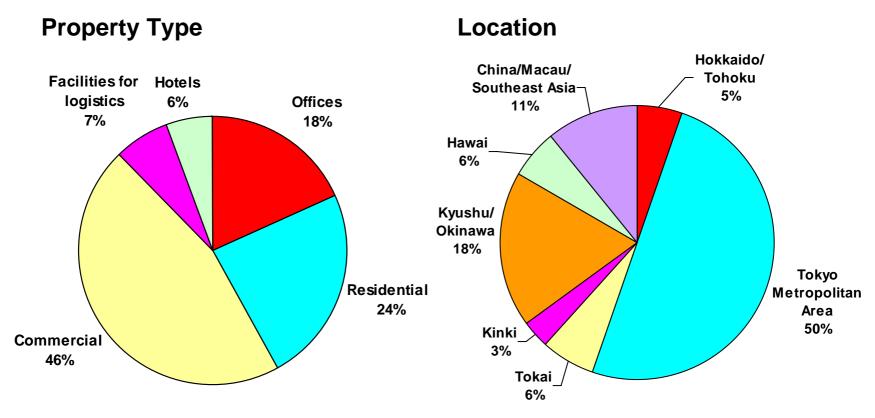
(100 million yen) SBIH Real Estate Business Div.



^{*}Investments and sales are actual results for the Real Estate Business Div.

Properties Owned by the SBIH Real Estate Business Division





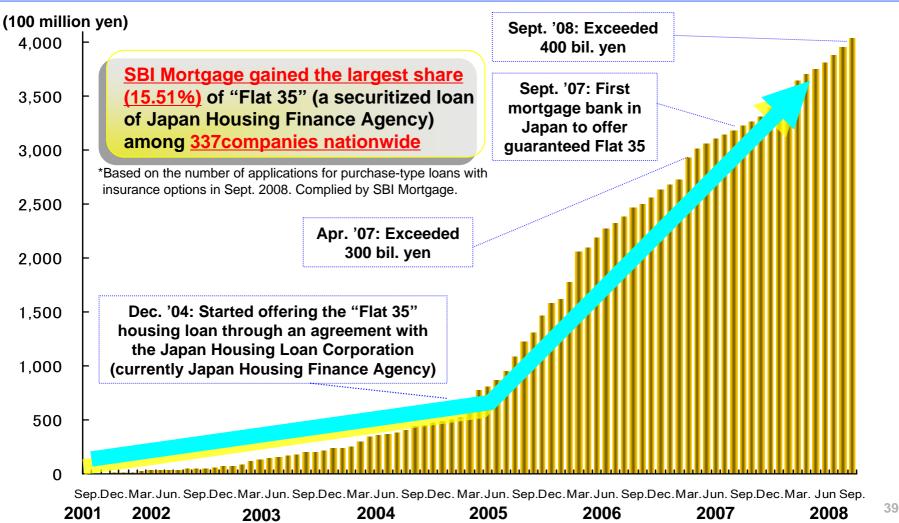
*as of the end of September 2008

Primarily developing properties with our own capital instead of leveraged loans

Steady Growth of Housing Loans at SBI Mortgage



SBI Mortgage offers the lowest level of interest rate* (2.77%) for "Flat 35" (a securitized loan of Japan Housing Finance Agency). Housing loans outstanding rose to 404.1bil. yen as of the end of Sept. 2008 and continues to increase steadily. (*Interest rate is the lending rate for Oct. '08 purchased loans.)



Accelerating the Expansion of "SBI Housing Loan Shops"



Nationwide network that started in Feb. 2007

continues to expand since the beginning of 2008

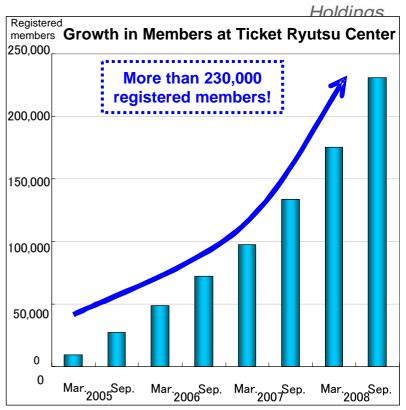


- -Broaden the lineup of financial products other than housing loans (started to sell life insurance product on July 2008)
- -Planning to postpone IPO because of the downturn in stock markets
- -Considering sharing and operating shops with SBI SECURITIES
- -Preparing to offer auto insurance product of SBI Insurance

Lifestyle Networks Business Posted Significant Growth SB

Intermediary Market Sector – Operation of intermediary websites

- -First half <u>revenues up 85.7%</u> YoY to 398 million yen, and <u>operating income up 120.8%</u> YoY to 202 million yen
- •The number of registered members of "Ticket Ryutsu Center", an online ticket sales agency, exceeded 230,000.
- -Large increase in number of trades and members at the "muSBi", an intermediary website for purchases and sales of merchandise



Internet Media Sector – Comparison and search websites

- -First half <u>revenues increased 5.2%</u> to 131 million yen and <u>operating income was</u> <u>up 82.4%</u> to 20 million yen.
- -At the moving estimate website "Hikkoshi Tatsujin Select", there was a large increase in requests for estimates from cell phones. Other websites also performed well. At the discount airline ticket comparison website "ALL Kakuyasu Koukuken Hikaku", the number of participating companies increased.



3. How will SBIH Cope with the Surrounding Business Environment Presently and in the Near Future?

- (1) Endeavor to Make New Businesses Profitable Earlier and Minimize Negative Earnings
- (2) Establish Businesses that can Quickly Contribute to an Increase in Profits
- (3) Prepare for the Future Recovery of the Equity Market
- (4) Quickly Cultivate Biotechnology Related Businesses that are Less Sensitive to the Stock Market Volatility
- (5) Streamline the SBIH Group to Reflect the Existing Operating Environment



(1) Endeavor to Make New Businesses Profitable Earlier and Minimize Negative Earnings

(SBI Japannext) (started operations in Aug. 2007)

[SBI Sumishin Net Bank] (started operations in Sept. 2007)

(SBI Insurance) (started operations in Jan. 2008)

[SBI AXA Life Insurance] (started operations in Apr. 2008)

(SBI Card) (started operations in Nov. 2006)



[SBI Japannext Co., Ltd.]

~Substantial Improvement in Profitability Expected Upon the Launch of the Daytime Trading Session~

Nighttime Trading Value at Japannext PTS Exceeds Competitors



Although SBI Japannext was the last service provider to enter the market, it has attained the largest market share by significantly surpassing its competitors in the nighttime trading market since the start of its operations.

