



ANNUAL REPORT 2004

Year ended 31st March, 2004

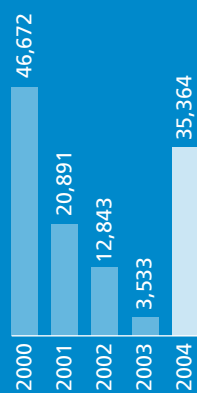
Consolidated Financial Highlights

	Millions of Yen		Thousands of U.S. Dollars
	Six Month Period Ended 31st March	Year Ended 31st March	Year Ended 31st March
	2003	2004	2004
For the Year:			
Operating revenues	¥ 3,533	¥ 35,364	\$ 334,796
Operating costs	8,075	12,018	113,780
Gross (loss) profit	(4,542)	23,346	221,016
Operating (loss) income	(5,354)	8,087	76,558
Net (loss) income	(4,406)	4,257	40,300
Per Share Data (in Yen and U.S. Dollars):			
Basic net (loss) income	¥(4,450.16)	¥1,951.46	\$ 18.47
Diluted net income	–	1,784.68	16.90
Cash dividends applicable to the period	120	770	7.29
At Year-end:			
Total shareholders' equity	¥ 19,112	¥ 47,465	\$ 449,349
Total assets	29,274	396,645	3,755,039

Notes: 1. Per share of common stock is computed based on the weighted average number of shares outstanding during the year.
2. U.S. dollar figures are translated for reference only at ¥105.63 to U.S.\$1.00, the exchange rate at 31st March, 2004.

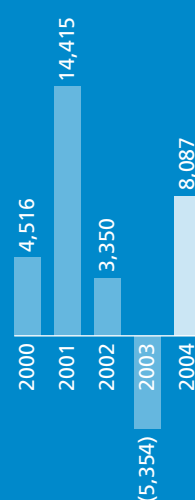
Operating Revenues

Millions of yen



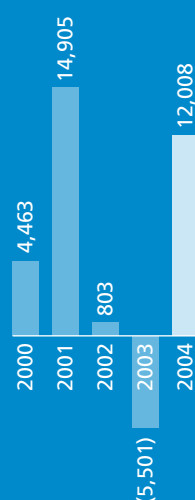
Operating Income

Millions of yen



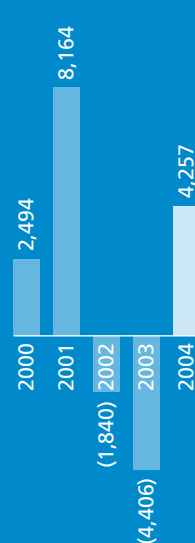
Income before Income Tax

Millions of yen



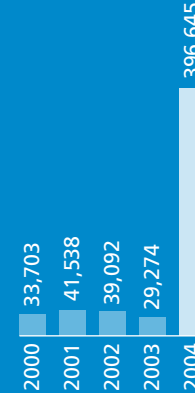
Net Income

Millions of yen



Total Assets

Millions of yen



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Forward-Looking Statements

Statements contained in this report regarding the plans, projections and strategies of SOFTBANK INVESTMENT CORPORATION (SBI) and its subsidiaries and affiliates that are not historical fact constitute forward-looking statements about future financial results. As such, they are based on data that are obtainable at the time of announcement in compliance with SBI's management policies and certain premises that are deemed reasonable by SBI. Hence, actual results may differ, in some cases significantly, from these forward-looking statements due to changes in various factors, including—but not limited to—economic conditions in principal markets, service demand trends and currency exchange rates fluctuations.

Management Philosophy

Financial Innovator

Bringing financial innovations to the forefront of the financial industry, capitalizing on new opportunities emerging via the Internet and developing financial services that further profit customers

New Industry Creator

Becoming the leader in creating and growing pivotal 21st-century industries that are an outgrowth of the IT field

Self-Evolution

Continuing to be a company that evolves of its own volition through formation of an organization that flexibly adapts to changes in the operating environment and a corporate DNA composed of "Ingenuity" and "Self-transformation"

Social Responsibility

Becoming a company that fulfills its social and economic responsibilities to shareholders and the larger community

Message from the CEO



During fiscal 2004, ended March 31, 2004, excessive pessimism regarding the direction of the economy lessened amid improved corporate performance and subsiding financial uncertainties. Moreover, expectations of a recovery grew more widespread despite appreciation of the yen and fears over terrorism, as witnessed by the Nikkei average rising 46.9% from ¥7,972.72 in fiscal 2003 to ¥11,715.39 in fiscal 2004. Companies that were previously unable to aggressively pursue profitable opportunities due to being saddled with restructuring expenses and stock valuation losses slowly

displayed the effects of their streamlining measures, with both a rebound in stocks and corporate expansion.

As an incubator for the companies that will lead Japan to future prosperity, SOFTBANK INVESTMENT CORPORATION (SBI) has transformed itself into a comprehensive finance group through its merger with E*TRADE Japan K.K. in June 2003. Moreover, by bringing Finance All Corporation into the scope of consolidation in February 2004, SBI is evolving further into a corporate entity with a multi-functional business portfolio that combines asset management, brokerage and investment banking, and financial services.


In the asset management business, in addition to the IT field, which was the focus of investment until recently, we will concentrate investment on biotechnology and corporate restructuring as well as opportunities in the expanding Chinese economy. In addition, we aim to further expand operations globally by forming tie-ups with both domestic and overseas fund management companies.

In the brokerage and investment banking business, the securities-related companies of SBI all secured solid income growth on the back of a recovery in the securities market dur-

ing the term. Based on our unwavering "Customer First" principle, we fused the brick-and-mortar marketing functions of WORLD NICHEI FRONTIER Securities Co., Ltd. and Fides Securities Corporation with the Internet functions of E*TRADE SECURITIES CO., LTD. via a series of M&As in fiscal 2004. We now aim to provide products and services for multiple tiers of customers and expand our business range to compete with large securities companies.

The newly added financial services business opens up avenues for future stable income growth by comparing, searching out and offering a wide range of financial products, and is positioning itself to become a financial innovator that provides services and products unavailable in the finance industry.

SBI is a Group that continues to evolve while pursuing future growth opportunities in the global playing field.

北尾 吉孝 

Yoshitaka Kitao

Representative Director and CEO

Profile

Through reorganization of group companies and acquisition of securities companies, SBI is evolving from a company that previously focused on venture capital operations to a comprehensive financial group focused on the three core businesses of asset management, brokerage and investment banking and financial services. By acquiring securities companies with unique strengths, SBI is building a structure that can compete with large securities companies.

Corporate History

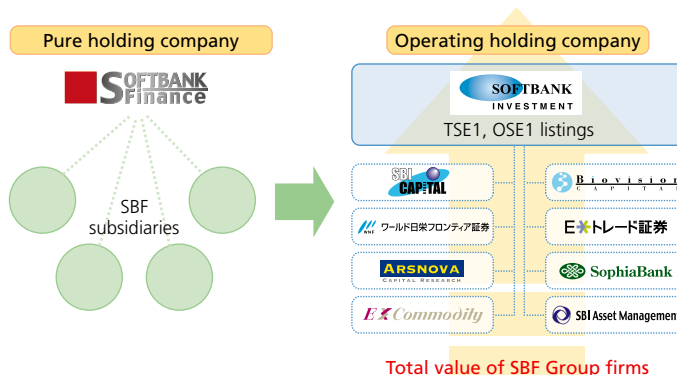
1999	July:	SOFTBANK INVESTMENT CORPORATION (SBI) established in Chiyoda-ku, Tokyo to undertake venture capital and incubation business	2002	February:	Listed on First Section of Tokyo Stock Exchange Established "RESTRUCTURING Fund No. 1" (limited partnership) managed by SBI CAPITAL
	November:	Converted SoftVenture Capital Co. Ltd., Softbank Ventures, Inc., SOFTBANK CONTENTS PARTNERS CORPORATION and SOFT TREND CAPITAL Corp. into wholly owned subsidiaries through stock swap		May:	AOZORA ASSET MANAGEMENT and SOFTBANK ASSET MANAGEMENT merged to form SBI ASSET MANAGEMENT Co., Ltd. to keep pace with the diversification and sophistication of asset management needs
2000	January:	Absorbed SoftVenture Capital, a wholly owned subsidiary	2003	June:	Merged with E*TRADE Japan K.K.
	March-July:	Established "SOFTBANK INTERNET TECHNOLOGY FUND" No. 1 to 3 (¥150.5 billion initial investment) as venture capital funds (under Civil Code) managed by SBI		September:	Established "SBI-REAL-INCUBATION No. 1" (limited partnership) with SBI as unlimited partner
	June:	Established SophiaBank Limited to reinforce industry incubation operations	October:	Acquired WORLD NICHIEI Securities Co., Ltd. and converted to subsidiary	
2001	December:	Listed on NASDAQ Japan (currently Nippon New Market ("Hercules") of Osaka Securities Exchange)	2004	December:	Acquired Nissho Iwai Securities Co., Ltd. and converted to wholly owned subsidiary Established "BIOVISION Life Science Fund I" to be managed by BIOVISION CAPITAL CORP.
	April:	Acquired SOFTBANK ASSET MANAGEMENT Co., Ltd. to expand investment advisory business Established SBI CAPITAL Co., Ltd. to operate and manage LBO funds		February:	Acquired Finance All Corporation and converted six of its companies into subsidiaries, including GOODLOAN Co., Ltd. SOFTBANK FRONTIER SECURITIES CO., LTD. merged with WORLD NICHIEI Securities Co., Ltd., and was listed on the Osaka Securities Exchange
	May:	Established "SBI-LBO-FUND No. 1" (¥5.0 billion initial investment) as LBO fund (under Civil Code) managed by SBI CAPITAL		March:	Nissho Iwai Securities Co., Ltd. renamed Fides Securities Corporation
	June:	Acquired AOZORA ASSET MANAGEMENT CO., LTD. to bolster asset management business			

Direction of Group Reforms

As an operating holding company, SBI assembles under the SBI umbrella the subsidiaries of parent company SOFTBANK FINANCE CORPORATION—a pure holding company—to improve consolidated performance and accelerate growth in corporate value. In the process of business restructuring, SBI aims to further accelerate the growth of corporate value not only by consolidating more group companies within its operations, but also through acquisitions using a variety of outside resources.

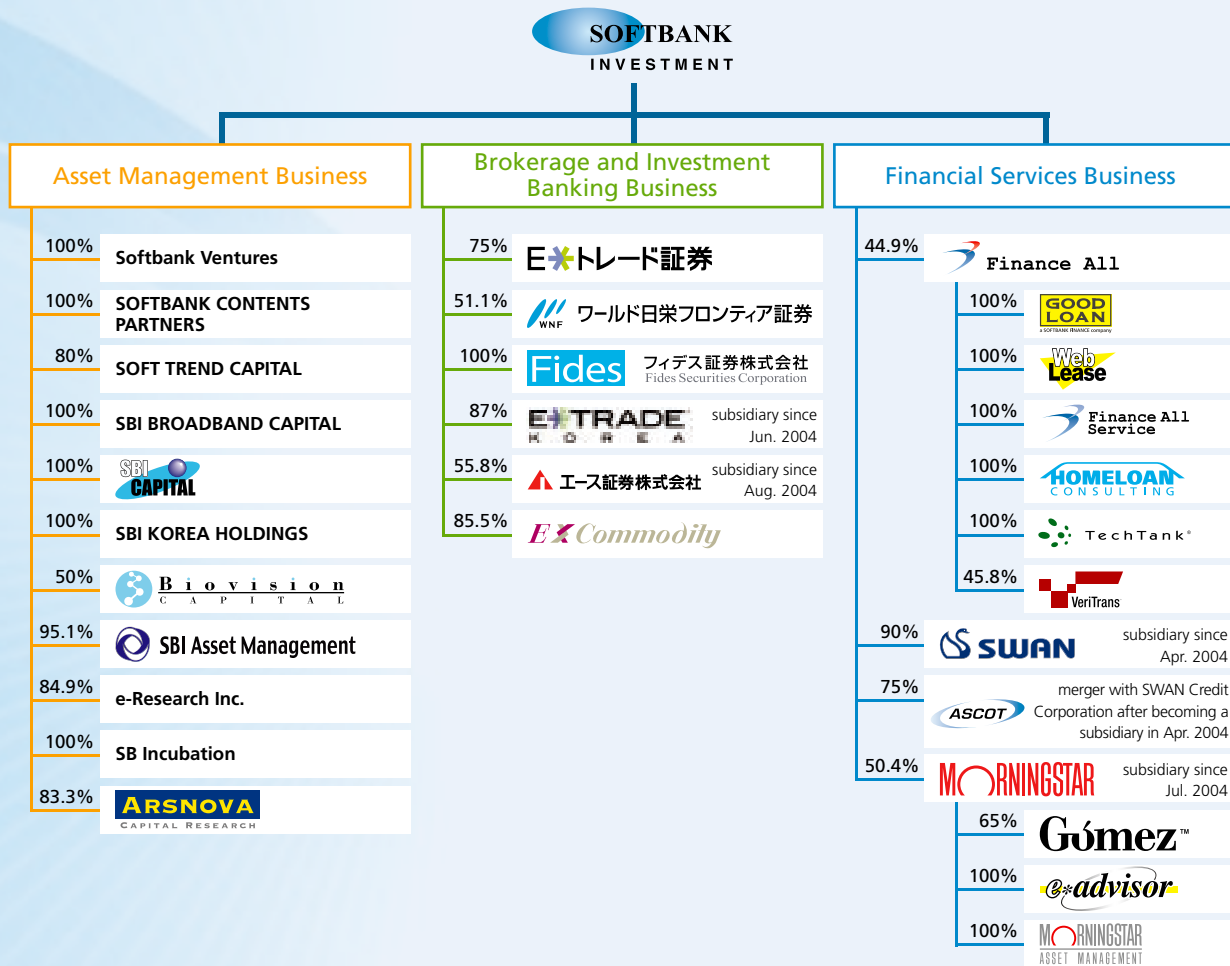
Value of SOFTBANK FINANCE Group Concentrated in SOFTBANK INVESTMENT (SBI)

Integration of SOFTBANK FINANCE (SBF) subsidiaries under SBI umbrella



Total value of SBF Group firms to be concentrated ultimately in SBI

SBI Group Companies



Three Core Businesses

SBI provides comprehensive financial resources via three core businesses.

Asset Management

Operation of SBI-managed venture funds in IT and biotechnology as well as corporate restructuring funds, and the formation of such investment products as private equities and hedge funds via SBI ASSET MANAGEMENT Co., Ltd.

Brokerage and Investment Banking

Comprehensive securities business offered chiefly through E*TRADE SECURITIES, WORLD NICHIEI FRONTIER Securities and Fides Securities that blends Internet and brick-and-mortar operations

Financial Services

Financial intermediary services for loan and insurance products via Finance All



Asset Management Business

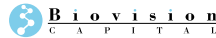
Key Companies



SOFTBANK INVESTMENT CORPORATION
First Section-Tokyo Stock Exchange and
Osaka Securities Exchange (Code: 8473)



SBI CAPITAL Co., Ltd.
LBO funds management



BIOVISION CAPITAL CORP.
Incubation for biotechnology venture
business and fund management



SBI ASSET MANAGEMENT Co., Ltd.
Investment advisory service



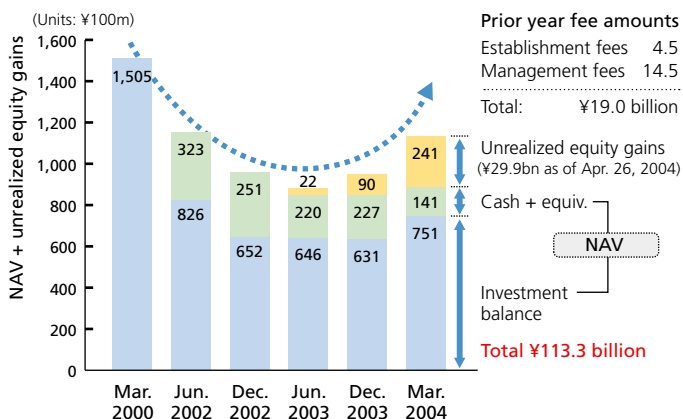
Arsnova Capital Research, Inc.
Securitized products and advisory services

Segment Performance in Fiscal 2004

1. SBI flagship "IT Fund" approaching profitability

The Company's flagship "SOFTBANK INTERNET TECHNOLOGY FUND" (hereafter "IT Fund"), which was established in fiscal 2000 with an investment of ¥150.5 billion, is approaching profitability. At the end of fiscal 2004, the unrealized capital gain on the "IT Fund" totaled ¥24.1 billion in market value, and the total of investment balance, remaining cash equivalents and unrealized capital gain totaled ¥113.3 billion. Total investment during the term from this fund totaled ¥24.2 billion, and the number of investment targets with publicly held stock through IPOs and M&As included nine companies and one corporate entity.

Time to Reap "IT Fund" Harvest



Investment Results (Fiscal 2004)

April 2003 – March 2004

	Domestic	Overseas	Total
Investments (no. of companies)	17 (27)	4 (4)	21 (31)
Invested capital (¥100m)	238 (135)	4 (3)	242 (138)

* Figures represent totals for all SBI Group-managed funds.