<u>Trading Value Comparison Among PTS Providers</u>

(Sept. / single month)

(million yen)

	Start of operations	Nighttime	Daytime
Japannext PTS	Aug. 2007	21,320	Each participating company starts the test trading from Oct. 28
Monext Nighter	Jan. 2001	2,439	_/
kabu.comPTS	Sept. 2006	368	25,066

Substantial increase in trading volume after the launch of the daytime trading session at / kabu.comPTS

Expect further increase in trading volume following the start of the daytime trading session at

Japannext PTS

Source: Companies' materials

Note: Figures are single count (purchases and sales not counted separately)

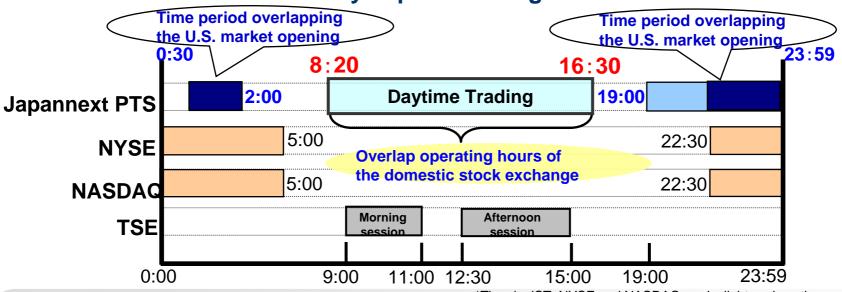
Start of Daytime Trading



(8:20 AM - 4:30 PM)

~Started test trading primarily at foreign affiliated securities companies from October 28~

→ Gradually expand trading thereafter



*Time in JST. NYSE and NASDAQ on daylight savings time

Participating securities companies in daytime trading

- ➤ The Goldman Sachs Japan Co., Ltd. ➤ Merrill Lynch Japan Securities Co., Ltd.
- > CREDIT SUISSE SECURITIES > UBS Securities Japan Ltd. (JAPAN) LIMITED

Five major foreign affiliated securities companies incl. the above

SBI SECURITIES expects to start its daytime trading in mid-December

Several other major foreign affiliated securities companies ach participating company will start trading after conducting also plan to participate in daytime trading

their respective final checks for systems and operations 46

Toward the Improvement of Customer Convenience



◆Tick Size:

Tick-size during the daytime trading session is smaller than a tenth of TSE



Provide investors with the opportunity to trade stocks at more favorable prices than the best bid and ask prices

(Tick-size during the nighttime trading session corresponds with TSE) offered on the stock exchanges

Price Range		Т	ick Size (yen)	
		Japannext PTS (daytime)	kabu.comPTS	TSE
Over 1 yen	Under 2,000 yen	0.1	1	1
Over 2,000 yen	Under 3,000 yen	0.5	1	5
Over 3,000 yen	Under 30,000 yen	1	1	10
Over 30,000 yen	Under 50,000 yen	5	10	50
Over 50,000 yen	Under 300,000 yen	10	10	100
Over 300,000 yen	Under 3,000,000 yen	100	100	1,000
Over 3,000,000 yen	Under 20,000,000 yen	100	1,000	10,000
Over 20,000,000 yen	Under 30,000,000 yen	100	1,000	50,000
Over 30,000,000 yen		100	10,000	100,000

♦Introduced various order types with specific conditions for the order execution attached



[SBI Sumishin Net Bank, Ltd.]

- Single-year profitability in sight for the next fiscal year -

Internal targets at the start of operations

(started operations in Sept. 24, 2007)

-Targeted No. of accounts FY2009: around 400,000

FY2011: around 600,000

• Targeted deposit amount FY2009: around 700 billion yen

FY2011: around 1 trillion yen

• Targeted profits FY2009: Become profitable

FY2011: around 5 billion yen of net income

eliminate cumulative loss

SBI Sumishin Net Bank Deposits Topped 500 Billion Yen After Only 389 Days Since Start of Operations



Offering competitive interest rates, free ATM transactions for individual customers and several sales campaigns, <u>SBI Sumishin Net Bank Deposits topped</u> <u>500 billion yen after only 389 days(*2) since its start of operations on Sept. 24.</u>

Days required by major Internet banks to reach 500 billion yen in deposits:

	Start of operations	Time needed to reach 100 billion yen (*1)	Days after start of operations	Time needed to reach 500 billion yen (*1)	Days after start of operations	Deposit outstanding (*2)
eBANK	2001/07/23	2003/10/01 ~ 2004/03/31	801- 983 days	2007/4/20	2,098 days	776.8 bil. yen
Japan Net Bank	2000/10/12	2002/10/01 ~ 2003/03/31	720- 901 days	-	-	434.3 bil. yen
Sony Bank	2001/06/11	2002/03/01 ~ 2002/03/31	264- 294 days	2004/121 ~ 2004/12/31	<u>1,270-</u> <u>1,300 days</u>	1,338.2 bil. yen
SBI Sumishin Net Bank	2007/09/24	2007/11/19	57 days	2008/10/16	389 days	503.7 bil. yen

^{*1} Time needed for deposits to reach target amount based on information announced by each bank.

^{*2} Deposit outstanding of SBI Sumishin Net Bank are based on the figures as of Oct. 16, 2008, that of Japan Net Bank as of the end of Jun. 2008 and that of other banks as of the end of Sept. 2008

Steadily Growing Customer Base of SBI Sumishin Net Bank





12 months from the start of

operations

As of the end of Sept 2008

*parenthetic figures based on quick estimation as of Oct. 28, 2008

Accounts: 250,567 (272,564)

Deposits: 486.6 bil. yen (506.4 bil. yen)

Loans issued: 90.5 bil. yen (97.5 bil. yen)

(Mortgage + Internet loan)

12 months from the start of

operations

<Ratio to reach the target as of Sept.>

Accounts Deposits Target: approx. 400,000 accounts Target: approx. 700 bil. yen by the end of Mar. 2010 by the end of Mar. 2010 (thousand accounts) (100 mil. yen) 400 7000 300 **←486.6** ←250,567 bil. yen 200 3500 63% achieved when 69% achieved when 2/5 2/5 of the targeted of the targeted period 100 period passed passed

Ratio to reach the target as of Oct. 28

Accounts: 272,564

Reached approx. 68%

Deposits: 506.4 bil. yen

Reached approx. 72%

Five Pillars to Strengthen Asset Management Services for Rapidly Increasing Customer Deposits



Stabilize and diversify asset management by further pursuing group synergies as well as providing total solutions for a variety of customer's needs

♦Housing Loans

-Operations are growing steadily; number of loans reached 10,000 in the previous fiscal year based on applications received (4,691 in 2nd half of FY2007)

♦Unsecured Consumer Loans

- -Loans up to 5 million yen with a preferential interest rate as low as 5.5% ⇒Aiming to offer highly competitive interest rates for consumer loans
- -Planning an integration with part of SBI Equal Credit's claimable assets

◆Auto Loans

-Have selected a loan guarantee company and determined almost all terms for these loans. Currently under preparation.

◆Real estate-secured loans

-Started offering this loan service guaranteed by First Credit Corporation (for individuals) and CEM Corporation (for corporations)

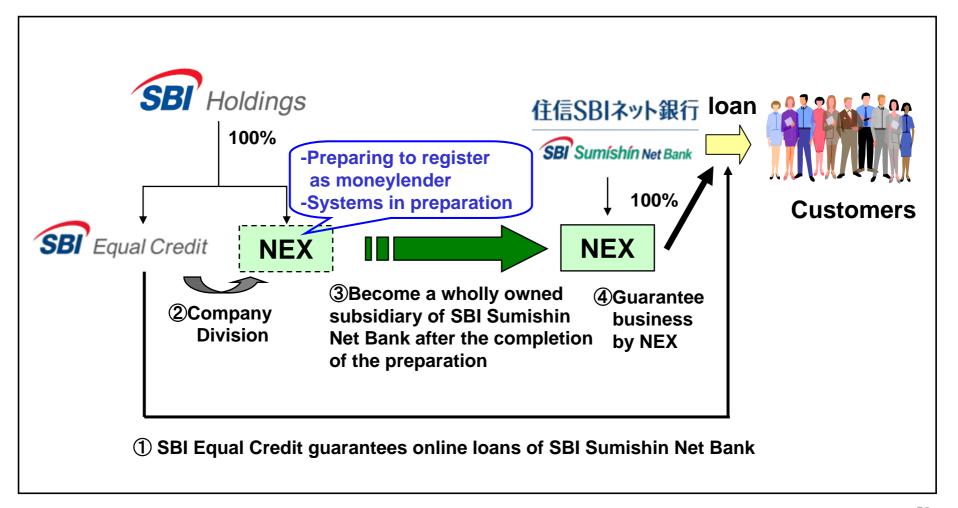
Health care financing

-Plan to start a program where SBI Receipt purchases receivables for medical care and other services fees in November

In Preparation to Expand the Individual Online Loan Businesses



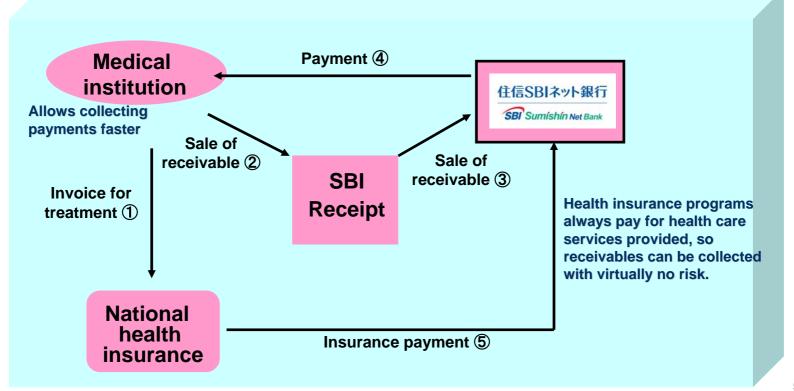
Establish a guarantee program by utilizing SBI Equal Credit's know-how for individual loan businesses



Plan to use an alliance with SBI Receipt to start in November a medical care payment receivable factoring business as a new asset investment vehicle



Medical institutions submit billing services provided to one of Japan's two national health care systems. Medical institutions then sell the portion that becomes a receivable for future payment to SBI Receipt. Then, SBI Sumishin Net Bank buys the confirmed receivable portion. This scheme shortens the payment collection cycle for medical institutions. Risk is minimal because SBI Sumishin Net Bank collects these payments from Japan's two national health insurance programs.





(SBI Insurance Co., Ltd.)

Internal targets at the start of operations

(started operations in Jan. 16, 2008)

Targeted No. of contracts

5th term: around 300,000

Targeted revenues

5th term: Turn a single-year profit

10th term: 25-30 bil. yen of net

premium income

Comparison of Insurance Premiums for "SBI Insurance" and Other Non-Life Insurance Companies



Example1:
Insurance Premium
(Mini Van)

When a couple drives for weekend outings and regular shopping (with vehicle insurance)

(Note) annual premium, unit: yen

SBI Insurance

41,510 (annual)

Company A (Direct selling)	Company B (Direct selling)	Company C (Agency selling)	
43,950	51,200	69,460	

Example2:
Insurance Premium
(Compact)

When only the insurer commutes to work by car everyday (no vehicle insurance)

SBI Insurance

14,770 (annual)

(Note) annual premium, unit: yen					
	ompany C ency selling)				

18.360

Example3:
Insurance Premium
(Sedan)

When someone outside of the family also drives (with vehicle insurance)

16,050

(Note) annual premium, unit: yen

26,760

SBI Insurance

53,440 (annual)

Company A (Direct selling)	Company B (Direct selling)	Company C (Agency sellin	
54,500	67,590	85,470	

Start of insurance: Dec. 1, 2008

Model: Serena Type: NC25 District of residence: Kanagawa

Initial registration: Oct. 2007

Drivers: limited to insurer and spouse NF class: 15

License color: Gold Purpose of use: Daily and leisure activities

Limitation of age: Over 30 years old

Coverage

Body injury liability: No limit
Property Damage Liability: No limit
Driver's Medical Payments: 50 mil. yen
Passenger's Medical Payments: 10 mil. Yen

Vehicle: General 2 mil. yen (indemnity 0 - 100,000 yen)

Additions/Discounts

New vehicle, Application through Internet, Non securities issuing

Start of insurance: Dec. 1, 2008

Model: Wagon R Type: MH21S District of residence: Miyagi

Gender: Male Driving distance: 5,000km/year

Initial registration: Oct. 2006 Drivers: limited to insurer NF class:12 License color: Gold Purpose of use: Commuting

Limitation of age: Over 30

Coverage

Body injury liability: No limit Property Damage Liability: No limit Driver's Medical Payments: 50 mil. yen Passenger's Medical Payments: 5 mil. yen

Vehicle: None

Additions/Discounts

Airbags/Shock Absorbing Body/ABS, Application through Internet,

Non securities issuing

Start of insurance: Dec. 1, 2008

Model: Mark X Type: GRX121 District of residence: Tokyo

Gender: Male Driving distance: 2,000 km/year

Initial registration: Oct. 2007 Drivers: no limitation NF class: 17

License color: Gold Purpose of use: Daily and leisure activities

Limitation of age: Over 26

Coverage

Body injury liability: No limit Property Damage Liability: No limit Medical Payments: 5,0 mil. yen

Passenger's Medical Payments: 5 mil. Yen

Vehicle: General 4.2 mil. yen (indemnity 0 - 100,000 yen)

Additions/Discounts

New vehicle, antitheft security system, Application through Internet,

non securities issuing

^{*}The terms of contract, coverage and other conditions offered by SBI Life Insurance Co., Ltd. are not necessarily identical in all cases, although they may be identical or very similar in certain cases, to those offered by insurance companies A, B, and C, peer companies that market their policies directly to customers, and to those offered by company D, which markets its policies through a network of insurance agents.

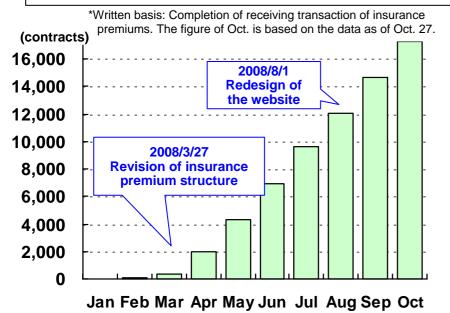
Full-scale Launch of SBI Nonlife Insurance Business SBI



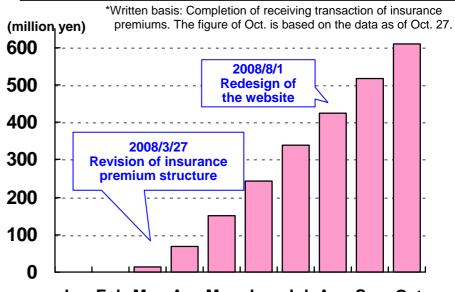
Current Status

- -On Mar. 27, <u>lowered the insurance premium level</u>. Due to the substantial price cut, the number of contracts steadily increased afterwards
- -In May, <u>established an alliance with "Autoc one"</u>, <u>which operates an auto purchase supporting website</u>, and acquired a new sales channel.
- -On Aug. 1, renewed the website. Updated the designs and added new contents.
- -On Oct. 10, <u>started "SBI Insurance GPS Navi"</u>, a location information notification service utilizing the mobile GPS