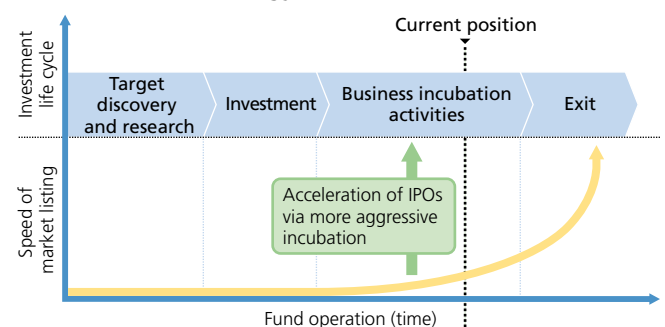
- Figures in parentheses refer to previous fiscal year (April 2002–March 2003).
- Within totals, new investments in 15 firms totaled ¥2.2 billion (¥23.0bn in 8 firms), while additional investments in 6 existing firms totaled ¥22.0 billion (¥11.5bn in 23 firms).
- Overseas investments are valued at the exchange rates prevailing at the time of transaction.

2. Newly established funds

During the term, SBI established "SBI-REAL-INCUBATION No. 1 (limited partnership)," which invests chiefly in domestic franchises (investment of ¥1.1 billion) and the "BIOVISION Life Science Fund I" (investment of ¥3.0 billion) for investing in the biotech industry, which will be a key industry of the 21st century. The "SBI-REAL-INCUBATION No. 1 (limited partnership)" has been authorized for a further capital injection of ¥3.0 billion.

Given the existing potentially profitable period for these flagship funds, the Company is accelerating the pace of IPOs by conducting aggressive incubation activities. From January to December 2004, investment targets with public stock from IPOs and M&As are expected to grow to include 20 companies.

Accelerated IPO Strategy



Number of Exits through IPO or M&A

	Up to Dec. 2003	Jan.-Dec. 2004
No. of companies	57 (of which 38 are non-Japanese)	20+α (of which 12 are already listed)

Exits via IPO or M&A in 2004 = 12 firms

- | | |
|---|---|
| Feb. 2: WORLD NICHIEI FRONTIER Securities Co., Ltd. | Jun. 4: FRAMEWORX, Inc. |
| Feb. 27: NEXUS Co., Ltd. | Jun. 18: Runsystem Co., Ltd. |
| Mar. 3: IDU Corp. | Jul. 1: amana.jp |
| Mar. 26: Venture Revitalize Investment, Inc. | Jul. 8: Netprice, Ltd. |
| Apr. 15: WebPort Corp. (M&A) | Jul. 15: Funai Zaisan Consultants Co., Ltd. |
| May 27: dip K.K. | Jul. 29: Sosei Co., Ltd. |

- Companies slated for IPO are categorized into five priority levels based on review by a committee that meets on a weekly basis. The evaluations and IPO schedules of firms are determined entirely at SBI's discretion, and no future IPO is guaranteed.
- Exits detailed above include cases where the entire stake has now been sold.

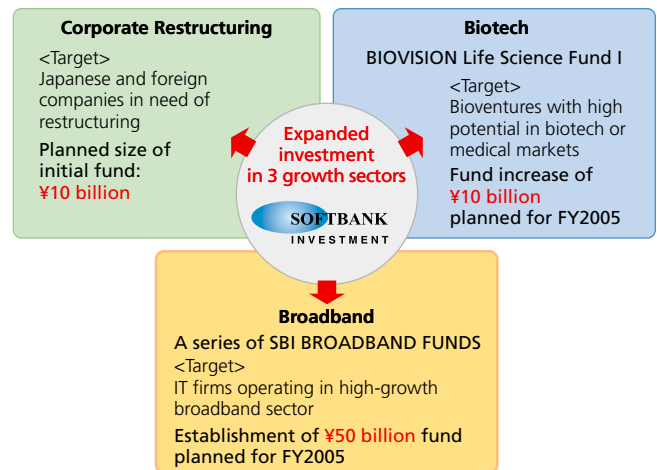
Future Strategies and Business Development

In the asset management business, SBI aims to bolster investment in companies anticipated to grow dramatically using continued fund recruitment, and establish new funds in broadband, corporate restructuring and biotechnology. In the broadband field, SBI will capitalize on investment experience through operation of IT funds and invest in growth markets related to broadband. Accordingly, we will expand marketing activities that employ synergies between the Group and securities subsidiaries.

In corporate restructuring, SBI plans to establish a fund management company through equal investment with a partnership established by a group of joint managers from Corporate Directions, Inc., which is an independent management strategy consulting company, establish new funds and offer consultative support encompassing everything from proposal planning to execution for newly established funds. In the biotechnology field, SBI aims to augment the fund amount of the "BIOVISION Life Science Fund I," which was established in December 2003, and has invested in three promising biotechnology venture companies. To achieve global expansion, SBI plans to establish a joint venture with the Kingsway Group (Hong Kong Stock Exchange: 0188 HK) for operating funds in Hong Kong, set the initial investment at US\$9 million, and conduct investment primarily in promising Chinese companies that have yet to go public.

New Funds Establishment Plans

Fiscal 2005 funds establishment plans/status



Brokerage and Investment Banking Business

Key companies

E*トレード証券

E*TRADE SECURITIES CO., LTD.
Comprehensive online brokerage

ワールド日栄フロンティア証券

WORLD NICHIEI FRONTIER Securities Co., Ltd.
Nippon New Market ("Hercules") of Osaka
Securities Exchange (Code:8696)

Fides フィデス証券株式会社
Fides Securities Corporation

Fides Securities Corporation
Securities products and services

E*Commodity

e-Commodity Co., Ltd.
Online commodity futures
brokerage

E*TRADE
K O R E A

E*TRADE KOREA CO., LTD.
(Became a subsidiary in
June 2004)

エース証券株式会社

Ace Securities Co., Ltd.
(Became a subsidiary in
August 2004)

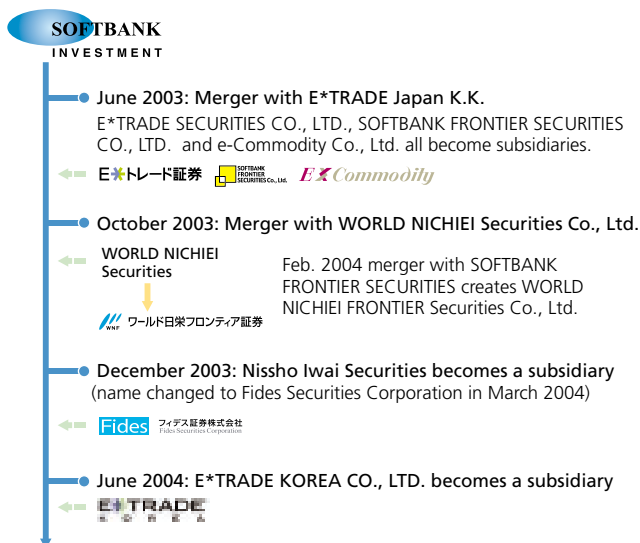
Segment Performance in Fiscal 2004

The Brokerage and Investment Banking Business is composed of E*TRADE SECURITIES, WORLD NICHIEI FRONTIER Securities, Fides Securities and e-Commodity Co., Ltd.

Upon the occasion of E*TRADE SECURITIES becoming a SBI subsidiary along with merging of operations between SBI and the holding company E*TRADE Japan in June 2003, we also brought two additional companies into the SBI Group: WORLD NICHIEI FRONTIER Securities, which draws on its strengths in marketing to individual investors utilizing a solid base consisting of a nationwide network of 27 main and branch offices, and Fides Securities, which offers institutional investors sophisticated financial products drawing on its strong product formation capabilities. Moreover, while combining the entire SBI Group's Internet and brick-and-mortar marketing channels, we are steadily building a structure that allows us to compete on even terms with the major securities companies.

During the fiscal year, all SBI Group securities company subsidiaries reported favorable results thanks to brisk securities markets. Specifically, E*TRADE SECURITIES attained record-high earnings, while WORLD NICHIEI FRONTIER Securities achieved profitability for the first time in four fiscal terms and paid out cash dividends. As evidenced by ¥1,640.7 billion in deposits in customer accounts, 416,809 securities accounts, and daily average value of trading of ¥123.0 billion, SBI's securities business is of a large scale comparable to that of Japan's major securities companies.

Milestones in Evolution of SBI Group (Fiscal 2004)



Performance of Individual Securities-Related Subsidiaries

Firm-specific fiscal full-year basis

(Units: ¥m)

	Total	E*TRADE SECURITIES	WORLD NICHIEI FRONTIER Securities	Fides Securities	e-Commodity
Operating revenues	28,055	14,765	11,655	281	1,354
Operating costs	19,533	9,962	8,039	274	1,258
Operating income	8,520	4,802	3,615	7	96
Recurring profit	8,612	4,833	3,675	7	97
Net income	7,800	2,190	5,559	5	46

* Totals are a simple summation of results, including any intercompany transaction.

Scale of SBI Securities Business

(As of Mar. 31, 2004)

	Total	E*TRADE SECURITIES	WORLD NICHIEI FRONTIER Securities	Fides Securities
Deposits in customer accounts	¥1,640.7bn	¥1,217.4bn	¥406.2bn	¥17.1bn
Securities accounts	416,809	351,950	64,161	698
Margin trading accounts	33,207	30,417	2,790	—
Daily average value of trading	¥123.0bn	¥116.3bn	¥6.6bn	—

* Daily average value of trading is computed from March 2004 trading data.

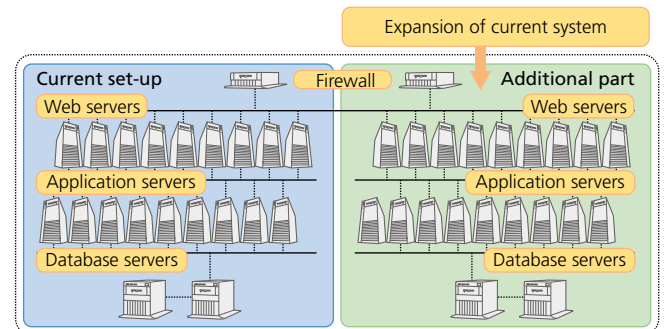
Future Strategy and Business Development

To achieve steady growth in the Brokerage and Investment Banking Business while successfully vying with its competitors, SBI believes it must further enhance its products and services. Acting on this conviction, we are thus implementing the following strategies. First, we aim to aggressively utilize Japan's new Securities Brokerage System to expand our customer base by forming alliances with investee companies, companies maintaining a network of accountants and financial planners and companies with membership organizations. Additionally, giving consideration to the convenience of individual investors, from April 19, 2004 we began handling unlimited margin trading transactions. We are also responding to a continued accelerating rise in the number of individual customer accounts by concentrating on establishing even more stable front and back office systems. Specifically, we plan to make investments for the multiplexing of current systems, build a mirror system that raises the level of our systems and develop the industry's highest-level real-time trading tools.

In June 2004, we acquired E*TRADE KOREA CO., LTD. Established in December 1999 as Korea's first Internet securities company, E*TRADE KOREA offers the industry's lowest trading fees in Korea and has steadily expanded the contents of its business.

SBI will furnish E*TRADE KOREA with the management know-how cultivated by subsidiary E*TRADE SECURITIES through its business activities in Japan's stock markets. By doing so, SBI aims to accelerate the speed with which E*TRADE KOREA expands its business operations. Looking ahead, SBI aims to make a capital increase in E*TRADE KOREA as early as possible and to obtain an underwriting license for this company. This will pave the way for E*TRADE KOREA to grow from an online trading company to a comprehensive securities company. Moreover, we will work to develop E*TRADE KOREA's Japan/Korea cross-border brokerage and underwriting businesses through a tie-up with E*TRADE SECURITIES. We will also integrate computer systems while providing support that will allow E*TRADE KOREA to make a smooth and speedy public offering.

Strengthening of Trading System through Multiple Sites



Expansion of current system, scheduled for end of November 2004, will roughly double capacity.

Most Advanced Real-Time Trading Tools in Industry

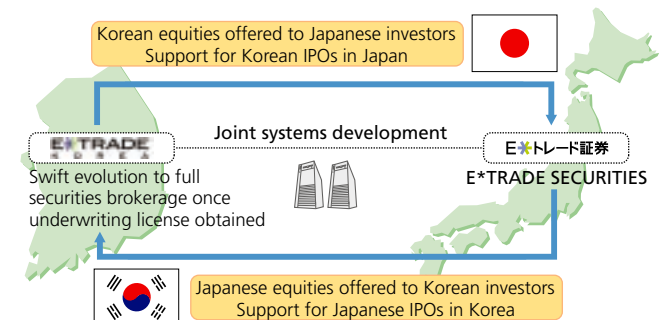
Introduction of most advanced real-time data and trading tools in online securities industry scheduled for end of February 2005

Sample screen shots



Promotion of Japan/Korea Cross-Border Trading

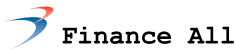
Creation of Japan/Korea cross-border equity trading environment through E*TRADE SECURITIES and E*TRADE KOREA





Financial Services Business

Key Companies



Finance All Corporation
Nippon New Market ("Hercules") of Osaka
Securities Exchange (Code: 8437)
Providing financial services' information,
governing subsidiaries



WEB-Lease Co., Ltd.
General leasing
operations



GOODLOAN Co., Ltd.
Lending and mediation of
housing loans



SWAN Credit Corporation
Loans for business owners



ASCOT CO., LTD.
Issuing of affiliated credit cards
(Merged with SWAN Credit Corporation
in August 2004)



Morningstar Japan K.K.
Nippon New Market ("Hercules") of Osaka
Securities Exchange (Code: 4765)
(Spun off into subsidiary in July 2004)



HomeLoan Consulting Co., Ltd.
Consulting and brokerage service
for housing loans



TechTank Corporation
Development, sale and maintenance
of systems and software



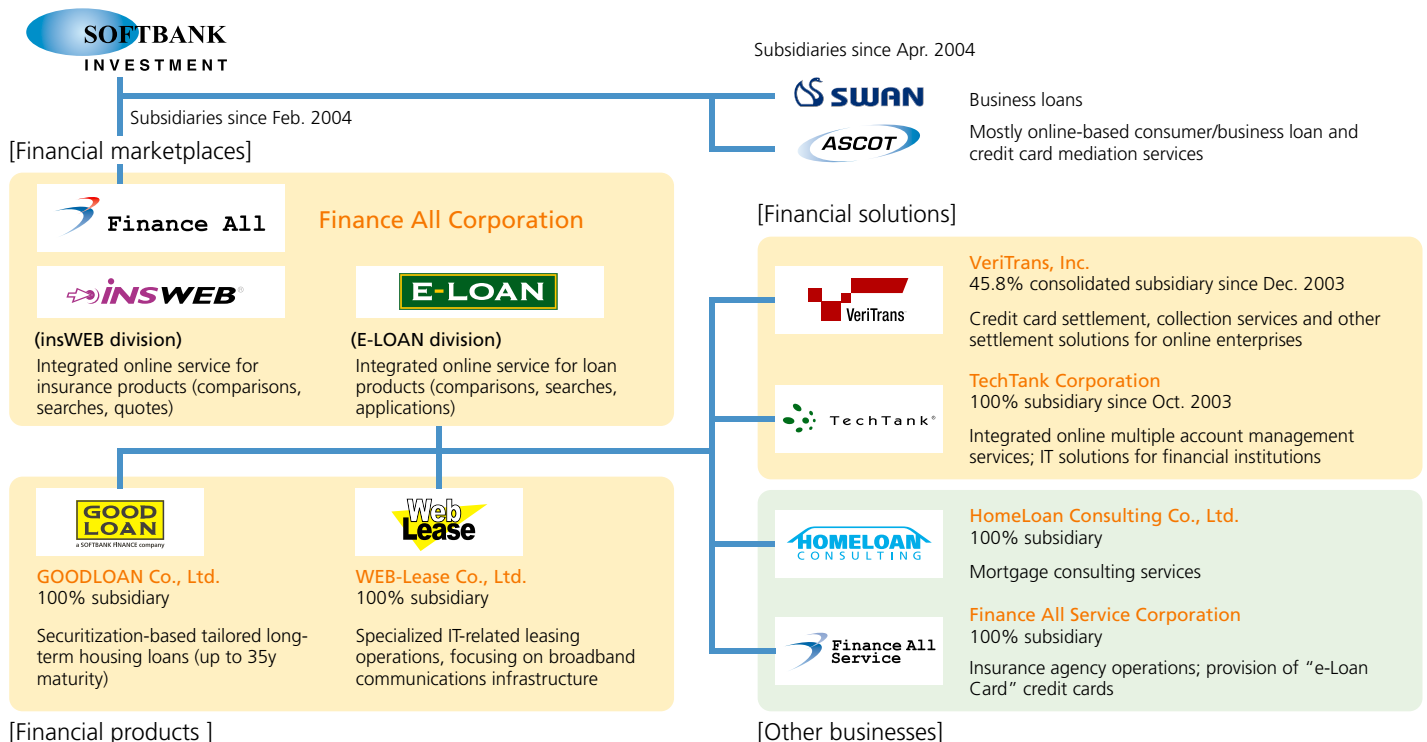
VeriTrans, Inc.
Online payment solution provider

Segment Performance in Fiscal 2004

While consolidating all of the corporate value of the SOFTBANK FINANCE (SBF) Group within the SBI Group to raise corporate value of the SBI Group, the Company also conducted business restructuring within the Finance All Group in February 2004 to establish a third pillar of operations. Moreover, to strengthen the financial services business, which is expanding around Finance All, SBI accepted a stock transfer in April 2004 from ASCOT CO., LTD. and SWAN Credit Corporation, which mainly handle loan and credit card business for consumers, and

converted both into subsidiaries. The financial services business is a field in which stable revenues can be secured regardless of fluctuations in the market, and SBI aims to pursue further business growth and new expansion.