Change in the Number of Insurance Contracts (written basis) / accumulated total



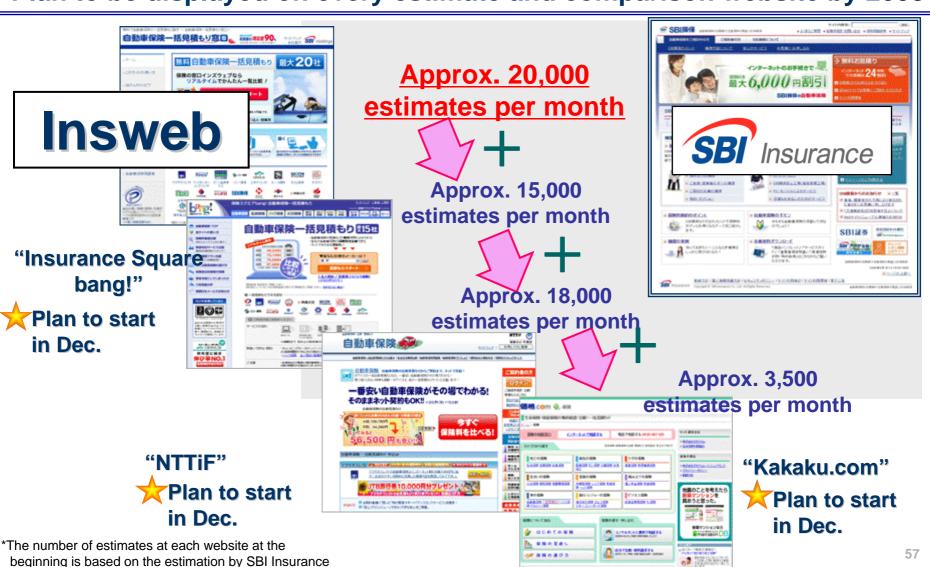
Change in Direct Income of Insurance Premium (written basis) / accumulated total



"Doubling Plan for the Insurance Premium Income" of SBI Insurance (1)



Plan to be displayed on every estimate and comparison website by 2008



"Doubling Plan for the Insurance Premium Income" of SBI Insurance (2)



Launch of full-scale approach to bricks-and-mortar services of "SBI AutoSupport"

~SBI AutoSupport started operations on October 14. 202 preowned auto companies already registered as a service provider. SBI Insurance expects approximately 100 companies to register monthly~

-At the start: Plan to acquire <u>auto insurance contracts offered by SBI Insurance</u>



-Runs 3 domestic auction websites

- -Registered companies: more than 14,000
- -Annual number of cars listed: approx. 740,000



SBI AutoSupport

Provide financial services to auto buyers through pre-owned auto companies





[Auto-related financial services]

-Auto insurance (SBI Insurance)

-Auto loan (In preparation)(SBI Sumishin Net Bank)

-In the future, expect to significantly increase in registered companies by <u>fully</u> utilizing the full capabilities of the SBIH Group!!





[SBI AXA Life Insurance Co., Ltd.]

Internal targets at the start of operations

(started operations in Apr. 7, 2008)

Targeted No. of contracts

1st fiscal year: around 20,000

5th term: around 200,000

Targeted revenues

5th term: Turn a single-year profit

SBI AXA Life Insurance: Japan's First Pure-play Internet Life Insurer (1)



Increased sales channels

 In June 2008, started using agents to sell policies in addition to selling policies directly

Agents selling SBI AXA policies: 23 as of Sept. 30, 2008

• In October 2008, SBI AXA started trial sales of policies at insurance agencies
SBI AXA policies are available at 63 locations: the 62-location nationwide network of Hoken Ichiba shops operated by Advance Create Co., Ltd. and at the Yao Seibu shop of Hoken Consultation:
Acarumic operated by Attractive, inc.

Measures to offer greater convenience

- In October, extended weekday operating hours of customer centers to 10PM and started operations on weekends and holidays (previously was only 9AM-6PM on weekdays)
- <u>Improved Internet screen layout so customers can more easily compare policies, ask for materials and receive estimates</u>

To sell policies to larger customer segments by providing easy access for even PC novices, the policy explanation space on the first screen has been more than doubled, and there is a clear link to request materials and estimates.

•SBI AXA <u>started operating a cell phone</u> site on October 28, providing cell phone users with policy information, premium estimates based on age and gender, a channel for requesting information and other services.

SBI AXA Life Insurance: Japan's First Pure-play Internet Life Insurer (2)



Insurance premium reduction

- •SBI AXA's "Kachitto Term Policy," which already offered the lowest premiums of any term life policy in Japan, added a discount for high premium policies on October 2.
- => Discounts of up to 46.6% compared with previous premiums

(*Discount applies to death benefits of at least 20 million yen)

[Comparison with typical term life policy (10 years with 30 mil. yen death benefit) Unit: Yen]

••••••••••						
Insurancecompany			SBI AXA Life Insurance* 「Kachitto Term Policy」	Internet life insurer Company A	Existing life insurer Company B	Existing life insurer Company C
		Age 30	4,590	3,484	4,650	4,920
Insurance premiums (Monthly payments)	≦ Age 40	Age 40	8,070	7,240	8,190	8,370
	Age 50	16,860	17,194	17,400	17,280	
	Age 30	3,570	2,344	3,660	3,870	
	-emale	Age 40	5,610	4,528	5,700	5,850
	Age 50	9,630	9,034	9,840	9,870	

SBI AXA Life Insurance [Kachitto Term Policy]

3,450

7,020

16,230

2,400

4,560

8,970

After discount for high

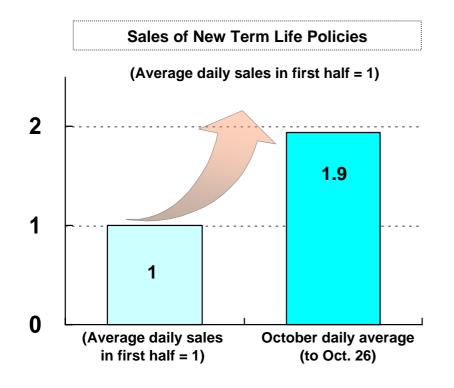
^{*}Before discount for high premium policies

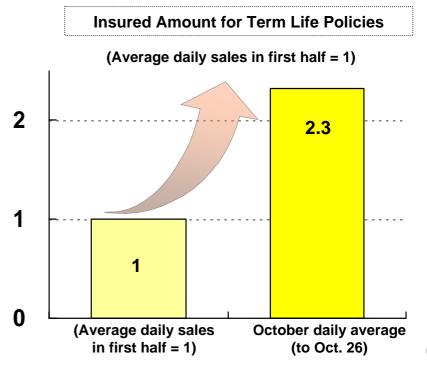
SBI AXA Life Insurance: Japan's First Pure-play Internet Life Insurer (3)



Number of policies

- 507 new policies from April to June 2008
 (270 term life policies and 237 medical policies)
- •<u>Significant increase in sales of policies since October start of discount for high</u> premium policies (term life insurance)
- =>Daily policy sales in October were about twice as high as past average sales Insured amount increased 130% (as of Oct. 26)







"Started Advertisements of the SBIH Group"

TV advertisements

Oct. 1 – 31: Notification of the change of the company name from "SBI E*TRADE SECURITIES" to "SBI SECURITIES"

Nov. 4 – "What is SBI?" Introduction to company names and services of the SBIH Group

Radio advertisements

Oct. 1 - : Introduction of company names and services of the SBIH Group

New TV Advertisement Starting from Nov. 4



Introduce the SBIH Group's diverse services and comprehensive capabilities









SBI SECURITIES (Securities)

(Bank)

SBI Sumishin Net Bank SBI AXA Life Insurance SBI Insurance (Life Insurance) (Nonlife Insurance)







SBI Housing Loan (SBI Mortgage)

/ SBI Sumishin Net Bank

(Housing Loan)