Reorganization of SBF Group to Foster Development of Third Major Earnings Source



Future Strategies and Business Development

In the financial services business, SBI is making inroads in operational fields where it is enjoying synergistic effects with fellow group companies, with discussions underway for expanding services into non-financial fields.

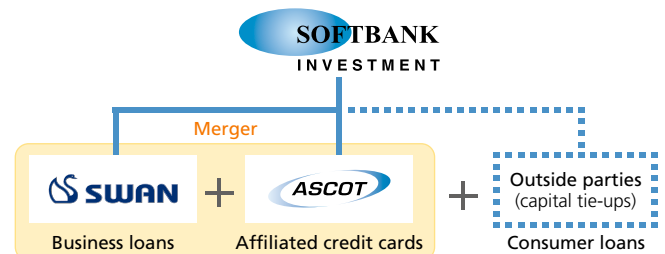
Given the strong similarities between securities and banking operations, and the steady increase in the number of E*TRADE SECURITIES users who are new account holders at the Suruga Bank Softbank Branch (established jointly by Suruga Bank Ltd. and the SBF Group and currently in alliance with E*TRADE SECURITIES), SBI intends to pursue penetration into banking operations through the medium of the Internet.

Focusing on mid-level risk in the financial field and building off of expansion in Internet-based businesses for consumer loans, credit cards and small- and medium-scale financing, SBI will merge SWAN Credit (loans for business owners) with ASCOT (consumer loans and affiliated credit cards) and expand the operational base through such means as capital tie-ups with outside parties.

GOODLOAN Co., Ltd., which provides new low-interest, full-term, fixed-interest-rate housing loans, intends to buy a portion of subordinated beneficiary rights on securitized home loans in order to improve fund efficiency for better service, raise profitability and provide low-interest home loan products.

Finance All acquired INTER-EYE Co., Ltd. in June 2004 with the aim of expanding services in both finance and non-finance industries for the financial marketplace business, which is centered around growing financial products mainly of the Finance All Group. As a result, in addition to the traditional services of comparison, search and aggregated estimates for financial products, Finance All Group is building an operational base that also includes non-financial quotation services for moving, piano purchase and airline tickets, enabling further growth as a comprehensive marketplace operator.

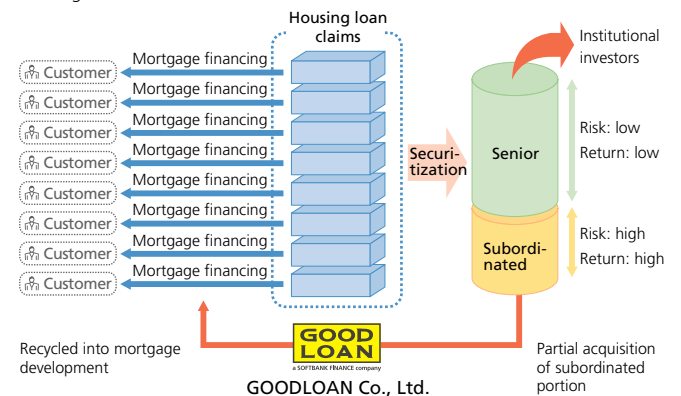
Stronger Presence in Medium-Risk Financing Segment



Merger of SWAN Credit Corporation and ASCOT CO., LTD. will expand presence in medium-risk financing segment, with targeted expansion into consumer loans through capital tie-ups with other firms.

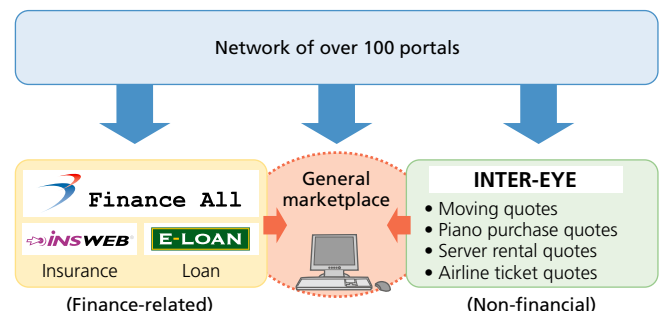
GOODLOAN Operations Boost Return on Capital and Expand Services

Profitability boosted and low-interest-rate mortgage product range extended via partial acquisition of beneficiary rights on subordinated portion of securitized housing loans



Development of Financial Marketplace

Full acquisition of INTER-EYE Co., Ltd. by Finance All Group (May 2004)



Addition of various non-financial product quotation services to integrated search/quote service for financial products

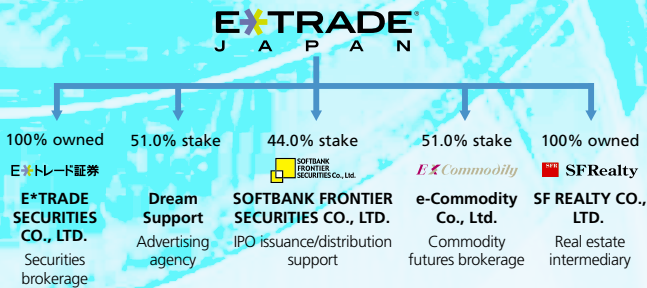
An Interview with Top Management

SBI's top management answers four frequently asked questions

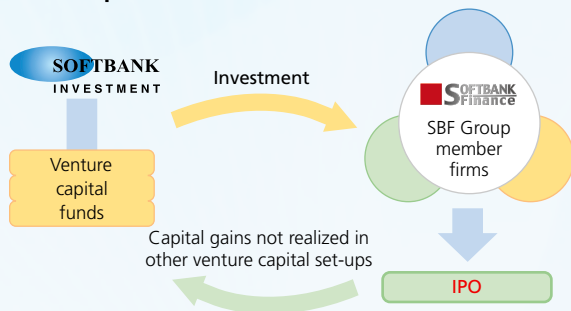


SBI Group Differentiation

E*TRADE Japan K.K. dual-layer strategy (prior to merger with SBI)



SBI Group Differentiation



Q.1 SBI has achieved rapid growth through the reorganization of the SBI Group. On what type of strategies have you based the building of the SBI Group's organization?

A.1 Our basic views regarding the building of an organization for the SBI Group are to 1) adhere stringently to our "Customer First" principle, 2) build a distinctive structure and 3) form a so-called corporate ecosystem that creates synergies and network value.

Q.2 Could you please explain each of these three basic views in more detail?

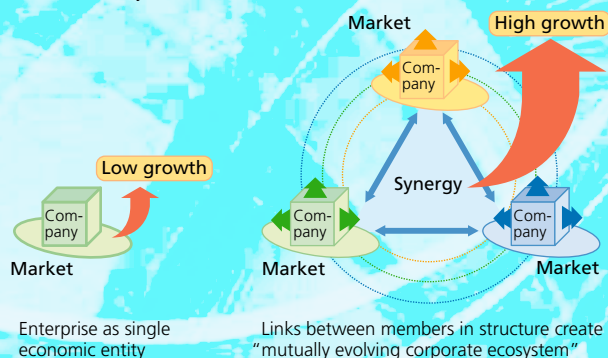
A.2 I believe that strict adherence to our "Customer First" principle provides the only real means for ensuring SBI's future prosperity. Highlighting our unwavering commitment to customers, SBI already offers a diversity of products and services. These include a lineup of financial products and services featuring comparatively low fees and interest rates, attractive investment opportunities, services that ensure a high degree of safety and reliability and an abundant selection of high quality financial content.

Prior to the spread of the Internet, principal strategies for competing in the financial services industry were centered on efforts to differentiate prices, services and product diversity among individual companies. However, the essence of competition has changed dramatically along with the full-fledged arrival of the Internet age. Competition is now characterized by networks competing against other networks rather than company versus company. In other words, strategies for competing focus on "creating network value" that depends on building networks to realize a "distinctive structure" versus those of competitors and on whether customer satisfaction and profits can be maximized. The following examples illustrate the ways in which the SBI Group is building a "distinctive structure."

The first example is the implementation of a two-tier structure strategy at E*TRADE Japan prior to that company's merging with SBI. E*TRADE SECURITIES and various other subsidiaries were established under the umbrella of E*TRADE Japan as a holding company. This approach allowed E*TRADE SECURITIES to achieve rapid business expansion by establishing the industry's lowest fee structure, while enabling other subsidiaries to secure earnings by diversifying their business. Accordingly, E*TRADE SECURITIES was able to secure growth potential at the same time it established a stable earnings foundation.

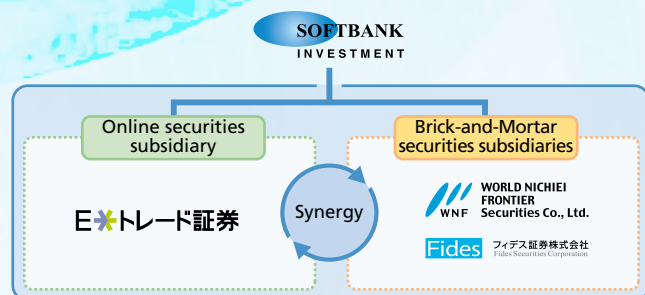
As the second example, funds operated by SBI invest in companies within the SBF Group, that make IPOs. This provides us with our own unique source of capital gains that would be difficult to obtain with other venture capital.

Target: exceptional growth through mutual market evolution processes coupled with positive synergy effects implicit in mutual development of firms within own ecosystem



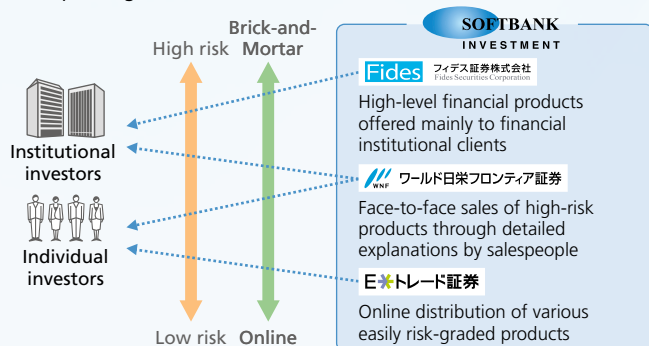
Fusion of Online with Brick-and-Mortar Securities Businesses

Expansion of securities business after multiple M&A steps via fusion of online with brick-and-mortar securities operations



Synergistically combining various capabilities, the securities trading group can start to compete with industry leaders.

Promotion of online with brick-and-mortar sales strategy by offering products across a broad risk spectrum to appropriate customers through corresponding channels



Regarding the previously mentioned corporate ecosystem, I believe that the formation and development of such an ecosystem promotes mutually positive synergies among the companies making up the SBI Group. Concurrently, this corporate ecosystem enables a linkage among companies that creates a process for mutual evolution with each respective market and enables dramatic corporate growth.

As I have explained, to effectively “build a distinctive structure” and “create network value,” I believe it is necessary to create a so-called “corporate ecosystem” that involves forming an economic community rather than mere corporate alliances. Through mutual interplay among each company and group, the SBI Group will manage a process that emphasizes the formation of a “corporate ecosystem” that creates network value.

Q.3 SBI has acquired a number of securities companies in succession. What are the policies and strategies underlying these acquisitions?

A.3 In the securities business, we are aggressively progressing with the acquisition of securities companies. During the fiscal year under review, E*TRADE Japan was merged with the Company, and subsequently made E*TRADE SECURITIES and SOFTBANK FRONTIER SECURITIES, both formerly E*TRADE subsidiaries, into our own subsidiaries. Also during the year, we acquired WORLD NICHIEI Securities and Nissho Iwai Securities, and made these two companies into SBI Group subsidiaries. In February 2004, WORLD NICHIEI Securities merged with SOFTBANK FRONTIER SECURITIES under the new name WORLD NICHIEI FRONTIER Securities Co., Ltd. In March 2004, we changed the name of Nissho Iwai Securities to Fides Securities Corporation.

We follow two basic policies in making acquisitions. First we emphasize “appropriate timing of acquisitions.” Second, we strive to purchase companies in cyclical industries at a price of “around half the value of the acquired company’s net assets.”

At the same time, we also focus on the following three points in implementing acquisition strategies.

(1) Combine brick-and-mortar and online operations in our securities business

While continuing to undertake our M&A activities, we will upgrade and expand our securities business base that combines online with brick-and-mortar securities operations. We will promote this combined online with brick-and-mortar sales strategy that offers a wide range of risk products via appropriate channels while individual securities companies in the SBI Group, each of which boasts distinctive features, take advantage of various synergies, as we respond to large securities companies as a single securities group.

An Interview with Top Management

Synergy Effects of Acquisition

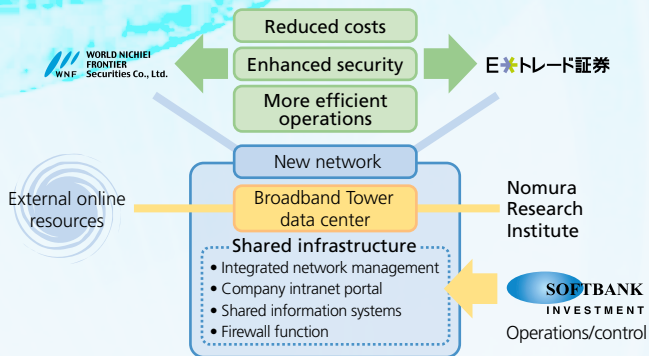
Multiple acquired shares of IPO underwriting

Meeting varied needs of venture firms



Benefits of Shared Systems

IDC services of Broadband Tower shared with E*TRADE Japan K.K.



(2) Pursue economies of scale and elevate our position within the industry

Through its strategy of acquiring securities companies, the scale of the SBI Group's securities business has grown to ¥1,640.7 billion in deposits in customer accounts and 416,809 securities accounts as of the end of March 2004. In addition, the daily average value of trading transactions is ¥123.0 billion, on par with the value of transactions of major securities companies.

(3) Striving for synergies through acquisitions

While responding to the diverse funding needs of investee venture companies, SBI Group securities companies serve as lead underwriters when these companies go public. These securities companies also execute such functions as underwriting, placement (subscription) and sales. In addition, individual securities companies mutually share computer systems with the aim of reducing costs, strengthening security and enhancing the efficiency of operations.

Q.4 Could you describe some of SBI's direct social contribution activities?

A.4 One of SBI's guiding management philosophies is to be a "socially responsible company." As part of our indirect contributions to society, we strive to serve as a "financial innovator" to offer financial services that raise benefits for customers, as well as a "new industry creator" that carries out activities for cultivating new industries for the 21st century.

On the other hand, as an activity that directly contributes to society, our basic thinking in this area is to contribute a reasonable level of our profit to children's welfare organizations.

Our plans call for SBI Group companies that record ¥300 million or more in after-tax income to contribute around 1% of this amount. (This is premised on institutionalized decisions by each Group company)

Expected Amount of Contribution by Each Company (¥ million)

	Operating Revenues	After-tax Income	Expected Contribution
SOFTBANK INVESTMENT (Parent)	12,667	9,054	90.5
E*TRADE SECURITIES	14,765	2,190	21.9
WORLD NICHIEI FRONTIER Securities	11,655	5,559	55.6
Total			168.0

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Operating Revenues

1) Asset Management Business

Revenues in the Asset Management Business consist of fees from funds, revenue from operational investment securities, and investment advisory fees and others.

Fees from funds

Fees from funds consist of fund establishment fees that are calculated by multiplying the amount of solicited funds at the time of fund establishment by a fixed percentage; fund management fees that are calculated by multiplying initial contributed capital or net asset value by a fixed percentage; and success fees, which are revenues received based on the performance of the management of the fund.

During the fiscal year under review, fund management fees amounted to ¥3,737 million. These revenues were derived mainly from the SOFTBANK INTERNET TECHNOLOGY FUND (¥150,500 million) established between March-July 2000.

Revenue from operational investment securities

When securities (operational investment securities) are sold with the aim of realizing capital gains, the amount sold is recorded as revenue from operational investment securities. When the Company or one of its consolidated subsidiaries invests (operational investments) in a fund managed by the Group, an amount correspond-

ing to contributed capital as a proportion of revenues from the fund in accordance with the fund settlement are calculated as revenue from operational investment securities. During the fiscal year under review, revenue from operational investment securities amounted to ¥6,458 million.

Investment advisory service fees and others

During the fiscal year under review, revenue from investment advisory service fees and others amounted to ¥2,400 million. Of this amount, real estate-related revenues amounted to ¥2,154 million.

2) Brokerage and Investment Banking Business

Revenues in the Brokerage and Investment Banking Business consist mainly of revenue from securities transactions and revenue from commodity futures transactions.

Figures do not include revenues for the former E*TRADE Japan (consolidated subsidiary) for April and May 2003, revenues from WORLD NICHIEI Securities for April-September 2003, and revenues from Fides Securities for April-December 2003.

Securities transactions

Revenues from securities transactions consist of brokerage fees derived from buying and selling of securities; underwriting and sales fees for IPOs; and fees for placement and sales of

stock. During the fiscal year under review, revenue from securities transactions amounted to ¥20,060 million. This revenue was derived mainly from E*TRADE SECURITIES and WORLD NICHIEI FRONTIER Securities.

Commodity futures transactions

Revenues from commodity futures transactions are fees received from commodity futures transactions calculated upon settlement at the time of resale, repurchase or transfer by the broker. During the fiscal year under review, revenue from commodity futures transactions amounted to ¥1,076 million. This was derived from e-Commodity.

3) Financial Services Business

Revenues in the Financial Services Business consist of revenues from the financial marketplace business, financial products business, financial solutions business and others. During the fiscal year under review, revenues in the Financial Services Business amounted to ¥1,633 million. This was derived mainly from WEB-Lease Co., Ltd. and GOODLOAN. Figures do not include revenues provided by Finance All (consolidated subsidiary) from April 2003-January 2004.