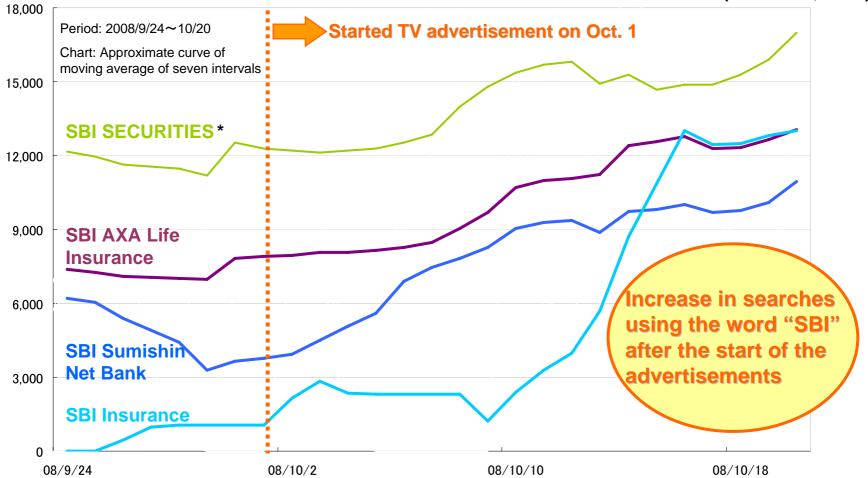
"What is SBI?": 30 seconds

Advertisement Effect for Promoting Four Core Financial Businesses



~Full-scale launch of TV and Radio Advertisement from Oct. 1~

Number of displayed advertisements of the four SBIH Group companies linked to the search word "SBI" (to Oct. 20, 2008)



Note: Number of advertisements displayed through "overture", an advertising system provided by Yahoo!

^{*}Total number of searches by accounts including the word "SBI". Does not include direct searches for "SBI SECURITIES".



[SBI Card Co., Ltd.]

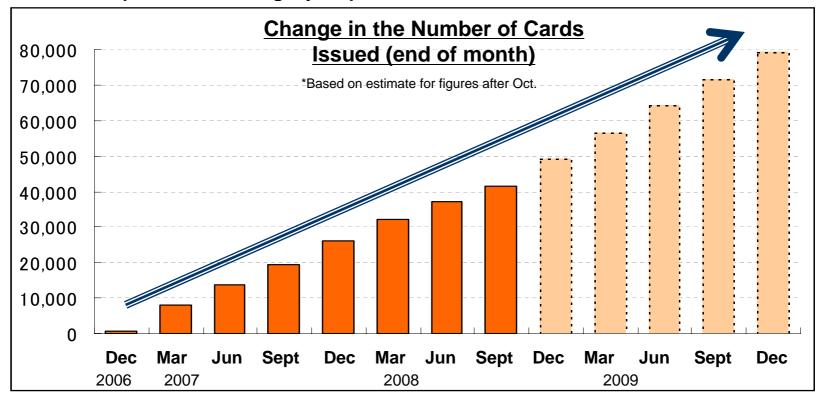
~ Expect to turn a single-month profit in FY2009, and a single-year profit in FY2010 ~

Expect to Turn a Single-month Profit in the Latter Half of FY2009



Internal Targets

- -in Nov. 2006, started to issue several Mastercard-branded SBI Cards
- -As of the end of Sept. 2008, the number of cards issued reached 41,000, and the customer base has steadily expanded
- -In the latter half of FY2009, expect the number of cards issued to reach 75,000, and also expect to turn a single-month profit
- -In FY2010, expect to turn a single-year profit





(2) Establish Businesses that can Quickly Contribute to an Increase in Profits

(SBI Liquidity Market Co., Ltd.)

(FY2008)

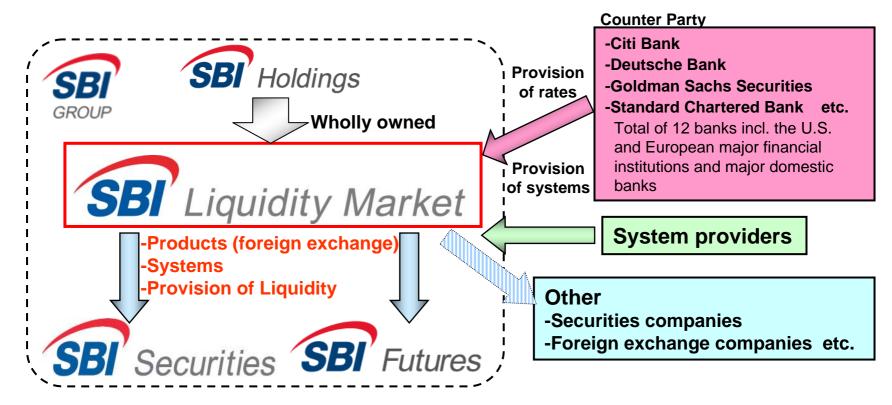
Target for contributions to earnings of SBI SECURITIES: approx. 800 mil. yen of operating income

Targeted earnings of SBI Liquidity Market: approx. 400 mil. yen of operating income

Established SBI Liquidity Market to Develop Businesses Related to Foreign Exchange Transactions as the Next Pillar for Profits Along with the Securities Business



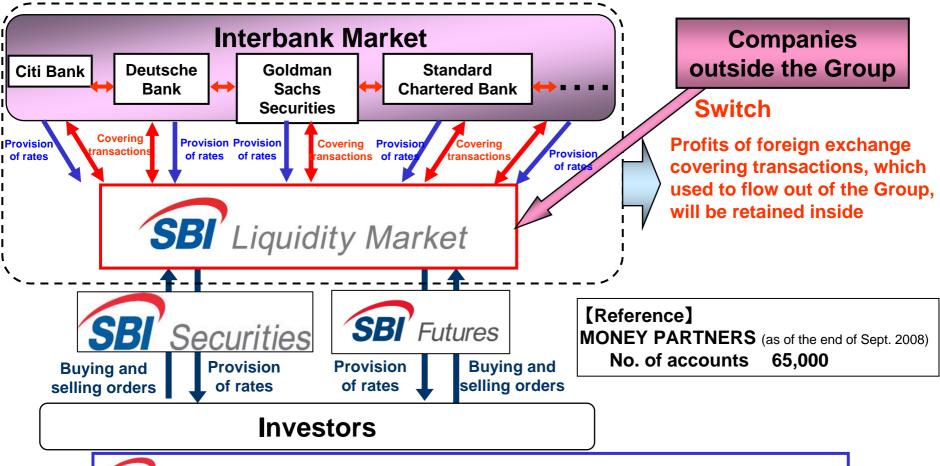
Plan to provide a competitive transaction environment for client enterprises after the connecting test and other procedures



In the future, SBI Liquidity Market plans to handle a full lineup of OTC derivatives (overseas stock indexes, gold, petroleum, etc.)

Acquire a New Profit Source Through the Establishment of SBI Liquidity Market



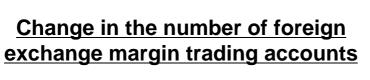


SBI Securities

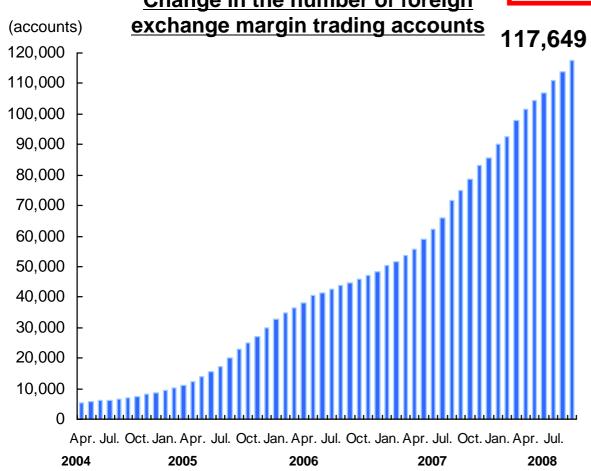
- Foreign exchange accounts: approx. 118,000 (as of the end of Sept. 2008)
- Monthly trading value: 2,549.5 bil. yen (Sept. 2008)