Operating Costs

1) Asset Management Business

Cost of operational investment securities

When securities (operational investment securities) are sold with the aim of realizing capital gains, the cost of the securities sold is recorded as cost of operational investment securities (any write-down of these securities are also included in cost). When the Company or one of its consolidated subsidiaries invests (operational investments) in a fund managed by the group, an amount corresponding to the proportion of fund operating costs (any write-downs of securities also included) in accordance with the fund settlement will be calculated as the cost of operational investment securities. During the fiscal year under review, the cost of operational investment securities amounted to ¥5,674 million.

Provision for valuation allowance for operational investment securities

To prepare for any future losses on operational investment securities held by SBI at the end of the fiscal year, SBI calculates provision for valuation allowance for operational investment securities taking into consideration the situations at investee companies. During the fiscal year under review, provision for valuation allowance for operational investment securities amounted to ¥574 million. This amount is based on a conservative valuation in accordance with prescribed rules for valuing securities with no market value.

Other operating costs

Other operating costs, which are those related to the Asset Management Business, amounted to ¥3,904 million. During the fiscal year under review, these costs consisted mainly of personnel costs, cost of real estate, and remuneration expenses.

2) Brokerage and Investment Banking Business

Operating costs in the Brokerage and Investment Banking Business were mainly financial costs related to interest on lending and borrowing for margin transactions. During the fiscal year under review, operating costs amounted to ¥963 million. These figures do not include operating costs for the former E*TRADE Japan (consolidated subsidiary) for April and May 2003, revenues from WORLD NICHIEI Securities for April-September 2003, and revenues from Fides Securities for April-December 2003.

3) Financial Services Business

Operating costs in the Financial Services Business, which were mainly cost of leases incurred by WEB-Lease, amounted to ¥903 million during the fiscal year under review. Figures do not include operating costs of Finance All (consolidated subsidiary) for April 2003-January 2004.

Selling, General and Administrative Expenses

Selling, general and administrative expenses amounted to ¥15,259 million and consisted mainly of personnel expenses, expenses for commissioning the operation of securities systems and the payment of fees.

Other Income (Expenses)

Other income amounted to ¥3,921 million. This included a ¥10,100 million gain on the sale of investment securities, a ¥1,948 million reversal on allowance for doubtful accounts for WORLD NICHIEI FRONTIER Securities, and ¥1,197 million amortisation of negative goodwill accompanying the acquisition of WORLD NICHIEI Securities. On the other hand, a ¥7,025 million loss on transfer of stock within the group was recorded.

Consolidated Balance Sheets

SOFTBANK INVESTMENT CORPORATION and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	31st March		31st March,
	2003	2004	2004
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 14)	¥ 3,885	¥ 34,361	\$ 325,292
Time deposits		61	577
Cash required to be segregated under regulations (Note 3)		95,608	905,125
Account receivables—trade	295	584	5,533
Operational investment securities (Note 4)	10,423	5,134	48,603
Valuation allowance for operational investment securities	(2,370)	(579)	(5,480)
Operational investments in funds (Note 5)	8,939	12,542	118,733
Real estate inventory (Note 6)	2,287	787	7,456
Trading assets (Notes 7 and 14)		1,310	12,402
Margin transaction assets:			
Loans receivable from customers		168,485	1,595,049
Cash deposits as collateral for securities borrowed		12,558	118,887
Loans secured by securities—loans receivable for resell agreement transactions		13,545	128,226
Short-term guarantee deposits		6,539	61,901
Deferred tax assets—current (Note 24)	2,552	2,014	19,069
Prepaid expenses and other current assets (Note 9)	1,559	4,055	38,386
Allowance for doubtful accounts	(32)	(205)	(1,936)
Total current assets	27,538	356,799	3,377,823
PROPERTY AND EQUIPMENT—Net (Notes 10 and 14)	167	3,393	32,120
LEASED ASSETS—Net (Note 11)		8,964	84,861
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 14)	327	16,854	159,553
Investments in unconsolidated subsidiaries and affiliated companies (Note 12)	124	112	1,056
Software, net of accumulated amortisation of ¥46 million and ¥2,713 million (\$20,574 thousand) at 31st March, 2003 and 2004, respectively	105	2,877	27,240
Deferred tax assets—non-current (Note 24)	52	510	4,826
Rental deposit	349	2,149	20,350
Goodwill	527	15	145
Long-term trade receivables		4,415	41,800
Other assets	85	2,912	27,564
Allowance for doubtful accounts		(2,355)	(22,299)
Total investments and other assets	1,569	27,489	260,235
TOTAL	¥29,274	¥396,645	\$3,755,039

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	31st March		31st March,
	2003	2004	2004
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Notes 13 and 14)		¥ 9,630	\$ 91,167
Current portion of long-term debt (Note 13)	¥ 3,100	2,625	24,851
Income taxes payable	512	5,977	56,586
Margin transaction liabilities:			
Loans payable for margin transactions (Notes 13 and 14)		126,722	1,199,676
Proceeds of securities sold for customers' accounts		33,661	318,670
Loans secured by securities—loans payable for repurchase agreement transactions (Note 13)		3,714	35,160
Consignment guarantee money received for margin transactions		84,111	796,283
Customers' deposits as collateral for commodity futures (Notes 3 and 9)		7,254	68,672
Customers' deposits for securities transactions		7,631	72,241
Unearned income (Note 15)	1,387	1,307	12,370
Accrued expenses	27	1,708	16,173
Other current liabilities (Notes 7, 13 and 24)	413	6,059	57,358
Total current liabilities	5,439	290,399	2,749,207
LONG-TERM LIABILITIES:			
Long-term debt, less current portion (Note 13)	4,281	23,400	221,528
Negative goodwill		5,477	51,846
Deferred tax liabilities—non-current (Note 24)		3,308	31,314
Other long-term liabilities (Notes 16 and 17)	136	286	2,712
Total long-term liabilities	4,417	32,471	307,400
STATUTORY RESERVES (Note 18):			
Reserve for liability for securities transactions		1,267	12,000
Reserve for liability for commodity transactions		104	981
Total statutory reserves		1,371	12,981
MINORITY INTERESTS			
	306	24,939	236,102
SHAREHOLDERS' EQUITY (Notes 19, 20 and 30):			
Common stock—authorised, 1,319,013 shares in 2003 and 9,064,000 shares in 2004; issued, 336,473 shares in 2003 and 2,321,227 shares in 2004	7,826	8,393	79,455
Capital surplus	9,363	27,092	256,481
Retained earnings	2,082	9,772	92,509
Unrealised (loss) gain on available-for-sale securities	(8)	2,399	22,710
Foreign currency translation adjustments	485	25	237
Treasury stock—at cost, 6,029 shares in 2003 and 3,521 shares in 2004	(636)	(216)	(2,043)
Total shareholders' equity	19,112	47,465	449,349
TOTAL	¥29,274	¥396,645	\$3,755,039

Consolidated Statements of Operations

SOFTBANK INVESTMENT CORPORATION and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Six-Month Period Ended 31st March, 2003	Year Ended 31st March, 2004	Year Ended 31st March, 2004
OPERATING REVENUES (Note 21)	¥ 3,533	¥ 35,364	\$334,796
OPERATING COSTS (Note 22)	8,075	12,018	113,780
Gross (loss) profit	(4,542)	23,346	221,016
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 23)	812	15,259	144,458
Operating (loss) income	(5,354)	8,087	76,558
OTHER INCOME (EXPENSES):			
Interest and dividends income	39	21	200
Interest expense	(35)	(100)	(948)
Foreign exchange gain (loss)—net	51	(30)	(285)
Gain on sale of investment securities	37	10,100	95,618
Reversal of allowance for doubtful accounts		1,948	18,446
Loss on transfer of stock within the group		(7,025)	(66,507)
Amortisation of negative goodwill	1	1,197	11,335
Provision for statutory reserves		(657)	(6,220)
Amortisation of goodwill		(541)	(5,124)
Other—net	(240)	(992)	(9,390)
Other (expenses) income—net	(147)	3,921	37,125
(LOSS) INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	(5,501)	12,008	113,683
INCOME TAXES (Note 24):			
Current	551	6,134	58,066
Reversal of the prior year's income taxes	(119)	(167)	(1,577)
Deferred	(1,476)	180	1,708
Total income taxes	(1,044)	6,147	58,197
MINORITY INTERESTS IN NET INCOME	51	(1,604)	(15,186)
NET (LOSS) INCOME	¥ (4,406)	¥ 4,257	\$ 40,300
		Yen	U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.u and 28):			
Basic net (loss) income	¥(4,450.16)	¥1,951.46	\$ 18.47
Diluted net income		1,784.68	16.90
Cash dividends applicable to the period	120	770	7.29

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

SOFTBANK INVESTMENT CORPORATION and Consolidated Subsidiaries

	Outstanding Number of Shares of Common Stock	Millions of Yen					
		Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain (Loss) on Available- for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, 1ST OCTOBER, 2002	329,824	¥7,820	¥ 9,357	¥6,856	¥ (231)	¥ 457	¥(636)
Exercise of warrants (Note 19)	624	6	6				
Cash dividends, ¥950 per share				(314)			
Adjustment of retained earnings for a newly merged company				(54)			
Net loss				(4,406)			
Net increase in unrealised gain on available-for-sale securities					223		
Net increase in foreign currency translation adjustments						28	
Purchase of treasury stock	(4)						
BALANCE, 31ST MARCH, 2003	330,444	7,826	9,363	2,082	(8)	485	(636)
Exercise of warrants (Note 19)	33,637	567	612				
Adjustment of capital surplus for merger of E*TRADE Japan K.K. through issuance of common stock (Note 19)	419,095		16,844				
Stock splits (Note 19)	1,529,775						
Cash dividends, ¥120 per share				(40)			
Bonuses to directors				(43)			
Adjustment of retained earnings for newly consolidated subsidiaries				3,143			
Other adjustments of retained earnings				373			
Net income				4,257			
Net increase in unrealised gain on available-for-sale securities					2,407		
Net decrease in foreign currency translation adjustments						(460)	
Purchase of treasury stock	(1,016)						(219)
Reissuance of treasury stock	5,771		273				639
BALANCE, 31ST MARCH, 2004	2,317,706	¥8,393	¥27,092	¥9,772	¥2,399	¥ 25	¥(216)

	Thousands of U.S. Dollars (Note 1)						
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain (Loss) on Available- for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	
BALANCE, 31ST MARCH, 2003	\$74,092	\$ 88,639	\$19,711	\$ (73)	\$ 4,589	\$(6,027)	
Exercise of warrants (Note 19)	5,363	5,797					
Adjustment of capital surplus for merger of E*TRADE Japan K.K. through issuance of common stock (Note 19)		159,457					
Cash dividends, \$1.14 per share			(375)				
Bonuses to directors			(410)				
Adjustment of retained earnings for newly consolidated subsidiaries			29,757				
Other adjustments of retained earnings			3,526				
Net income			40,300				
Net increase in unrealised gain on available-for-sale securities				22,783			
Net decrease in foreign currency translation adjustments					(4,352)		
Purchase of treasury stock						(2,069)	
Reissuance of treasury stock		2,588				6,053	
BALANCE, 31ST MARCH, 2004	\$79,455	\$256,481	\$92,509	\$22,710	\$ 237	\$(2,043)	

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

SOFTBANK INVESTMENT CORPORATION and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Six-Month Period Ended 31st March, 2003	Year Ended 31st March, 2004	Year Ended 31st March, 2004
OPERATING ACTIVITIES:			
(Loss) income before income taxes and minority interests	¥ (5,501)	¥ 12,008	\$ 113,683
Adjustments for:			
Income taxes paid	(902)	(690)	(6,535)
Amortisation and depreciation	109	954	9,030
Provision for valuation allowance for operational investment securities	1,861	669	6,330
Provision for (reversal of) allowance for doubtful accounts	31	(1,819)	(17,219)
Write-down of operational investment securities	2,897	1,120	10,604
Equity loss in funds	1,822	31	289
Loss on transfer of stock within the group		7,025	66,507
Gain on sales of investment securities	(37)	(10,079)	(95,417)
Changes in assets and liabilities:			
Increase in operational investment securities and operational investments in funds	(614)	(810)	(7,667)
Decrease (increase) in operational loan receivables	1,050	(7)	(69)
(Increase) decrease in real estate inventory	(1,269)	1,453	13,760
Increase in segregated assets for customers		(51,622)	(488,706)
Decrease in trading assets		1,502	14,223
Increase in leased assets		(644)	(6,093)
Net changes in margin transaction assets and liabilities		(2,389)	(22,615)
Increase in customers' deposits for securities transactions		2,295	21,727
Increase in consignment guarantee money received for margin transactions		42,363	401,047
Net changes in loans receivable and payable secured by securities		(7,821)	(74,039)
Decrease in unearned income	(1,763)	(136)	(1,292)
Other—net	(4,496)	5,118	48,449
Net cash used in operating activities	¥ (6,812)	¥ (1,479)	\$ (14,003)
INVESTING ACTIVITIES:			
Purchase of intangible assets	(4)	(633)	(5,990)
Investments in investment securities		(1,700)	(16,094)
Investments in marketable securities	(2,893)		
Proceeds from sale of investment securities		4,117	38,974
Proceeds from sale of marketable securities	2,879		
Proceeds from sale of subsidiaries' stock		15,140	143,329
Cash received (paid) in business acquisition, net of cash acquired	18	(4,369)	(41,361)
Cash received in sale of subsidiaries, net of cash relinquished	47	102	962
Investments in subsidiaries	(239)	(800)	(7,569)
Investments in loans receivable	(19,231)	(6,745)	(63,853)
Collections of loans receivable	18,710	7,011	66,376
Other—net	(17)	47	445
Net cash (used in) provided by investing activities	(730)	12,170	115,219
FINANCING ACTIVITIES:			
Decrease in short-term borrowings—net		(3,930)	(37,205)
Proceeds from long-term debt	1,350	23,155	219,204
Repayment of long-term debt		(5,439)	(51,489)
Dividends paid	(302)	(41)	(394)
Proceeds from issuance of common stock	10	1,078	10,207
Proceeds from issuance of common stock to minority shareholders		956	9,049
Reissuance of treasury stock		913	8,641
Purchase of treasury stock		(219)	(2,069)
Other—net	(1)	(20)	(187)
Net cash provided by financing activities	1,057	16,453	155,757
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS			
	(44)	10	98
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS—(Forward)	¥ (6,529)	¥ 27,154	\$ 257,071

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Six-Month Period Ended 31st March, 2003	Year Ended 31st March, 2004	Year Ended 31st March, 2004
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS—(Forward)	¥ (6,529)	¥ 27,154	\$ 257,071
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES	26	3,051	28,878
CASH AND CASH EQUIVALENTS DECREASED DUE TO EXCLUSION FROM CONSOLIDATION OF CERTAIN SUBSIDIARIES		(28)	(265)
CASH AND CASH EQUIVALENTS OF A NEWLY MERGED COMPANY	142	299	2,831
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	10,246	3,885	36,777
CASH AND CASH EQUIVALENTS, END OF PERIOD	¥ 3,885	¥ 34,361	\$ 325,292

NON-CASH INVESTING AND FINANCING ACTIVITIES (Notes 2.a and 19):

Assets acquired and liabilities assumed in merger of E*TRADE Japan K.K.:			
Current assets		¥ 402	\$ 3,805
Non-current assets*		17,893	169,391
Total assets		¥ 18,295	173,196
Current liabilities		¥ 84	\$ 802
Long-term liabilities		18	168
Total liabilities		¥ 102	\$ 970
Assets acquired and liabilities assumed in merger of ETJ's consolidated subsidiaries:			
Current assets		¥125,767	\$1,190,633
Non-current assets		6,524	61,767
Total assets		¥132,291	\$1,252,400
Current liabilities		¥112,768	\$1,067,576
Long-term liabilities		57	541
Statutory reserves		648	6,132
Total liabilities		¥113,473	\$1,074,249
Assets increased by consolidation of subsidiary previously unconsolidated	¥ 26		
Assets acquired and liabilities assumed in merger of E-Real Estate Co., Ltd.:			
Current assets	¥ 1,234		
Non-current assets	2		
Total assets	¥ 1,236		
Current liabilities	¥ 1,031		
Total liabilities	¥ 1,031		

*Non-current assets mentioned above included investments in subsidiaries of ¥14,729 million (\$139,441 thousand).

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION (Note 2.a):

Fair value of assets acquired	¥ (1,421)	¥ (89,859)	\$ (850,699)
Liabilities assumed	1,237	53,764	508,988
Goodwill	(6)	7,204	68,201
Loss on transfer of stock within the group		(7,025)	(66,507)
Statutory reserves		69	658
Minority interest	30	17,088	161,771
Acquisition costs	(160)	(18,759)	(177,588)
Cash acquired	178	14,390	136,227
Cash received (paid) in business acquisitions, net of cash acquired	¥ 18	¥ (4,369)	\$ (41,361)
Fair value of assets sold	¥ 259	¥ 410	\$ 3,885
Liabilities relinquished	(3)	(151)	(1,432)
Minority interests	(112)		
Foreign currency translation adjustments		(217)	(2,056)
Gain on sale of the stock—net	37	246	2,328
Foreign exchange loss		(3)	(34)
Sale value	181	285	2,691
Cash relinquished	(134)	(183)	(1,729)
Cash received in sale of subsidiaries, net of cash relinquished	¥ 47	¥ 102	\$ 962

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

SOFTBANK INVESTMENT CORPORATION and Consolidated Subsidiaries
Six-Month Period Ended 31st March, 2003 and Year Ended 31st March, 2004

1. NATURE OF OPERATIONS AND BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

SOFTBANK INVESTMENT CORPORATION (the "Company") was incorporated in Tokyo, Japan in 1999 as a venture capital business principally for Internet-related companies, and has since expanded its line of business through mergers and acquisitions as well as expanding its asset management business to investments in certain non-Internet-related companies. The Company and its consolidated subsidiaries (together, "SBI") are engaged in the provision of a wide range of financial services and are primarily active in their three core businesses of asset management, brokerage and investment banking and financial services.

SBI's asset management business is principally carried out by the Company and involves the management of venture capital investment funds, leveraged buy-out funds, corporate restructuring funds and biotech funds. SBI is one of the largest managers of venture capital funds in Japan in terms of net assets under management.

SBI's brokerage and investment banking businesses are principally carried out by the Company's subsidiaries, E*TRADE SECURITIES CO., LTD. ("ETS"), one of the largest online securities companies in Japan by number of accounts, deposits in customer accounts and daily average revenue from trades, WORLD NICHIEI FRONTIER Securities Co., Ltd. ("WNF") and Fides Securities Corporation. Brokerage and investment banking businesses involve the provision of brokerage services as well as investment banking services such as underwriting, securitisations, corporate finance advisory services and private equity advisory services.

SBI's financial services business is principally executed by the Company's subsidiaries, Finance All Corporation ("FAC"), GOODLOAN Co., Ltd. ("GOODLOAN") and WEB-Lease Co., Ltd. ("WEB-Lease"). Financial services include the provisions of low-interest home loans, lease arrangements specialised in Internet-related area and the marketplace where customers can compare financial products.

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Certain disclosures contained herein are not required as part of the basic financial statements in Japan but are presented herein as additional information. In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2003 financial statements to conform to the classifications used in 2004.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥105.63 to \$1, the approximate rate of exchange at 31st March, 2004. Such translation should not be construed as representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Effective 31st March, 2003, the Company changed its fiscal year end from 30th September to 31st March. Accordingly, fiscal 2003 included only six months of operations whereas fiscal 2004 consisted of twelve months.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as at 31st March, 2004 include the accounts of the Company and its 22 significant (18 in 2003) subsidiaries. Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which SBI has the ability to exercise significant influence are accounted for by the equity method.

Investments in 1 (2 in 2003) affiliated company are accounted for by the equity method. Investments in the remaining 7 (4 in 2003) unconsolidated subsidiaries and 1 (nil in 2003) affiliated company are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not have been material.

Goodwill, representing the excess of the Company's investments in subsidiaries over the fair value of the net assets of the acquired subsidiaries at the date of acquisition, is being amortised by the straight-line method over the estimated useful life of goodwill, while goodwill is amortised over 20 years when the useful life of goodwill is not reasonably estimable. Negative goodwill, representing the excess of the fair value of the net assets of the acquired subsidiaries at the date of acquisition over the Company's investments in subsidiaries, is also being amortised by the straight-line method over the estimated useful life of negative goodwill, while negative goodwill is amortised over 20 years if the useful life of negative goodwill is not reasonably estimable. Immaterial goodwill or negative goodwill is charged to income when incurred.

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

Investments in nil (2 in 2003) company and nil (1 in 2003) corporate type investment trust with more than 50 per cent ownership and 7 (9 in 2003) companies and 1 (nil in 2003) corporate type investment trust with 20 to 50 per cent ownership are included in operational investment securities as the investments in these companies were made as part of the Company's operating activities.

Operational investments in funds on the consolidated balance sheet are accounted for by the same way as the equity method based on SBI's percentage share in the contributed capital as these funds are investment partnerships. However, SBI consolidates the revenue and expenses of these funds in the consolidated statement of operations.

Revenue and expenses stated on the profit and loss statement of the funds are recorded in SBI's consolidated statement of operations based on SBI's percentage share in each partnership's contributed capital.

Non-operational investments in funds included in other assets on the consolidated balance sheet are accounted for by the same way as the equity method based on SBI's percentage share in the contributed capital as these funds are investment partnerships.

In order to streamline and enhance operations, SBI Real Estate Co., Ltd. ("SBI-RE") merged with E-Real Estate Co., Ltd. ("E-RE"), one of the Company's investees, on 1st October, 2002. SBI-RE was a surviving company. Under the terms of the agreement, SBI-RE issued 4,661 shares of its common stock at an exchange ratio of 0.59 share for each outstanding share of E-RE's common stock. Due to this stock issuance, SBI-RE's common stock and capital surplus were increased by ¥100 million and ¥104 million, respectively. In addition, SBI-RE took over all of the assets, liabilities, rights and obligations held by E-RE on 1st October, 2002.

In October 2002, the Company purchased 100 percent of the shares of Y.K. Tigergate South ("TGS") for the aggregate amount of ¥9 million with net cash received of ¥6 million. TGS is engaged in a real estate business. TGS became a consolidated subsidiary of the Company from December 2002. However, in terms of importance for SBI's consolidated financial statements, TGS was excluded from the scope of consolidation from fiscal 2004.

In February 2003, for the purpose of penetrating the collateralised debt obligations fund business, the Company purchased from SOFTBANK FINANCE CORPORATION (the "Parent") 83.3 percent of the shares of Arsnova Capital Research, Inc. ("ACR") for the aggregate amount of ¥151 million with net cash received of ¥12 million. The main business of ACR is to originate and manage alternative investment products. ACR has become a consolidated subsidiary of the Company from February 2003.

In February 2003, all the shares of SBI REIT Asset Management Co., Ltd. ("SBI-REIT") held by the Company were sold to a third party. The Company received cash of ¥47 million and recognised a gain of ¥36 million in the six-month period ended 31st March, 2003 in connection with this sale.

Since the importance of SB Incubation Co., Ltd. ("SB Incubation") for SBI's consolidated financial statements became more significant, SB Incubation has become a consolidated subsidiary of the Company from fiscal 2003.

On 2nd June, 2003, E*TRADE Japan K.K. ("ETJ") was merged into the Company which was the surviving company. Due to this merger, the Company issued 419,095 shares of its common stock to ETJ's shareholders listed in shareholder list as at 1st June, 2003 at an exchange ratio of 0.63 share for each outstanding share of ETJ's common stock. As a result, ETS, SOFTBANK FRONTIER SECURITIES CO., LTD. ("SFS"), e-Commodity Co., Ltd. and SF REALTY CO., LTD. ("SF REALTY"), all of which were the subsidiaries of ETJ, have become the Company's consolidated subsidiaries from June 2003.

The Company acquired total of 16,714,000 shares of common stock of WORLD NICHIEI Securities Co., Ltd. ("WNS") from NOMURA LAND AND BUILDINGS CO., LTD. ("NLB") and Nomura Research Institute, Ltd. ("NRL") on 15th October, 2003 and purchased 27,000,000 shares of common stock newly issued by WNS for an additional investment amount of ¥4,050 million (\$38,341 thousand) (¥150 (\$1.42) per share) on 30th October, 2003. As a result, equity of WNS held by the Company as at 30th October, 2003 was 56.6 percent, and WNS became a consolidated subsidiary of the Company from October 2003.

Upon approval of shareholders of both WNS and SFS at their respective extraordinary shareholders meeting held on 19th December, 2003, WNS merged with SFS on 2nd February, 2004. Due to this merger, WNS issued new shares of its common stock to SFS's shareholders at an exchange ratio of 550 shares for each outstanding share of SFS's common stock. As a result, WNS became the surviving company and changed the company's name to WNF. As at 31st March, 2004, equity of WNF held by the Company was 54.1 percent.

The Company acquired 20,000 shares of common stock of Nissho Iwai Securities Corporation (currently, known as Fides Securities Corporation) from Nissho Iwai Corporation in the aggregate amount of ¥1,187 million (\$11,237 thousand) on 25th December, 2003. As a result, Nissho Iwai Securities Corporation became a wholly owned subsidiary of the Company from December 2003.

The Company acquired 63,684 shares of common stock of FAC from the Parent in the aggregate amount of approximately ¥7,228 million (\$68,427 thousand) (¥113,497 (\$1,074.48) per share) on 29th January, 2004 and purchased 22,000 shares of common stock newly issued by FAC for an additional investment amount of approximately ¥2,497 million (\$23,638 thousand) (¥113,497 (\$1,074.48) per share) on 16th February, 2004. As a result, equity of FAC held by the Company as at 16th February, 2004 was 44.9 percent, and FAC and its consolidated subsidiaries (GOODLOAN, WEB-Lease, Finance All Service Corporation, HomeLoan Consulting Co., Ltd., TechTank Corporation and VeriTrans, Inc.) became a consolidated subsidiary of the Company from February 2004.

For the year ended 31st March, 2004, the Company sold all the shares of SOFTBANK CHINA VENTURE INVESTMENTS LIMITED, SOFTBANK INVESTMENT (INTERNATIONAL) HOLDINGS LIMITED, SOFTBANK INVESTMENT (INTERNATIONAL) COMPANY LIMITED, SOFTBANK CHINA VENTURE INVESTMENTS NO. 6 LIMITED and SF REALTY to third parties including an operational investee. The Company received cash of ¥1,319 million (\$12,487 thousand) and recognised a gain of ¥249 million (\$2,346 thousand) in fiscal 2004 in connection with these sales.

In February and March 2004, SBI KOREA FINANCIAL CO., LTD. ("SBI-KF") and SBI-RE were merged into SBI KOREA HOLDING CO., LTD. ("SBI-KH") and the Company, respectively. Each of SBI-KF, SBI-RE and SBI-KH was a wholly owned subsidiary of the Company.

b. Cash Equivalents—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, separate deposits, call deposits, money management funds and midterm government bond funds, all of which mature or become due within three months of the date of acquisition.

c. Valuation of Securities—Securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealised gains and losses are included in earnings and (2) available-for-sale securities, which are not classified as trading securities, are reported at fair value, with unrealised gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. The cost of securities sold is determined based on the moving-average cost method.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average cost method. For other than temporary declines in fair value, non-marketable available-for-sale securities are reduced to net realisable value by a charge to income.

In accordance with the Commodities Exchange Law, securities in custody for commodity futures related businesses are reported at a price determined by commodity exchange. Determined prices of principal securities are as follows:

Interest-bearing government bonds:	85 percent of face value
Corporate bonds listed:	65 percent of face value
Equity securities listed on the first section market:	70 percent of fair value
Warehouse certificate:	70 percent of fair value

d. Valuation Allowance for Operational Investment Securities—Valuation allowance for operational investment securities is provided at an estimated amount of possible investment losses for operational investment securities based on the financial condition of investees.

e. Investments in Funds—Investments in funds consist primarily of SBI's contributed capital in investment partnerships.

In accordance with accounting standards for consolidated financial statements, the amounts on the balance sheets and the profit and loss statements of dormant partnerships which are managed by the Company's consolidated subsidiaries are not consolidated into SBI's consolidated financial statements since the dormant partnerships' assets, liabilities, revenue and expenses are not attributable to partnership managers.

For the six-month period ended 31st March, 2003, Softbank Ventures, Inc. Silent Partnership, a dormant partnership managed by Softbank Ventures, Inc., matured and was redeemed.

f. Real Estate Inventory—Real estate inventory is stated at cost, by the specific identification method.

g. Allowance for Doubtful Accounts—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on SBI's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

h. Property and Equipment—Property and equipment are stated at cost less accumulated depreciation. Depreciation of property and equipment of the Company and its consolidated domestic subsidiaries is computed by using the declining-balance method over the estimated useful lives of assets, while the straight-line method is applied to buildings acquired after 1st April, 1998 and the property and equipment of consolidated foreign subsidiaries. The range of useful lives is principally from 8 to 50 years for buildings and leasehold improvements and from 3 to 20 years for furniture and equipment. With respect to leased property and equipment, depreciation is provided on the straight-line method over lease periods.

i. Lease Accounting—All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalised, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalised" information is disclosed in the notes to the lessee's financial statements.

Leased assets are stated at cost less accumulated depreciation. Depreciation is computed by using the straight-line method over the lease term with salvage value of the estimated disposal prices of leased assets at the expiration of the lease term.

j. Software—Computer software used for internal purposes is recorded at cost, less accumulated amortisation. Amortisation is computed by using the straight-line method over 5 years, the estimated useful life of the software.

k. Other Assets—Stock issuance costs and bond issuance costs are principally amortised by the straight-line method over 3 years in conformity with Japanese Commercial Code (the "Code"), while certain consolidated subsidiaries charge stock issuance costs and bond issuance costs to income as incurred, which is also in conformity with the Code. Intangible assets are amortised by using straight-line method.

I. Employees' Retirement Benefits—The Company and certain consolidated subsidiaries have a contributory funded defined benefit pension plan and a defined contribution pension plan. In addition, the Company's certain consolidated subsidiaries have contributory or non-contributory funded defined benefit pension plans. The liability for employees' retirement benefits is accounted for based on projected benefit obligations and plan assets at the balance sheet date.

m. Retirement Allowances for Directors—Retirement allowances for directors of the Company and certain consolidated subsidiaries are recorded to state the liability at the amount that would be required if all directors retired at each balance sheet date.

n. Revenue Recognition

Revenue from operational investment securities—Revenue from operational investment securities consists of proceeds from the sales of operational investment securities and securities held by funds and interest and dividend income from these securities. Interest and dividend income are recognised on an accrual basis.

Cost of operational investment securities—Cost of operational investment securities consists of the cost of operational investment securities and securities held by funds sold, a write-down of operational investment securities and securities held by funds, and fees related to securities transactions. A write-down of operational investment securities and securities held by funds is recognised at the balance sheet date for quoted and unquoted securities if impairment of value has occurred and been deemed other than temporary, which is then reduced to net realisable value by a charge to income. Fees related to securities transactions are recorded when incurred.

Fees from funds—Fees from funds consist of establishment fees for fund organisation, management fees and success fees from funds under management. Establishment fees for fund organisation are recognised when a fund organised by SBI is established and funded by investors. Management fees are recognised over the periods of fund management agreements primarily based on the net asset value of the funds under management. Success fees are computed based upon a formula which takes into account realised gains and losses on and write-downs of the investments under management in funds measured at the end of each accounting period, as well as certain other expenses.

Revenue from securities transactions—Revenue from securities transactions primarily consists of brokerage commissions from securities transactions, fees from underwriting and offering of securities for initial public offering and overriding fees for placements and sales of securities.

Revenue from commodity futures transactions—Revenue from commodity futures transactions is recognised when an assignor settles a transaction by reselling, repurchasing or delivering.

Other cost of revenue—Other cost of revenue includes payroll and administrative costs related to fund management and consulting services, and financing costs, which are based on interest expenses attributed to carrying the average balance of operational investment securities and investments in funds.

o. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statement of operations. The asset and liability approach is used to recognise deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

A valuation allowance is provided for deferred tax assets if it is more likely than not these items will either expire before SBI is able to realise their benefits, or that future deductibility is uncertain.

p. Accounting for Consumption Tax—The consumption tax imposed on revenue from customers for SBI's services is withheld by SBI at the time of receipt and paid to the national government subsequently. The consumption tax withheld upon recognition of revenue and the consumption tax paid by SBI on the purchase of products, merchandise and services from vendors, are not included in the related accounts in the accompanying consolidated statements of operations. The consumption tax paid is generally offset against the balance of consumption tax withheld, and net overpayment is included in current assets or net over withholding is included in current liabilities. Consumption tax that does not qualify for deduction is included in selling, general and administrative expenses.

q. Foreign Currency Transactions—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognised in the consolidated statement of operations to the extent that they are not hedged by forward exchange contracts.

r. Foreign Currency Financial Statements—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as at the balance sheet date except for shareholders' equity, which is translated at the historical rate. Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

s. Derivatives and Hedging Activities—SBI primarily uses foreign currency forward contracts as a means of hedging exposure to foreign currency risk. SBI also enters into derivatives such as stock-index futures, commodity futures and bond futures.

Derivatives are classified and accounted for as follows: (a) all derivatives are recognised as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognised in the statement of operations and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward contracts are utilised to hedge foreign currency exposures in SBI's operating activities. Receivables, payables and investment securities denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

t. Appropriation of Retained Earnings—Appropriations of retained earnings are reflected in the accompanying consolidated statements of shareholders' equity for the following year upon shareholders' approval.

u. Per Share Information—Basic net income per share is computed by dividing net income available to common shareholders, by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of operations are dividends applicable to the respective years including dividends to be paid after the end of the year, which is not retroactively adjusted for stock splits.

v. New Accounting Pronouncements—In August 2002, the Business Accounting Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the Accounting Standards Board of Japan ("ASB") issued ASB Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements are effective for fiscal years beginning on or after 1st April, 2005 with early adoption permitted for fiscal years ending on or after 31st March, 2004.

The new accounting standard requires an entity to review its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognised if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The Company is currently in the process of assessing the effect of adoption of these pronouncements.