Increase in Trading Volume Upon Start of Offer of Free Foreign Exchange Margin Trading Services and **Narrowed Spreads**





Monthly Trading Value in Sept. 2008 2,549.5 bil. yen (5.9x that of June)



Number of foreign exchange margin trading accounts at online securities companies (as of the end Sept. 2008)

117,649
77,651
51,865
20,631
33,593
19,802



(3) Prepare for the Future Recovery of the Equity Market

- 1 Prepare for Future Investments in the Asset Management Business
 - i) Currently Operating Funds Has All Stopped Investing, and are Waiting for Investing Opportunities
 - ii) New Funds Continue to be Established in Anticipation of the Market Recovery
- 2 Increase in SBI SECURITIES' Market Share



1 Prepare for Future Investments in the Asset Management Business

i) Currently Operating Funds Has All Stopped Investing, and are Waiting for Investing Opportunities

Overseas Funds Waiting for Investment Opportunities (1) SBI



Started in 2005

Started in Mar. 2008 Plan to start in Nov. 2008

Final phase to close the official contract

Fund name	New Horizon Fund	Tsinghua University Fund	Peking University Fund	JV Fund with three Chinese companies		
Progress	6 of the 10 companies IPOed. Another company plans to go public in 2008.	The first fund in Beijing to be established with a foreign affiliated company. Invested in two promising companies.	Received final approval. The fund is primarily targeting promising unlisted companies in China.	In Jun. 2008, reached an agreement in principal to jointly establish an investment fund. This fund targets unlisted companies in China through a management company which will be jointly established by four companies.		
Partner	TEMASEK	Tsinghua Holdings	Beida Jade Bird	China Merchants SecuritiesResource Capital ChinaChina CITIC Bank		
Countries to Invest in	China					
Investment Object	Non-distributed shares and Unlisted companies	Domestic unlisted companies	Companies and real estate related	Manufacture, consumer goods, service and retail industries, logistics and transportation, energy and resource industries		
Investment Amount (mil. USD)	100 SBIH's investment ratio : 50%	30 SBIH's Investment ratio : 99%	100 SBIH's investment ratio : 50%	Offshore: approx. 50 (SBIH) Onshore: approx. 21 (China)		

Overseas Funds Waiting for Investment Opportunities (2)SBI



Expect to close the
official contract
in early Nov. 2008

Started in Apr. 2008

Started in **Apr. 2008** Started in Jun. 2008

Fund name	SBI-METROPOL Investment Fund	India Japan Fund	Vietnam Japan Fund	SBI SOI Fund
Progress	In Dec. 2007, reached an agreement in principal to jointly establish an investment fund. This fund targets prospective listed and unlisted companies in Russia.	This fund targets unlisted companies which are based in India. Invested in two promising companies.	Established a VND based investment fund, which targets promising listed and unlisted companies in Vietnam. Have decided to invest in two listed companies.	Established in Jun. 2008 This fund invests in businesses originating from Asian universities.
Partner	er IFC METROPOL State Bank of India		FPT	Keio University
Countries to Invest in	Russia	India	Vietnam **The state of the sta	Asia
Investment Object	Unlisted companies (70%) Listed companies (30%)	Unlisted companies (70%) Listed companies (30%)	Domestic listed and unlisted companies	Venture companies originating from universities
Investment Amount (mil. USD)	100 SBIH's Investment ratio: 50%	100 SBIH's Investment ratio : 95%	100 (SBIH's Investment) ratio : 90%	500 mil. yen (SBIH's Investment) ratio: 100%



ii) New Funds Continue to be Established in Anticipation of the Market Recovery

New Overseas Funds for which Basic Agreements were Signed in the Second Quarter



Expect to close the official contract in 2008

Started in Oct. 2008

Plan to start in Nov. 2008

Plan to start in 2008

Fund name	Hungary Fund	Fullerton Asia Financials Fund	Taiwan Fund	SBI PRIVATE EQUITY FUND
Progress	Reached a basic agreement to establish a fund in Aug. 2008.	Jointly established in Oct. 2008.	To be established in Oct. 2008.	To be established in 2008.
Partner	MFB Invest Ltd., a wholly owned subsidiary of the Hungarian Development Bank	Fullerton Fund Management Company Ltd, a wholly owned subsidiary of TEMASEK	Founder of a Taiwanese IT company	_
Countries to Invest in	and other countries in Central and Eastern Europe	Major Asian countries	Taiwan and China	Korea
Investment Object	Promising unlisted companies in Central and Eastern Europe	Listed financial institutions (banks and others)	Taiwanese and Chinese unlisted companies	Listed financial institutions and chaebol-related companies
Investment Amount	100 mil. EUR SBIH's Investment ratio : 60%	60 mil. USD SBIH's Investment ratio : 50%	22.5 mil. USD SBIH's Investment ratio : 66.7%	100-300 bil. KRW

"SBI PRIVATE EQUITY FUND" Being Newly Established in Korea to Use the Global Bear Market as an Investment Opportunity



"SBI Private Equity Co., Ltd.", the General Partner of the fund, will invest in undervalued domestic companies for improvement of enterprise value through enterprise revitalization and reformation of business structure



Outline of SBI PRIVATE EQUITY FUND (planned)

Chairman: Lee Deok Hoon
(The Former Finance & Currency)

(The Former Finance & Currency Committee Member at Bank of Korea, the former president of Woori Bank)

Investment Target



- ▶ Companies that can increase enterprise value through enterprise revitalization and reformation of business structure (primarily in the financial sector)
- ▶Small and medium-sized enterprises with high growth potential

Scale



- ► To be established with the initial commitment of 100 bil. won by the end of this fiscal year
- ► Commitment may amount to a maximum of 300 bil. won

Investment Strategy



- ▶ Financial and business turnaround
- ▶ Utilize the SBIH Group's network and synergistic effects

New Domestic Venture Capital Fund Adds Publicly Owned Companies and Emerging Countries as its Investment Targets



SBI-NEO Technology Fund (currently being funded)

Potential investment targets:

Approx. 10-15%

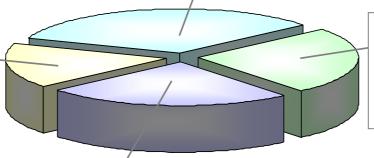
Listed Companies (Domestic and Overseas):

Listed companies that are undervalued in emerging and other markets (JASDAQ, Mothers, Hercules, NASDAQ and others) in spite of their excellent performances, and are expected to increase their market values through the SBIH Group's support.

Unlisted Venture Companies (Domestic):

(1) IT related

Unlisted venture companies that have cuttingedge expertise for information technology and services in the ubiquitous era.



Unlisted Venture Companies (Domestic):

(2) Environment related
Unlisted venture companies in the
environment & energy industries

Unlisted Venture Companies (Overseas): Unlisted venture companies in rapidly growing Asian markets including Russia.