3. SEGREGATED ASSETS

At 31st March, 2003 and 2004, assets required to be segregated in certain financial institutions according to the Commodities Exchange Law were as follows:

	Millions of Yen		Thousands of
	31st March		U.S. Dollars
	2003	2004	31st March,
			2004
Cash		¥23	\$217

At 31st March, 2003 and 2004, assets which belonged to assignors of customers' deposits as collateral for commodity futures and were segregated in conformity with the Commodities Exchange Law were as follows:

	Millions of Yen		Thousands of
	31st March		U.S. Dollars
	2003	2004	31st March,
			2004
Cash		¥53	\$498

4. OPERATIONAL INVESTMENT SECURITIES AND INVESTMENT SECURITIES

Operational investment securities and investment securities at 31st March, 2003 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2003	2004	2004
Current:			
Marketable equity securities	¥ 2,410	¥ 1,887	\$ 17,863
Non-marketable equity securities	8,013	3,247	30,740
Total	¥10,423	¥ 5,134	\$ 48,603
Non-current:			
Marketable equity securities		¥14,290	\$135,286
Non-marketable equity securities		1,281	12,129
Government bonds		100	947
Corporate bonds	¥ 254	1,091	10,322
Trust fund investments	73	92	869
Total	¥ 327	¥16,854	\$159,553

The carrying amounts and aggregate fair value of operational investment securities and investment securities at 31st March, 2003 and 2004 were as follows:

	Millions of Yen			
	Cost	Unrealised Gains	Unrealised Losses	Fair Value
31st March, 2003				
Securities classified as available-for-sale:				
Equity securities	¥ 2,437		¥ 27	¥ 2,410
Trust funds investments	110		37	73
31st March, 2004				
Securities classified as available-for-sale:				
Equity securities	¥11,721	¥4,568	¥112	¥16,177
Government bonds	100			100
Corporate bonds	1,105		14	1,091
Trust funds investments	100		8	92

	Thousands of U.S. Dollars			
	Cost	Unrealised Gains	Unrealised Losses	Fair Value
31st March, 2004				
Securities classified as available-for-sale:				
Equity securities	\$110,962	\$43,251	\$1,064	\$153,149
Government bonds	947			947
Corporate bonds	10,463		141	10,322
Trust funds investments	947		78	869

Available-for-sale securities whose fair value is not readily determinable as at 31st March, 2003 and 2004 were as follows:

	Carrying Amount		Thousands of U.S. Dollars
	Millions of Yen		31st March,
	2003	2004	2004
Available-for-sale:			
Equity securities	¥8,013	¥4,528	\$42,869
Debt securities and other	254		
Total	¥8,267	¥4,528	\$42,869

Proceeds from sales of available-for-sale securities for the six-month period ended 31st March, 2003 and the year ended 31st March, 2004 were ¥3,505 million and ¥9,951 million (\$94,203 thousand), respectively. Gross realised

gains and losses on these sales, computed on the moving average cost basis, were ¥305 million and nil, respectively, for the six-month period ended 31st March, 2003 and ¥2,777 million (\$26,290 thousand) and ¥656 million (\$6,214 thousand), respectively, for the year ended 31st March, 2004.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at 31st March, 2004 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due after one year through five years	¥1,300	\$12,307

Due to the change in the purpose of holding securities, available-for-sale equity securities in the aggregate amount of ¥45 million and ¥118 million (\$1,121 thousand) were reclassified from operational investment securities into investments in subsidiaries and affiliated companies for the six-month period ended 31st March, 2003 and the year ended 31st March, 2004, respectively.

Securities whose fair value declines below 50 percent of the acquisition cost are deemed to be other than temporary declines and are reduced to net realisable value by a charge to income. In the case where the fair value of securities declines by 30 to 50 percent, impairment losses will be recognised, if necessary, considering the materiality of the amounts, possibility of market value recovery or other factors. For the six-month period ended 31st March, 2003 and the year ended 31st March, 2004, write-downs of operational investment securities in the aggregate amount of ¥3,519 million and ¥2,187 million (\$20,702 thousand), of which the amount of available-for-sale equity securities with fair value was ¥2,843 million and ¥281 million (\$2,660 thousand), respectively, were recognised, including reclassification from valuation allowance for operational investment securities.

5. OPERATIONAL INVESTMENTS IN FUNDS

At 31st March, 2003 and 2004, operational investments in funds consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2003	2004	2004
SOFTBANK INTERNET TECHNOLOGY FUND No. 2	¥1,251	¥ 1,267	\$ 11,997
SOFTBANK INTERNET TECHNOLOGY FUND No. 3	4,590	3,487	33,008
SOFTBANK INTERNET FUND	592	530	5,019
SBI-LBO-FUND No. 1	1,421	1,392	13,175
RESTRUCTURING Fund No. 1	446	3,932	37,220
Other funds	639	1,934	18,314
Total	¥8,939	¥12,542	\$118,733

6. REAL ESTATE INVENTORY

At 31st March, 2003 and 2004, real estate inventory consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2003	2004	2004
Real estate for sale	¥ 325		
Real estate under construction	1,280	¥787	\$7,456
Real estate for developing	682		
Total	¥2,287	¥787	\$7,456

7. TRADING ASSETS AND LIABILITIES

At 31st March, 2003 and 2004, trading assets and liabilities consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2003	2004	2004
Trading assets:			
Equity securities		¥ 22	\$ 206
Debt securities		1,285	12,169
Derivatives		3	27
Total		¥1,310	\$12,402
Trading liabilities—Equity securities		¥ 5	\$ 46

8. SECURITIES DEPOSITED AND RECEIVED

Fair value of the securities deposited by SBI in securities-related businesses at 31st March, 2003 and 2004 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2003	2004	2004
Securities loaned on margin transactions		¥ 37,660	\$ 356,528
Securities pledged for loans payable for margin transactions		130,509	1,235,531
Securities sold in resell agreement transactions		4,427	41,911
Substitute securities for guarantee money paid		48,869	462,644

Fair value of the securities received by SBI in securities-related businesses at 31st March, 2003 and 2004 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2003	2004	2004
Securities pledged for loans receivable for margin transactions		¥178,131	\$1,686,366
Securities borrowed on margin transactions		12,516	118,490
Securities purchased on repurchase agreement transactions		13,424	127,089
Substitute securities for guarantee money received, which were agreed on using as collateral for other transactions		91,676	867,894
Substitute securities for guarantee money received on futures		117	1,108

9. DEPOSITARY ASSETS

In substitution for transactional margin deposits and fiduciary obligation deposits required to be set aside in accordance with the Commodities Exchange Law, relevant acts, the article of commodity exchange and others, SBI sets aside to fiduciary agents securities in custody in the aggregate amount of ¥866 million (\$8,194 thousand) as at 31st March, 2004, which was recorded as security in custody included in other current assets or as customers' deposits as collateral for commodity futures on the consolidated balance sheet.

10. PROPERTY AND EQUIPMENT

Property and equipment at 31st March, 2003 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2003	2004	2004
Land		¥ 1,728	\$ 16,360
Buildings and leasehold improvements	¥ 88	3,887	36,791
Furniture and equipment	226	1,934	18,311
Total	314	7,549	71,462
Less accumulated depreciation	(147)	(4,156)	(39,342)
Property and equipment—net	¥ 167	¥ 3,393	\$ 32,120

11. LEASED ASSETS

Leased assets at 31st March, 2003 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2003	2004	2004
Furniture and equipment		¥15,183	\$143,733
Software		773	7,318
Total		15,956	151,051
Less accumulated depreciation		(6,992)	(66,190)
Leased assets—net		¥ 8,964	\$ 84,861

Rental income and depreciation expense were nil and nil, respectively, for the six-month period ended 31st March, 2003 and ¥634 million (\$6,001 thousand) and ¥552 million (\$5,230 thousand), respectively, for the year ended 31st March, 2004.

The minimum future rentals on noncancelable operating lease contracts at 31st March, 2003 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2003	2004	2004
Due within one year		¥248	\$2,346
Due after one year		72	684
Total		¥320	\$3,030

Pro forma information of leased assets such as future minimum lease payments to be received and interest income under finance leases that do not transfer ownership of the leased assets to the lessee on an "as if capitalised" basis for the six-month period ended 31st March, 2003 and the year ended 31st March, 2004 was as follows:

Future minimum lease payments to be received under finance leases, including those of subleases:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2003	2004	2004
Due within one year		¥ 4,320	\$ 40,901
Due after one year		7,363	69,704
Total		¥11,683	\$110,605

Interest income under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2003	2004	2004
Interest income		¥95	\$902

Interest income, which was not reflected in the accompanying consolidated statements of operations, was computed by the interest method.

12. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATED COMPANIES

Investments in unconsolidated subsidiaries and affiliated companies of ¥124 million and ¥112 million (\$1,056 thousand) at 31st March, 2003 and 2004, respectively, consisted of common stock of unconsolidated subsidiaries of ¥13 million and ¥19 million (\$175 thousand), and common stock of affiliated companies of ¥111 million and ¥93 million (\$881 thousand), respectively.

13. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at 31st March, 2003 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2003	2004	2004
Short-term borrowings:			
From banks, 1.375 to 2.430 percent		¥8,600	\$81,416
From other, 0.225 to 2.125 percent		1,030	9,751
Total		¥9,630	\$91,167

Weighted average interest rates of loans payable for margin transactions and loans payable for repurchase agreement transactions for the year ended 31st March, 2004 were 0.6000 percent and 0.5731 percent, respectively.

Long-term debt at 31st March, 2003 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2003	2004	2004
Unsecured 1.00 percent bonds due February 2004	¥1,100		
Unsecured 1.20 percent bonds due February 2005	100		
Unsecured 3.55 percent bonds due October 2005	22		
Unsecured 3.60 percent bonds due April 2006	207		
Unsecured 3.70 percent bonds due April 2007	176		
Unsecured 3.80 percent bonds due April 2008	184		
Unsecured 3.85 percent bonds due October 2008	31		
Zero coupon unsecured Japanese yen convertible bonds with warrants due November 2008		¥13,000	\$123,071
Loans from financial institutions, due serially through March 2006 with a weighted average floating interest rate of nil in 2003 and 1.240 percent in 2004 and a weighted average fixed interest rate of 2.022 percent in 2003 and 1.875 percent in 2004:			
Collateralised	1,350		
Unsecured	4,211	13,025	123,308
Total	7,381	26,025	246,379
Less current portion	(3,100)	(2,625)	(24,851)
Long-term debt, less current portion	¥4,281	¥23,400	\$221,528

Annual maturities of long-term debt as at 31st March, 2004 for the next five years were as follows:

Year Ending 31st March	Millions of Yen	Thousands of U.S. Dollars
2005	¥ 2,625	\$ 24,851
2006	10,400	98,457
2009	13,000	123,071
Total	¥26,025	\$246,379

On 25th November, 2003, the Company issued ¥13,000 million (\$123,071 thousand) of zero coupon unsecured Japanese yen convertible bonds with warrants mainly in the Euro market. The bonds are due 25th November, 2008, and the warrants are exercisable from 26th November, 2003 through 17th November, 2008. Upon exercise of the warrants, the bonds are convertible into the Company's common stock. The issue price of the bonds was 100 percent of the face value of the bonds, and the issue price and the issued number of the warrants were nil and 1,300 warrants, respectively.

The Company repurchased all of the warrants attached to bonds previously issued and already redeemed and distributed these repurchased warrants to officers and employees of the Company as a means of stock-based incentive compensation. At 31st March, 2004, these warrants were included in other current liabilities.

Exercise prices and exercise periods of warrants outstanding at 31st March, 2004 were as follows:

Exercise Period		Per Share Exercise Price		Number of Common Stock to Purchase
From	To	Yen	U.S. Dollars	
1st April, 2000	31st March, 2005	¥ 6,250.0	\$ 59.17	144.00
1st April, 2001	31st March, 2006	6,250.0	59.17	216.00
1st April, 2002	31st March, 2007	6,250.0	59.17	864.00
1st April, 2003	31st March, 2008	6,250.0	59.17	6,408.00
1st October, 2000	30th September, 2005	76,394.6	723.23	96.86
1st April, 2001	31st March, 2006	76,394.6	723.23	1,646.61
1st April, 2002	31st March, 2007	76,394.6	723.23	1,588.51
1st April, 2003	31st March, 2008	76,394.6	723.23	1,646.62
1st October, 2003	30th September, 2008	76,394.6	723.23	232.44
27th February, 2002	18th February, 2005	63,592.5	602.03	1,256.00
				14,099.04

The Company took over the warrants issued by ETJ due to the merger on 2nd June, 2003. Exercise prices and exercise periods of these warrants outstanding at 31st March, 2004 were as follows:

Exercise Period		Per Share Exercise Price		Number of Common Stock to Purchase
From	To	Yen	U.S. Dollars	
1st April, 2000	28th March, 2005	¥5,732.0	\$54.26	79.37
1st April, 2000	28th March, 2005	5,732.0	54.26	11.33
1st April, 2000	28th March, 2005	5,732.0	54.26	11.33
1st April, 2001	28th March, 2006	5,732.0	54.26	1,054.57
1st April, 2001	28th March, 2006	5,732.0	54.26	351.45
1st April, 2001	28th March, 2006	5,732.0	54.26	113.34
1st April, 2002	28th March, 2007	5,732.0	54.26	2,381.28
1st April, 2002	28th March, 2007	5,732.0	54.26	430.78
1st April, 2002	28th March, 2007	5,732.0	54.26	237.99
1st April, 2003	28th March, 2008	5,732.0	54.26	6,191.43
1st April, 2003	28th March, 2008	5,732.0	54.26	612.19
1st April, 2003	28th March, 2008	5,732.0	54.26	419.39
12th June, 2000	28th March, 2005	6,349.2	60.11	11.34
12th June, 2001	28th March, 2006	6,349.2	60.11	79.38
12th June, 2002	28th March, 2007	6,349.2	60.11	532.98
12th June, 2003	28th March, 2008	6,349.2	60.11	1,009.26
				13,527.41

The exercise prices of the warrants are subject to adjustments to reflect stock splits and certain other events.

SBI has bank lines of credit of ¥36,610 million (\$346,587 thousand) available for working capital use, ¥30,060 million (\$284,578 thousand) of which was unused at 31st March, 2004.

14. PLEDGED ASSETS

The carrying amounts of assets pledged as collateral for short-term borrowings of ¥1,940 million (\$18,366 thousand) at 31st March, 2004 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
31st March, 2004		
Cash and cash equivalents	¥ 110	\$ 1,041
Trading assets	545	5,159
Buildings and leasehold improvements	405	3,836
Land	1,102	10,434
Investment securities	1,940	18,362
Total	¥4,102	\$38,832

Investment securities of ¥100 million (\$947 thousand) were pledged as deposits as security for dealing.

Securities received as collateral for financing from broker's own capital of ¥2,640 million (\$24,992 thousand) and ¥274 million (\$2,593 thousand) were pledged as collateral for short-term bank loans and loans payable for margin transactions, respectively. Substitute securities for guarantee money received of ¥12,948 million (\$122,577 thousand) were also pledged as collateral for loans payable for margin transactions.

Substitute securities for guarantee money received of ¥117 million (\$1,108 thousand) and securities received as collateral for financing from broker's own capital of ¥51 million (\$484 thousand) were pledged as collateral for substitute securities for trade margin on futures. In addition, securities received as collateral for financing from broker's own capital of ¥73 million (\$692 thousand) were pledged as collateral for substitute securities for guarantee money for the securities exchange.

15. UNEARNED INCOME

Unearned income at 31st March, 2003 and 2004 consisted of prepaid fees received from the following funds:

	Millions of Yen		Thousands of
	31st March		U.S. Dollars
	2003	2004	31st March, 2004
SOFTBANK INTERNET TECHNOLOGY FUND No. 1	¥ 97	¥ 71	\$ 670
SOFTBANK INTERNET TECHNOLOGY FUND No. 2	683	522	4,938
SOFTBANK INTERNET TECHNOLOGY FUND No. 3	121	70	663
SOFTBANK INTERNET FUND	291	290	2,751
SOFTBANK ASIA NET-TRANS FUND	55		
SBI-LBO-FUND No. 1	49	49	463
RESTRUCTURING Fund No. 1	90	91	859
Others	1	214	2,026
Total	¥1,387	¥1,307	\$12,370

16. LIABILITY FOR EMPLOYEES' RETIREMENT BENEFITS

SBI has a contributory funded defined benefit pension plan, and the Company's certain domestic subsidiaries also have a qualified non-contributory defined benefit pension plan. Under these pension plans, employees terminating their employment are, in most circumstances, entitled to pension payments based on their average pay during their employment, length of service and certain other factors.

In addition, the Company and certain domestic subsidiaries have a defined contribution pension plan which provides benefits to eligible employees. Under this plan, the Company and certain domestic consolidated subsidiaries contribute an amount equal to 3 percent of the employee's annual salary up to ¥216,000 per year.

As at 31st March, 2003 and 2004, fair value of plan assets under the contributory funded defined benefit pension plan managed by Tokyo Personal Computer Software Industry Health Insurance Society was ¥129 million and ¥159 million (\$1,505 thousand), respectively, which was calculated based on ratio of the number of plan beneficiaries from the Company and its subsidiaries in the total number of plan beneficiaries.

As at 31st March, 2004, fair value of plan assets under the contributory funded defined benefit pension plan managed by Japanese Securities Dealers Employees Pension Fund was ¥6,406 million (\$60,642 thousand), which was calculated based on ratio of the contribution amount made by the Company's subsidiaries in the total contribution amount.

As at 31st March, 2004, fair value of plan assets under the contributory funded defined benefit pension plan managed by Association of Welfare Pension Fund in the Commodity Futures Industry was ¥189 million (\$1,793 thousand), which was calculated based on ratio of the contribution amount made by the Company's subsidiary in the total contribution amount.

The liability for employees' retirement benefits included in other long-term liabilities at 31st March, 2003 and 2004 consisted of the following:

	Millions of Yen		Thousands of
	31st March		U.S. Dollars
	2003	2004	31st March, 2004
Projected benefit obligation		¥ 2,069	\$ 19,585
Fair value of plan assets		(1,880)	(17,803)
Unrecognised actuarial loss		(195)	(1,842)
Prepaid pension costs		22	212
Net liability		¥ 16	\$ 152

The components of net periodic benefit costs are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Six-Month Period Ended 31st March, 2003	Year Ended 31st March, 2004	Year Ended 31st March, 2004
Service cost	¥12	¥131	\$1,243
Interest cost		21	194
Expected return on plan assets		(17)	(162)
Recognised actuarial loss		50	472
Net periodic benefit costs	12	185	1,747
Contributions to the defined contribution pension plan	13	40	378
Total	¥25	¥225	\$2,125

The service cost mentioned above included contributions to the contributory funded defined benefit pension plan managed by Tokyo Personal Computer Software Industry Health Insurance Society in the aggregate amounts of ¥12 million for the six-month period ended 31st March, 2003 and ¥24 million (\$231 thousand) for the year ended 31st March, 2004, to the contributory funded defined benefit pension plan managed by Japanese Securities Dealers Employees Pension Fund in the aggregate amount of ¥41 million (\$391 thousand) for the year ended 31st March, 2004, and to the contributory funded defined benefit pension plan managed by Association of Welfare Pension Fund in the Commodity Futures Industry in the aggregate amount of ¥7 million (\$65 thousand) for the year ended 31st March, 2004.

Assumptions used for the year ended 31st March, 2004 were set forth as follows:

Discount rate	Principally 2.00 percent
Expected rate of return on plan assets	Principally 2.00 percent
Recognition period of actuarial gain/loss	Principally amortised in the following fiscal year
Amortisation period of transitional obligation	Principally 5 years

17. RETIREMENT ALLOWANCES FOR DIRECTORS

Retirement allowances for directors are paid subject to approval of the shareholders in accordance with the Code.

The Company and its subsidiary recorded liabilities of ¥68 million and ¥101 million (\$955 thousand) for its unfunded retirement allowance plan covering all of their directors at 31st March, 2003 and 2004, respectively, which was included in other long-term liabilities. The net annual (reversal of) provision for retirement allowances for directors for the six-month period ended 31st March, 2003 and the year ended 31st March, 2004 was ¥(21) million and ¥19 million (\$182 thousand), respectively.

18. STATUTORY RESERVES

According to the Securities and Exchange Law and the Commodities Exchange Law of Japan, a securities company and a commodities company are required to set aside reserves in proportion to its securities or commodities transactions and other related trading to cover possible customer losses incurred by default of the securities company on securities transactions or the commodities company on commodities transactions.

19. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Code to which various amendments have become effective since 1st October, 2001.

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50 percent of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The revised Code also provides that an amount at least equal to 10 percent of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25 percent of the balance of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25 percent of the common stock balance may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders meeting and dispose of

such treasury stock by resolution of the Board of Directors. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

The amount of retained earnings available for dividends under the Code was ¥35,618 million (\$337,198 thousand) as at 31st March, 2004, based on the amount recorded in the Company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semi-annual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

During the six-month period ended 31st March, 2003, the Company issued new shares pursuant to the exercise of warrants attached to 3.6 percent and 3.8 percent unsecured corporate bonds already redeemed, under the following conditions:

(1) Exercise price:	¥18,750.1
(2) Number of new shares issued computed by using exercise price:	624 shares of common stock
(3) Total issue price:	¥12 million
(4) Total stated capital:	¥6 million

On 2nd June, 2003, due to the merger with ETJ, the Company issued 419,095 shares of its common stock to ETJ's shareholders listed in shareholder list as at 1st June, 2003 at an exchange ratio of 0.63 share for each outstanding share of ETJ's common stock. Dividends for newly issued shares in relation to this merger were computed from 1st April, 2003. As a result, the Company's capital surplus increased by ¥16,844 million.

On 20th January, 2004, the Company made a stock split by way of a free share distribution at the ratio of 3 shares for each outstanding share, and 1,532,022 shares of the Company's common stock were issued to shareholders of record on 30th November, 2003 and 2,247 shares of treasury stock increased. Dividends for newly issued shares in relation to this stock split were computed from 1st October, 2003. In addition, on 20th January, 2004, the Company increased the number of authorised shares by 6,042,657 shares to 9,064,000 shares through amendment of articles of incorporation.

During the year ended 31st March, 2004, the Company issued 33,637 shares of its common stock pursuant to the exercise of warrants attached to various unsecured corporate bonds already redeemed. As a result, common stock and capital surplus increased by ¥567 million (\$5,363 thousand) and ¥612 million (\$5,797 thousand), respectively.

20. STOCK OPTION PLAN

The stock option plan, which was approved by shareholders of the Company at the general shareholders meeting held on 19th December, 2001, provides for granting options to 118 key employees of the Company to purchase the Company's common stock at an exercise price of ¥63,667 per share during the period from 20th December, 2003 to 19th December, 2011. The maximum number of shares to be issued upon exercise of the option was 8,040 shares. In the case where the Company makes stock split or stock consolidation subsequent to the date of option grant, the number of shares to be issued will be adjusted based upon a certain formula, as defined.

At the Board of Directors meeting on 19th December, 2002, details of the stock option plan which had been approved by the Company's shareholders at the general shareholders meeting on the same date were determined. According to the resolution, this stock option plan provides for issuing options to 9 directors and 109 key employees of the Company to purchase the Company's common stock at an exercise price of ¥18,313 per share during the period from 20th December, 2004 to 19th December, 2012. The maximum number of shares to be issued upon exercise of the option was 66,675 shares.

At the Board of Directors meeting on 17th September, 2003, details of the stock option plan which had been approved by the Company's shareholders at the general shareholders meeting on 19th December, 2002 were determined. According to the resolution, this stock option plan provides for issuing options to 2 directors and 4 key employees of the Company and 3 directors of consolidated subsidiaries to purchase the Company's common stock at an exercise price of ¥54,738 (\$518) per share during the period from 20th December, 2004 to 19th December, 2012. The maximum number of shares to be issued upon exercise of the option was 23,325 shares.

At the Board of Directors meeting on 17th September, 2003, details of the stock option plan which had been approved by the Company's shareholders at the general shareholders meeting on 23rd June, 2003 were determined. According to the resolution, this stock option plan provides for issuing options to 2 directors and 110 key employees of the Company and 6 directors and 86 key employees of consolidated subsidiaries to purchase the Company's common stock at an exercise price of ¥54,738 (\$518) per share during the period from 24th June, 2005 to 23rd June, 2013. The maximum number of shares to be issued upon exercise of the option was 104,250 shares.

The stock option plan, which was approved by shareholders of ETJ at the general shareholders meeting held on 20th June, 2002 and taken over by the Company due to the merger on 2nd June, 2003, provides for issuing options to purchase the Company's common stock at an exercise price of ¥36,980 (\$350) per share during the period from 21st June, 2004 to 20th June, 2012. The maximum number of shares to be issued upon exercise of the option was 56,359.8 shares.

At the Board of Directors meeting on 23rd October, 2003, details of the stock option plan which had been approved by the Company's shareholders at the general shareholders meeting on 23rd June, 2003 were determined. According to the resolution, this stock option plan provides for issuing options to 17 directors of consolidated subsidiaries to purchase the Company's common stock at an exercise price of ¥84,667 (\$802) per share during the period from 24th June, 2005 to 23rd June, 2013. The maximum number of shares to be issued upon exercise of the option was 20,550 shares.

The exercise prices of the above options will be adjusted for subsequent transactions such as stock split, stock consolidation, or stock issuance or disposal of treasury stock with a lower price than market value, based upon certain formulas, as defined. There are also certain restrictions in exercising the stock option rights.

21. OPERATING REVENUES

Operating revenues for the six-month period ended 31st March, 2003 and the year ended 31st March, 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	Six-Month Period Ended 31st March, 2003	Year Ended 31st March, 2004	Year Ended 31st March, 2004
Asset management business:			
Revenue from operational investment securities	¥1,045	¥ 6,458	\$ 61,140
Fees from funds	2,244	3,737	35,382
Investment advisory service fees and others	244	2,400	22,721
Total	3,533	12,595	119,243
Brokerage and investment banking businesses:			
Revenue from securities transactions		20,060	189,908
Revenue from commodity futures transactions		1,076	10,184
Total		21,136	200,092
Financial services business		1,633	15,461
Total operating revenues	¥3,533	¥35,364	\$334,796

Gain (loss) on trading included in operating revenues for the year ended 31st March, 2004 consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars		
	Realised Gain	Unrealised Gain	Total	Realised Gain	Unrealised Gain (Loss)	Total
Equity securities	¥508		¥508	\$4,808	\$ (3)	\$4,805
Debt securities	145	¥ 3	148	1,367	33	1,400
Others	63	7	70	598	69	667
Total	¥716	¥10	¥726	\$6,773	\$99	\$6,872

Gain on certain businesses other than securities-related businesses of ¥1 million (\$12 thousand) was included in the gain (loss) on trading above.

22. OPERATING COSTS

Operating costs for the six-month period ended 31st March, 2003 and the year ended 31st March, 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	Six-Month Period Ended 31st March, 2003	Year Ended 31st March, 2004	Year Ended 31st March, 2004
Cost of operational investment securities	¥3,828	¥ 5,674	\$ 53,715
Provision for valuation allowance for operational investment securities	3,293	574	5,437
Financial costs		963	9,118
Others, including administrative expenses	954	4,807	45,510
Total	¥8,075	¥12,018	\$113,780

The above cost of operational investment securities for the six-month period ended 31st March, 2003 and the year ended 31st March, 2004 included a write-down of operational investment securities and securities held by funds of ¥3,065 million and ¥565 million (\$5,352 thousand), respectively.

23. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the six-month period ended 31st March, 2003 and the year ended 31st March, 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	Six-Month Period Ended 31st March, 2003	Year Ended 31st March, 2004	Year Ended 31st March, 2004
Compensation for directors	¥187	¥ 510	\$ 4,832
Provision for allowance for doubtful accounts	31	143	1,352
Payroll and bonuses	220	2,638	24,971
Provision for retirement allowances for directors	15	37	349
Provision for accrued bonus		481	4,549
Subcontracting fees	3	2,610	24,714
Others	356	8,840	83,691
Total	¥812	¥15,259	\$144,458

24. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of 42.05 percent for the six-month period ended 31st March, 2003 and the year ended 31st March, 2004.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at 31st March, 2003 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2003	2004	2004
Deferred tax assets:			
Current:			
Write-down of operational investment securities and securities held by funds	¥ 788	¥ 460	\$ 4,351
Valuation allowance for operational investment securities	2,973	1,199	11,347
Fee from funds		183	1,736
Tax loss carryforwards		189	1,793
Accrued enterprise taxes	54	537	5,085
Other	225	514	4,868
Less valuation allowance	(1,488)	(840)	(7,955)
Total	2,552	2,242	21,225
Non-current:			
Tax loss carryforwards	2,221	3,326	31,490
Allowance for doubtful accounts		1,178	11,151
Write-down of investment securities	13	722	6,834
Reserve for liability for securities transactions		556	5,267
Other	56	540	5,114
Less valuation allowance	(2,238)	(5,629)	(53,292)
Total	52	693	6,564
Total	¥2,604	¥2,935	\$27,789
Deferred tax liabilities:			
Current:			
Unrealised gain on available-for-sale securities		¥ 231	\$ 2,190
Other		2	19
Total		233	2,209
Non-current:			
Unrealised gain on available-for-sale securities		3,308	31,314
Other		183	1,738
Total		3,491	33,052
Total		¥3,724	\$35,261

Current deferred tax liabilities as at 31st March, 2004 were included in other current liabilities on the consolidated balance sheets.

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of operations for the six-month period ended 31st March, 2003 and the year ended 31st March, 2004 was as follows:

	Six-Month Period Ended 31st March, 2003	Year Ended 31st March, 2004
Normal effective tax rate	(42.05)%	42.05%
Permanent differences	(0.13)	0.21
Valuation allowance	21.36	
Reconciliation of timing difference taken over by merger		(9.23)
Loss on transfer of stock within the group		24.60
Effect of tax rate reduction	1.54	
Other—net	0.31	(6.44)
Actual effective tax rate	(18.97)%	51.19%

On 31st March, 2003, a tax reform law was enacted in Japan which changed the normal effective statutory tax rate from 42.05 percent to 40.69 percent, effective for years beginning on or after 1st April, 2004. The effect of this change on income taxes deferred in the consolidated statement of operations for the six-month period ended 31st March, 2003 was to decrease by ¥85 million.

25. LEASES

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

Total rental expenses for the six-month period ended 31st March, 2003 and the year ended 31st March, 2004 were ¥153 million and ¥1,767 million (\$16,728 thousand), respectively, including ¥1 million and ¥423 million (\$4,008 thousand) of lease payments under finance leases.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, depreciation expense and interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalised" basis for the six-month period ended 31st March, 2003 and the year ended 31st March, 2004 was as follows:

	Millions of Yen				Thousands of U.S. Dollars		
	Six-Month Period Ended 31st March, 2003	Year Ended 31st March, 2004			Year Ended 31st March, 2004		
		Furniture and Equipment	Furniture and Equipment	Software	Total	Furniture and Equipment	Software
Acquisition cost	¥4	¥2,619	¥652	¥3,271	\$24,795	\$6,170	\$30,965
Accumulated depreciation	3	546	96	642	5,165	909	6,074
Net leased property	¥1	¥2,073	¥556	¥2,629	\$19,630	\$5,261	\$24,891

Obligations under finance leases, including those of subleases:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2003	2004	2004
Due within one year	¥1	¥1,530	\$14,487
Due after one year		3,383	32,025
Total	¥1	¥4,913	\$46,512

Depreciation expense and interest expense under finance leases for the six-month period ended 31st March, 2003 and the year ended 31st March, 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Six-Month Period Ended 31st March, 2003	Year Ended 31st March, 2004	Year Ended 31st March, 2004
Depreciation expense	¥1	¥390	\$3,686
Interest expense		52	495
Total	¥1	¥442	\$4,181

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of operations, were computed by the straight-line method and the interest method, respectively. Due to increase in the number of leased property through merger of ETJ, SBI applied for the interest method from the year ended 31st March, 2004.

The future minimum lease payments under noncancellable operating leases at 31st March, 2003 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2003	2004	2004
Due within one year	¥1	¥292	\$2,765
Due after one year	2	123	1,166
Total	¥3	¥415	\$3,931

26. RELATED PARTY TRANSACTIONS

Transactions of SBI with related parties for the six-month period ended 31st March, 2003 and the year ended 31st March, 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Six-Month Period Ended 31st March, 2003	Year Ended 31st March, 2004	Year Ended 31st March, 2004
Securities' repurchase agreement transactions	¥18,060		
Collection of loans receivable	800		
Purchase of common stock	335	¥7,228	\$68,427
Interest income	9		

At 31st March, 2003 and 2004, the following balances with related parties were outstanding:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March,
	2003	2004	2004
Investments in subsidiaries and affiliated companies		¥7,228	\$68,427

27. DERIVATIVES

SBI enters into foreign currency forward contracts primarily to hedge foreign exchange risk associated with receivables, payables and securities denominated in foreign currencies and does not hold or issue them for speculative purpose. Stock-index futures, commodity futures and a portion of foreign currency forward contracts and commodity futures are used for increasing underlying assets and supplementing revenue, respectively. SBI enters into stock-index futures and commodity futures for the purpose of short-term transaction such as day trading and puts a cap on size of their transactions. In addition, SBI uses bond futures and a portion of foreign currency forward contracts for trading purpose. In the trading operation, these derivatives are used for response to clients' needs and facilitation of trading in the normal course of business.

Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations in market conditions, including interest or foreign exchange rates, stock price, foreign commodity markets for products, economic trends or weather conditions. Credit risk is the possibility that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract. Because the counterparties to foreign currency

forward contracts are limited to major domestic financial institutions, and stock-index futures, commodity futures and bonds futures are traded in the public market, SBI does not anticipate any losses arising from credit risk. Potential risks inherent in the trading operation are also market risk and credit risk.

Derivatives used for the hedging purpose are planned and executed by the administrative headquarters department upon approval of a director in-charge. Each derivative transaction is periodically reported to the management, where evaluation and analysis of derivatives are made. Derivatives used for trading purpose have been made in accordance with internal policies which regulate nature of derivatives, credit limit amount and administrative structure, which is monitored by the administrative headquarters department on a daily basis.

Fair Value of Derivatives

The fair value of SBI's derivatives at 31st March, 2004 was as follows:

	Millions of Yen				Thousands of U.S. Dollars			
	Assets		Liabilities		Assets		Liabilities	
	Contract Amount	Fair Value	Contract Amount	Fair Value	Contract Amount	Fair Value	Contract Amount	Fair Value
Foreign currency forward contracts	¥ 33	¥2	¥71	¥1	\$ 312	\$17	\$675	\$6
Nikkei average future transactions	23				222			
Bond futures	139	1			1,312	10		
Total	¥195	¥3	¥71	¥1	\$1,846	\$27	\$675	\$6

There were no derivatives outstanding at 31st March, 2003.

Gains or losses on deemed settlement is recorded in the "Fair value" above. In addition, the fair value of foreign currency forward contracts, Nikkei average future transactions and bond futures were stated at the market values of forward exchange rates, Nikkei average future rates and bond future rates, respectively.

Derivative liabilities for trading purposes are included in other current liabilities.

28. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the year ended 31st March, 2004 was as follows:

Year Ended 31st March, 2004	Millions of Yen	Shares	Yen	U.S. Dollars
	Net Income	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥4,033	2,066,779	¥1,951.46	\$18.47
Effect of dilutive securities—Warrants	(58)	160,420		
Diluted EPS—Net income for computation	¥3,975	2,227,199	¥1,784.68	\$16.90

29. SEGMENT INFORMATION

SBI operates in the following business segments:

"Asset Management Business" primarily consists of investments in technology companies, particularly in Internet technology area.