SBI-NEO Technology Fund

SBIH Group's know-how in the IT and environment sectors

Excellent performance and strength in venture capital

Broad networks through local partners in Asia

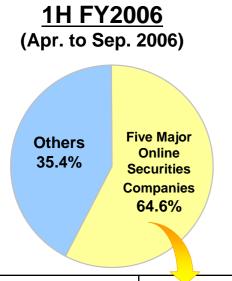


2 Increase in SBI SECURITIES' Market Share

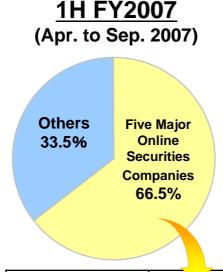


Major Online Securities Companies' Market Share of Retail Trading Value

Change in share of retail trading value

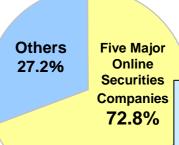


SBI	28.8%
Rakuten	13.7
Matsui	9.5
Monex	6.6
Kabu.com	6.0



SBI	34.1%
Rakuten	13.0
Matsui	7.7
Monex	6.0
Kabu.com	5.7

	<u>1 </u>	<u>1 </u>	<u>· Y 20</u>	<u> 800</u>
(A	pr.	to	Sep.	2008)



In Sept. '08 set record-high on a monthly basis 45.4%

SBI	38.0%
Rakuten	14.4
Matsui	7.7
Monex	6.8
Kabu.com	6.1

Source: Based on TSE, JASDAQ and company materials

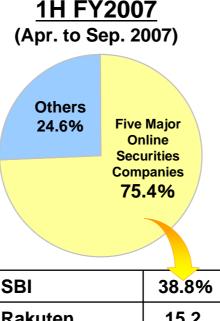
^{*} Individual brokerage trading value is the sum of trades on the three major exchanges and JASDAQ.



Change in share of retail margin trading value



SBI	33.9%
Rakuten	14.7
Matsui	12.1
Kabu.com	7.3
Monex	6.2



SBI	38.8%
Rakuten	15.2
Matsui	9.1
Kabu.com	6.6
Monex	5.8

Others 15.8% Five Major Online Securities Companies 84.2% In Sept. '08 set record-high on a monthly basis 50.8%

SBI	44.1%
Rakuten	17.4
Matsui	8.6
Monex	7.2
Kabu.com	6.9

Source: Based on TSE, JASDAQ and company materials

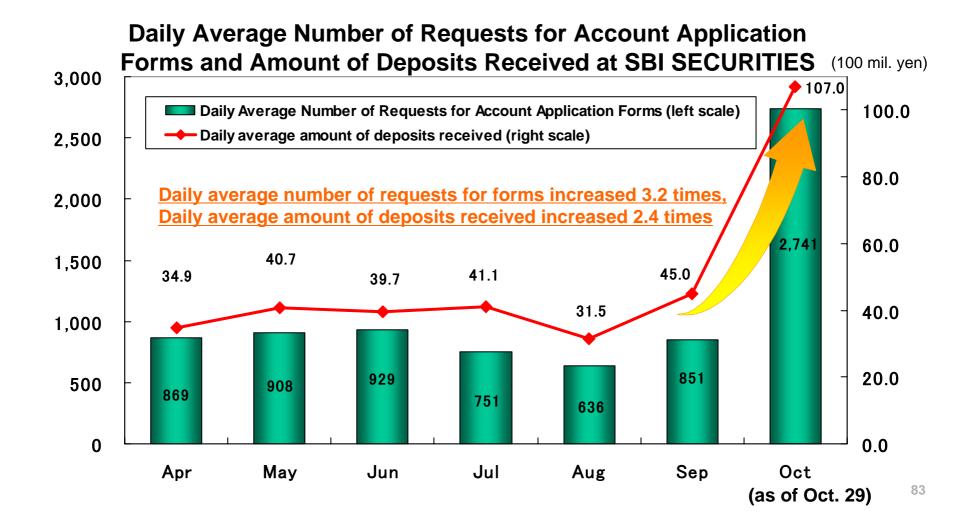
^{*} Individual brokerage trading value is the sum of trades on the three major exchanges and JASDAQ.

Rapid Increase in Account Applications at SBI SECURITIES



- Enhance the SBI brand awareness through TV advertisement (started on Oct. 1)
- Utilize the bear market as an investment opportunity

Rapid increase in account applications and deposits



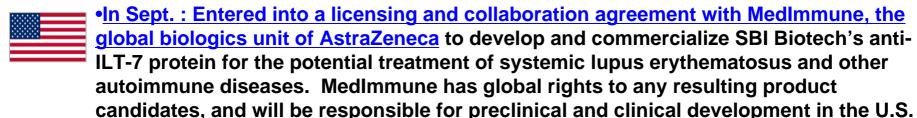


(4) Quickly Cultivate Biotechnology Related Businesses That are Less Sensitive to the Stock Market Volatility

SBI Biotech's Full-Fledged Entrance into the Drug Creation Business



SBI Biotech formed alliance with leading institutions, bio-ventures and pharmaceutical companies in the U.S., China and Korea





•In Oct. : Entered into a contract with Baylor Research Institute (BRI), located in Texas, to develop DC (dendritic dell) immunotherapy, one of the latest treatments for cancer. SBI Biotech obtained a license in certain Asian countries including Japan under BRI's proprietary DC technology and is to expand further research in DC.



•In Oct. : Entered into a license agreement with Changchun Huapu Biotechnology in China, to expand novel nucleotide drug pipeline. SBI Biotech acquired the three licensed compounds, and plan to collaboratively develop these in the U.S., China, and Japan, depending on indications to develop drugs for the treatment of cancers, infections and autoimmune diseases.



•In Oct. : Entered into a contract with Helixir in Korea to develop and sell Helixir's nutraceutical, Sarunashi (kind of a kiwi fruit) extract, PG102 with anti-allergic effect. PG102 is expected to be useful for therapy of allergic diseases such as atopic dermatitis, pollen allergy, the allergic rhinitis, the food allergies, and asthma.



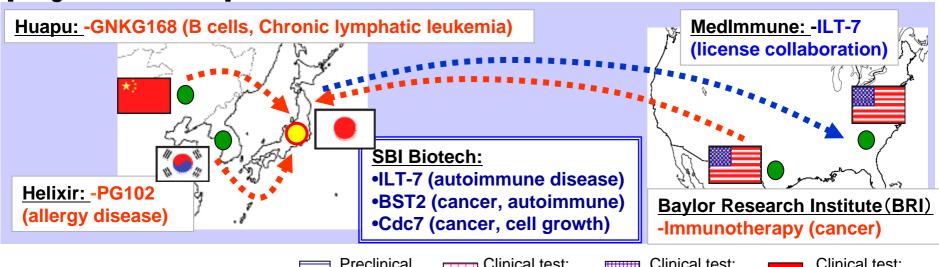
Basic research, clinical research and drug product creation by using Biotech promising drug creation seeds provided by its bio venture firm partners

SBI Biotech's Project Development Schedule



To be a global drug discovery company with promising drug creation seeds by networking in Japan, United States, China, and Korea. SBI Biotech is working with top world researchers and forming alliances with leading institutions, bioventures and pharmaceutical companies in the world.

[Drug Creation Seeds]



[Developme	ent Schedule]	Preclinical test	Clinical test:	Clinical test:	Clinical test:
	2008	2009	2010	2011	2012
ILT-7	license collaboration				
BST2					
Cdc/ASK					
GNKG168					
BRI	license in				
PG102	license in				8

Biotechnology Related Investee Companies Expected to Be a Profit-Making Source



Quark Pharmaceuticals, Inc.(Shareholding ratio of the SBI Group: 24.87%)

- Development of novel therapeutic RNAi drug candidates.
- •In Jun. 2006, entered into licensing agreements with Pfizer for PF-4523655, molecules targeting AMD. Potential milestone payments from Pfizer totaling over \$600 million.
- •In Jul. 2008, initiated dosing in DME and received milestone payment.
- •In Oct. 2008, published the paper that reports efficacy of siRNA targeting its proprietary target gene against NSCLC on "Cancer Research". The results provide a basis for a potential new drug candidate to be added to Quark's pipeline.
- Considering Conducting an IPO or M&A to a major foreign or domestic pharmaceutical company.

Acucela Inc. (Shareholding ratio of the SBI Group: 26.34 %)

- Development of new drug therapies for blinding eye diseases.
- •In Sept. 2008, entered co-development agreement with Otsuka Pharmaceutical for ACU-4429 in dry AMD and for Rebamipide Ophthalmic Suspension for Dry Eye.

 Potential milestone payments from Otsuka Pharmaceutical totaling \$258 million.
- Considering Conducting an IPO on stock exchanges including NASDAQ.



(5) Streamline the SBIH Group to Reflect the Existing Operating Environment

Central Themes for Restructuring



- From the CEO's 2008 New Year Greeting -
 - "...We will continue streamlining our organization based on the current outlook of our operating environment. We will establish clear priorities for each group business and project, in order to conduct a focused allocation of resources. There is always a time when a company needs to create an environment for fostering new life through a pruning and streamlining process..."

(SBIH Group New Year ceremony, Jan. 4, 2008)

- From "SBI Money World" Blog -
 - "••• Every SBIH Group company was created so that it can generate synergies with all other group companies. Our most important theme in 2008 is reorganizing the SBIH Group in order to make even greater use of those synergies.••• "

(excerpt from "SBI Money World", Feb. 25, 2008)

Streamlining the SBIH Group for Future Growth (1)



Reallocation of resources

⇒ Create a framework for new growth vectors

SBI SECURITIES as a wholly owned subsidiary:

SBI E*TRADE SECURITIES (now SBI SECURITIES) became a
wholly owned subsidiary with a considerable potential to
produce various synergies with the three new core businesses
(Valid from Aug. 1)

Investment:

Reinforce investment banking operations by acquiring a 44.4% equity stake in Strategic Consulting Group

→ average operating revenues of 350 million yen in four years since its inception (before deduction of outsourcing expenses)

Initial Public Offerings:

 Preparing for an IPO of two investee companies in South Korea (<u>Hyundai Suisse I</u> (10% ownership) and <u>Gatebank</u> (9.04% ownership))

Streamlining the SBIH Group for Future Growth (2)



Reallocation of resources (continued)

Establish new companies:

- Established "SBI Liquidity Market",
 - a foreign exchange margin trading platform company
- Established <u>SBI ALApromo</u> in the biotechnology field.

Sale of investments:

• Proceeds of E*TRADE Korea share sale will be used to invest in businesses with the potential to provide new sources of growth.

Transfer of assets to enhance future growth potential of operating base:

 Plan to combine part of <u>SBI Equal Credit</u> with the consumer loan business of SBI Sumishin Net Bank. Established "Nex Co., Ltd." to be registered as a moneylender, as well as preparing for other procedures.

Streamlining the SBIH Group for Future Growth (3)



Reposition and reorganize core companies to expand the non-financial ecosystem

- In the Real Estate Ecosystem, make <u>LIVING Corporation</u> a subsidiary to combine this company with SBI Planners.
 - ⇒SBIH Group established a 5.5 bil. yen of credit facility for LIVING Corporation, taking into account today's real estate market. (800 mil. yen utilized as of the end of Sept. 2008)
- In the Information Systems Ecosystem, merge C4 Technology
 (now SBI Net Systems in Aug. 2008) into a subsidiary to combine this company to tradeWin and SBI Tech, which are system companies owned by SECURITIES.
 - ⇒SBI Net Systems became profitable in this second quarter on a six-month (Apr.-Sept.) basis

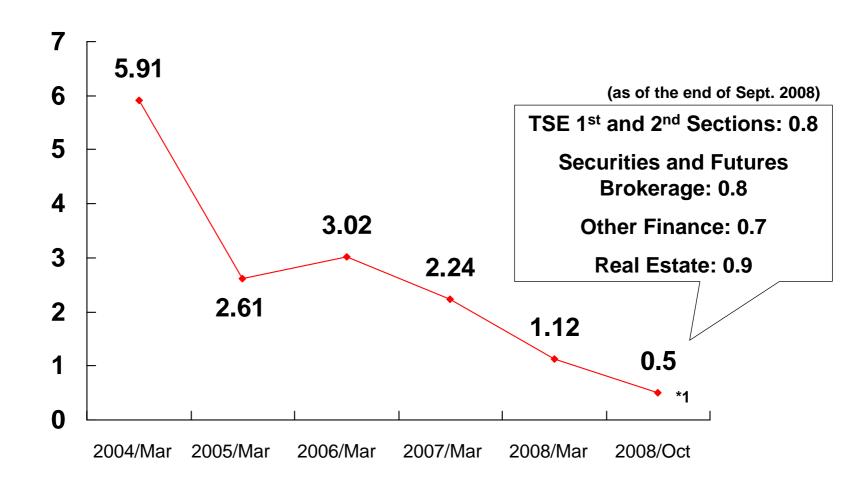
Deleted the "Note regarding the premise of a going concern", which had been attached to its financial result report since before the merger



[Shareholder Composition]



Change in SBIH's PBR

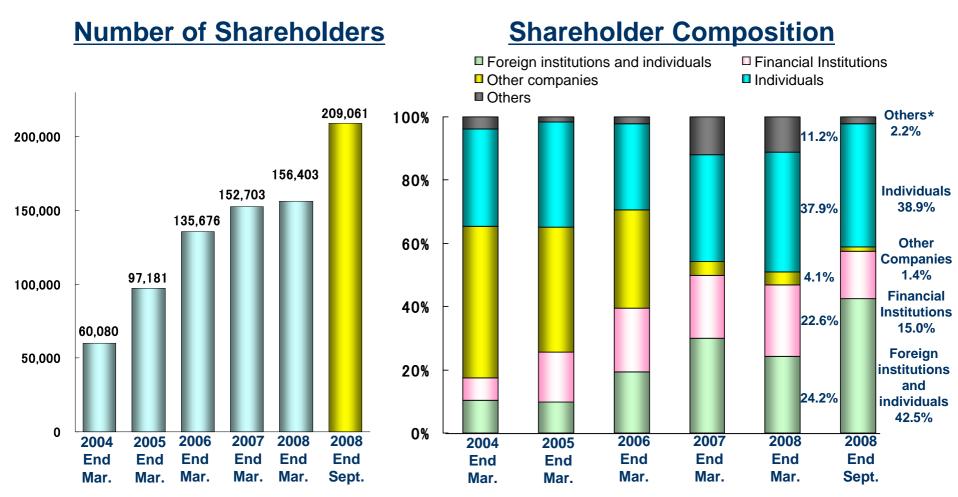


^{*1} The latest PBR is based on PBS as of the end of FY08 2Q



SBI Holdings Shareholder Composition

Rapid increase in shareholding ratio of foreign investors compared to that at the end of Mar. 2008



^{*}Include holders of less than one trading unit

*Others includes treasury stock (0.2%)



Recent Major Shareholdings Report of SBIH Submitted by Foreign Investors

Shareholding entity		Report Obligation Incurred	Number of shares currently held (shares)	Currently held shares as Pct. of the total outstanding shares of SBIH (%)
The Capital Group (U.S.)	Capital Guardian Trust Company Capital International Limited Capital International Inc. Capital International S.A. Capital International K.K.	Aug. 29, 2008	1,201,929	7.17
The Orbis Group (U.K.)	Orbis Investment Management (B.V.I.) Limited Orbis Investment Management Limited	Oct. 15, 2008	1,503,188	8.97
		Oct. 27, 2008	1,685,181	10.05

^{*} The number of shares held and those as pct. of the total outstanding shares as of the dates of each report obligation incurred.



http://www.sbigroup.co.jp