"Brokerage and Investment Banking Businesses" primarily consists of the provision of a wide range of high value-added financial services, such as access to financial assets including equity securities, debt securities, foreign exchanges, insurances or commodity futures, financing from the capital market, securitisations, mergers and acquisitions and structured financing.

"Financial Services Business" primarily consists of the provision of information regarding financial products, leasing business and mortgage loan business.

Change of Business Segments:

SBI formerly segmented its businesses into "Industry Incubation Business," "Real Estate Business" and "Other." However, due to the merger with ETJ and the acquisitions of WNF and FAC, SBI's businesses have been more diversified. Therefore, SBI has re-segmented its businesses into "Asset Management Business" including the previous business segments used by SBI, "Brokerage and Investment Banking Businesses" taken over from ETJ and WNF and "Financial Services Business" taken over from FAC.

Information about business segments, geographical segments and revenue from foreign customers of SBI for the six-month period ended 31st March, 2003 and the year ended 31st March, 2004 was as follows:

(1) Business Segments

	Millions of Yen				
	Six-Month Period Ended 31st March, 2003				
	Industry Incubation Business	Real Estate Business	Other	Eliminations/Corporate	Consolidated
a. Revenue and Operating Loss					
Revenue from customers	¥ 3,385	¥ 6	¥142		¥ 3,533
Intersegment revenue					
Total revenue	3,385	6	142		3,533
Operating expenses	7,922	90	197	¥ 678	8,887
Operating loss	¥ (4,537)	¥ (84)	¥ (55)	¥(678)	¥ (5,354)
b. Total Assets, Depreciation and Capital Expenditures					
Total assets	¥26,232	¥3,290	¥678	¥(926)	¥29,274
Depreciation	16	1	7	21	45
Capital expenditures	55	2	4		61

	Millions of Yen					
	Year Ended 31st March, 2004					
	Asset Management Business	Brokerage and Investment Banking Businesses	Financial Services Business	Total	Eliminations/Corporate	Consolidated
a. Revenue and Operating Income						
Revenue from customers	¥12,596	¥ 21,135	¥ 1,633	¥ 35,364		¥ 35,364
Intersegment revenue	4,349	222	151	4,722	¥(4,722)	
Total revenue	16,945	21,357	1,784	40,086	(4,722)	35,364
Operating expenses	11,538	14,051	1,566	27,155	122	27,277
Operating income	¥ 5,407	¥ 7,306	¥ 218	¥ 12,931	¥(4,844)	¥ 8,087
b. Total Assets, Depreciation and Capital Expenditures						
Total assets	¥35,140	¥347,093	¥15,042	¥397,275	¥ (630)	¥396,645
Depreciation	35	638	604	1,277	41	1,318
Capital expenditures	19	945	647	1,611	(127)	1,484

	Thousands of U.S. Dollars					
	Year Ended 31st March, 2004					
	Asset Management Business	Brokerage and Investment Banking Businesses	Financial Services Business	Total	Eliminations/Corporate	Consolidated
a. Revenue and Operating Income						
Revenue from customers	\$119,243	\$ 200,092	\$ 15,461	\$ 334,796		\$ 334,796
Intersegment revenue	41,176	2,097	1,432	44,705	\$(44,705)	
Total revenue	160,419	202,189	16,893	379,501	(44,705)	334,796
Operating expenses	109,227	133,021	14,833	257,081	1,157	258,238
Operating income	\$ 51,192	\$ 69,168	\$ 2,060	\$ 122,420	\$(45,862)	\$ 76,558
b. Total Assets, Depreciation and Capital Expenditures						
Total assets	\$332,672	\$3,285,931	\$142,403	\$3,761,006	\$ (5,967)	\$3,755,039
Depreciation	327	6,041	5,723	12,091	388	12,479
Capital expenditures	180	8,946	6,127	15,253	(1,209)	14,044

Notes: 1. Operating expenses mainly incurred in the Company's administrative headquarters could not be allocated based upon the business segments above and, therefore, were included in "Eliminations/corporate" of operating expenses with the aggregate amount of ¥678 million and ¥ 1,479 million (\$14,002 thousand) for the six-month period ended 31st March, 2003 and for the year ended 31st March, 2004, respectively.

2. None of corporate assets was included in "Eliminations/corporate" of total assets as at 31st March, 2003 and 2004.

(2) Geographical Segments

Operating revenue and identifiable assets of consolidated foreign subsidiaries are not significant, therefore, geographical segment information is not presented herein.

(3) Revenue from Foreign Customers

	Six-Month Period Ended 31st March, 2003		
	Millions of Yen		
	North America	Others	Total
Sales to foreign customers (A)	¥ 626	¥173	¥ 799
Consolidated sales (B)			3,533
(A)/(B)	17.7%	4.9%	22.6%

Note: North America and others primarily consisted of the United States of America and Europe, Hong Kong and Korea, respectively.

	Year Ended 31st March, 2004					
	Millions of Yen			Thousands of U.S. Dollars		
	North America	Others	Total	North America	Others	Total
Sales to foreign customers (A)	¥3,874	¥1,327	¥ 5,201	\$36,678	\$12,562	\$ 49,240
Consolidated sales (B)			35,364			334,796
(A)/(B)	11.0%	3.7%	14.7%	11.0%	3.7%	14.7%

Note: North America and others primarily consisted of the United States of America and Europe and Hong Kong, respectively.

30. SUBSEQUENT EVENTS

(1) At the general shareholders meeting held on 23rd June, 2004, the Company's shareholders approved the following events:

a. Stock Option Plan

The plan provides for issuing options to SBI's directors and key employees to purchase up to 70,000 shares of the Company's common stock in the period from 24th June, 2006 to 23rd June, 2014. The options will be issued at an exercise price determined based upon an average closing market price for a month preceding the month of option issuance, multiplied by 1.03. If such the average market price is lower than the closing market price of the date of option issuance, then the exercise price is fixed at the closing market price of the date of option issuance. The exercise price will be adjusted for subsequent transactions such as stock split, stock consolidation, or stock issuance or disposal of treasury stock with a lower price than fair value, based upon certain formulas, as defined. There are certain restrictions in exercising the stock option.

b. Appropriations of Retained Earnings

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥770 (\$7.29) per share	¥1,785	\$16,895
Bonuses to directors	100	947

(2) Convertible Bonds with Warrants

Upon resolution and approval of the Board of Directors on 22nd March, 2004, the Company issued ¥20 billion of zero coupon unsecured convertible bonds with warrants mainly in the Euro market on 8th April, 2004. The bonds are due 8th April, 2009, and the warrants are exercisable from 22nd April, 2004 through 18th March, 2009. Upon exercise of the warrants, the bonds are convertible into the Company's common stock. The issue price of the bonds is 100 percent of the face value of the bonds, and the issue price and the number of the warrants issued are nil and 2,000 warrants, respectively. The initial conversion price of the warrants is ¥130,480 per share, which is subject to be adjusted for subsequent stock split, stock consolidation, or stock issuance or disposal of treasury stock with a lower price than market value, based upon certain formulas.

(3) ASCOT CO., LTD.

Upon resolution and approval of the Board of Directors on 19th April, 2004, the Company acquired total of 6,000 shares of common stock of ASCOT CO., LTD. ("ASCOT") from the Parent and ACOM CO., LTD. on 19th April, 2004. As a result, equity of ASCOT held by the Company as at 19th April, 2004 was 75.0 percent, and ASCOT became a consolidated subsidiary of the Company from April 2004.

(4) SWAN Credit Corporation

Upon resolution and approval of the Board of Directors on 19th April, 2004, the Company acquired total of 3,600 shares of common stock of Swan Credit Corporation ("Swan") from the Parent on 19th April, 2004. As a result, equity of Swan held by the Company as at 19th April, 2004 was 90.0 percent, and Swan became a consolidated subsidiary of the Company from April 2004.

(5) Exercise of Warrants

Due to the exercise of warrants previously granted (see Note 13), 3,319.70 shares of the Company's common stock were additionally issued in the period from 1st April to 31st May, 2004. The Company's common stock and capital surplus increased by ¥34 million (\$326 thousand) and ¥36 million (\$338 thousand), respectively.

(6) E*TRADE KOREA CO., LTD.

On 10th and 17th June, 2004, the Company acquired 2,820,000 shares and 2,400,000 shares of common stock of E*TRADE KOREA CO., LTD. ("ETK") from LG Investment & Securities Co., Ltd and SOFTBANK CORP., respectively, in the aggregate amount of ¥2,105 million (\$19,925 thousand). As a result, equity of ETK held by the Company as at 17th June, 2004 was 87.0 percent, and ETK became a consolidated subsidiary of the Company from June 2004.

(7) E*TRADE SECURITIES CO., LTD.

On 25th June, 2004, the Company sold each of 6,000 shares, 5,300 shares and 1,300 shares of common stock of ETS to SOFTBANK INTERNET TECHNOLOGY FUND No. 3 and No. 4 and SOFTBANK INTERNET FUND, respectively, in the aggregate amount of ¥4,706 million (\$44,553 thousand). As a result, equity of ETS held by the Company as at 29th June, 2004 decreased from 75.00 percent to 70.05 percent. The Company recognised a gain of ¥2,932 million (\$27,760 thousand) on a consolidated basis through this transaction.

(8) Ace Securities Co., Ltd.

On 1st July, 2004, the Company agreed in principle with the Board of Directors of Ace Securities Co., Ltd. ("ACE"), NLB and NRI that the Company acquired common stock of ACE through Take Over Bid ("TOB"), and the TOB was officially approved by the Company's Board of Directors on 14th July, 2004. The TOB will be executed from 15th July, 2004 through 5th August, 2004. The number of shares acquired through TOB will be 25,000,000 shares, and the aggregate investment amount will be ¥5,375 million (\$50,885 thousand). If the number of shares applied by shareholders is less than 13,990,700 shares, all the shares applied will not be acquired. If the number of shares applied is more than 25,000,000 shares, the Company will acquire only a portion of the excess shares, calculated on a pro-rata basis.

(9) Finance All Corporation

On 15th July, 2004, the Board of Directors of FAC resolved the following events:

a. Stock Issuance

FAC will issue 8,700 new shares of common stock through public offering in August 2004. The issue price will be determined based upon a certain formula as defined in the period from 2nd to 6th August, 2004. Dividends for newly issued shares will be computed from 1st April, 2004.

FAC will offer 1,300 shares of FAC's common stock for sale by over-allotment in August 2004. This offering will be conducted by Shinko Securities Co., Ltd. ("SSC"), considering the demand of shares upon the above-mentioned public offering. Therefore, the number of shares to be offered with respect to offering by over-allotment above indicates the ceiling, and the actual number may decrease due to the demand of shares, or even the offering by over-allotment may be cancelled. The shares of FAC's common stock to be offered through the offering by over-allotment are the shares borrowed by SSC from shareholders of FAC. The offering price and other offering conditions are determined by the chief executive officer of FAC.

In addition, FAC will offer 1,300 shares of FAC's common stock to SSC at the same issue price as that of the above-mentioned public offering. Dividends for shares to be offered for SSC will be computed from 1st April, 2004.

b. Stock Split

FAC will make a stock split by way of a free share distribution on 19th November, 2004 at the ratio of 4 shares for each outstanding share, and 3 additional shares of FAC's common stock per each outstanding share as at 30th September, 2004 will be issued to shareholders of record on 30th September, 2004. Dividends for newly issued shares in relation to this stock split will be computed from 1st October, 2004. Relating to this stock split, the Board of Directors resolved to increase the number of authorised shares from 569,536 shares to 2,278,144 shares through amendment of articles of incorporation.

(10) Stock Split

Upon resolution and approval of the Board of Directors on 23rd July, 2004, the Company will make a stock split by way of a free share distribution on 5th October, 2004 at the ratio of 3 shares for each outstanding share, and 2 additional shares of the Company's common stock per each outstanding share as at 11th August, 2004 will be issued to shareholders of record on 11th August, 2004. Dividends for newly issued shares in relation to this stock split will be computed from 1st October, 2004. In addition, on 5th October, 2004, the Company will increase the number of authorised shares from 9,064,000 shares to 27,190,000 shares through amendment of articles of incorporation.

(11) Morningstar Japan K.K.

Upon resolution and approval of the Board of Directors on 26th July, 2004, the Company will acquire 32,968 shares of common stock of Morningstar Japan K.K. ("MSJ") from the Parent in the aggregate amount of ¥7,085 million (\$67,071 thousand) on 29th July, 2004. As a result, equity of MSJ held by the Company as at 29th July, 2004 will be 50.43 percent, and MSJ will become a consolidated subsidiary of the Company from July 2004.

Deloitte.

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To the Board of Directors and Shareholders of
SOFTBANK INVESTMENT CORPORATION:

We have audited the accompanying consolidated balance sheets of SOFTBANK INVESTMENT CORPORATION and consolidated subsidiaries as at 31st March, 2003 and 2004, and the related consolidated statements of operations, shareholders' equity, and cash flows for the six-month period ended 31st March, 2003 and the year ended 31st March, 2004, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SOFTBANK INVESTMENT CORPORATION and consolidated subsidiaries as at 31st March, 2003 and 2004, and the consolidated results of their operations and their cash flows for the six-month period ended 31st March, 2003 and the year ended 31st March, 2004 in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.



23rd June, 2004 (26th July, 2004 as to Note 30)

Member of
Deloitte Touche Tohmatsu

Main Subsidiaries

(As of March 31, 2004)

ASSET MANAGEMENT BUSINESS

SBI CAPITAL Co., Ltd.

Principal Business: LBO funds management

Paid-in Capital: ¥30 million

BIOVISION CAPITAL CORP.

URL: <http://www.biovision-capital.com/>

Principal Business: Incubation for biotechnology venture business and fund management

Paid-in Capital: ¥100 million

SBI ASSET MANAGEMENT Co., Ltd.

URL: <http://www.sbiam.co.jp/>

Principal Business: Investment advisory service

Paid-in Capital: ¥400 million

Arsnova Capital Research, Inc.

URL: <http://www.arsnova-cr.com/>

Principal Business: Securitized products and advisory services

Paid-in Capital: ¥200 million

BROKERAGE AND INVESTMENT BANKING BUSINESS

E*TRADE SECURITIES CO., LTD.

URL: <http://www.etrade.ne.jp/>

Principal Business: Comprehensive online brokerage

Paid-in Capital: ¥13 billion

WORLD NICHIEI FRONTIER Securities Co., Ltd.

URL: <http://www.wnfrontier.co.jp/>

Principal Business: Securities products and services

Paid-in Capital: ¥12.1 billion

Fides Securities Corporation

URL: <http://www.fides-sec.co.jp/>

Principal Business: Securities products and services

Paid-in Capital: ¥1.0 billion

e-Commodity Co., Ltd.

URL: <http://www.ecommodity.co.jp/>

Principal Business: Online commodity futures brokerage

Paid-in Capital: ¥1.2 billion

FINANCIAL SERVICES BUSINESS

Finance All Corporation

URL: Finance All: <http://www.financeall.jp/>

INSWEB: <http://www.insweb.co.jp/>

E-LOAN: <http://www.eloan.co.jp/>

Principal Business: Providing financial services' information, governing subsidiaries

Paid-in Capital: ¥2.7 billion

GOODLOAN Co., Ltd.

URL: <http://www.goodloan.co.jp/>

Principal Business: Lending and mediation of housing loans

Paid-in Capital: ¥450 million

WEB-Lease Co., Ltd.

URL: <http://www.weblease.co.jp/>

Principal Business: General leasing operations

Paid-in Capital: ¥780 million

VeriTrans, Inc.

URL: <http://www.veritrans.co.jp/>

Principal Business: Online payment solutions provider

Paid-in Capital: ¥752 million

Board of Directors

(As of June 23, 2004)

REPRESENTATIVE DIRECTOR AND CEO
Yoshitaka Kitao

REPRESENTATIVE DIRECTOR,
COO AND CFO
Yasutaro Sawada

DIRECTOR AND EXECUTIVE OFFICER
Takashi Nakagawa

DIRECTOR
Yasuhiko Sato

STANDING CORPORATE AUDITOR
Susumu Watanabe

CORPORATE AUDITOR
Isao Korenaga

CORPORATE AUDITOR
Kenichi Hirabayashi

CORPORATE AUDITOR
Ryujiro Shimamoto

EXECUTIVE OFFICER
Takao Matsumura

EXECUTIVE OFFICER
Kenji Hirai

EXECUTIVE OFFICER
Kenji Harada

EXECUTIVE OFFICER
Toshiharu Fujita

EXECUTIVE OFFICER
Shiho Aihara

Company Outline

(As of March 31, 2004)

Date of Establishment: July 8, 1999

Head Office: Sumitomo Seimei Nishi-shinbashi Bldg.,
1-10-2, Nishi-shinbashi, Minato-ku,
Tokyo 105-0003, Japan
Tel: +81 (3) 5501 2711 Fax: +81 (3) 5501 2718

Number of Employees: 807 (Consolidated)

Paid-in Capital: ¥8.4 billion

Common Stock: 2,321,227 shares

Number of Shareholders: 60,080

Fiscal Year: April 1 to March 31

Listings: First Section of the Tokyo Stock Exchange,
First Section of the Osaka Stock Exchange

Transfer Agent: UFJ Trust Bank Limited
7-10-11, Higashi-suna, Koto-ku,
Tokyo 137-8081, Japan

SOFTBANK INVESTMENT CORPORATION

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