



Adhering to our “Customer First” principle, the SBI Group is working in unison to promote an expansion of business as a comprehensive financial group.

Yoshitaka Kitao
Representative Director & CEO

Question

What was the aim of your transition to a holding company structure?

We adopted a holding company structure primarily for three purposes. First, this move was in line with our determination to build a solid structure as a comprehensive financial group that is at the forefront of the trend toward integration within the financial industry. Our transition to a holding company structure system is also consistent with the thinking of Japan’s financial authorities, which are promoting a conglomeration of financial institutions that transcends previous boundaries within the financial industry, and we intend to remain a step ahead of this trend.

Second, we plan to build a business portfolio that allows us to exhaustively pursue synergies. The newly established holding company will formulate the business

strategies and management philosophies for the SBI Group, as well as ensure that these permeate throughout the entire group, which will allow us to create a corporate group capable of achieving dramatic growth. Moreover, we plan to strategically add to and reshuffle our business portfolio as part of efforts to enhance the efficiency of our businesses.

Third, our move to a holding company structure was aimed at building an organizational structure that enables us to “leverage core financial know-how to move beyond the financial field.” We are no longer under the scope of consolidation of SOFTBANK CORP. and various restrictions within our business domains have been eliminated, firmly positioning us to accelerate our smooth entry into non-financial fields.

Question

SBI Holdings is no longer under the scope of consolidation of SOFTBANK CORP. and restrictions on your financial strategies have been eliminated. What effect will this have on your operations?

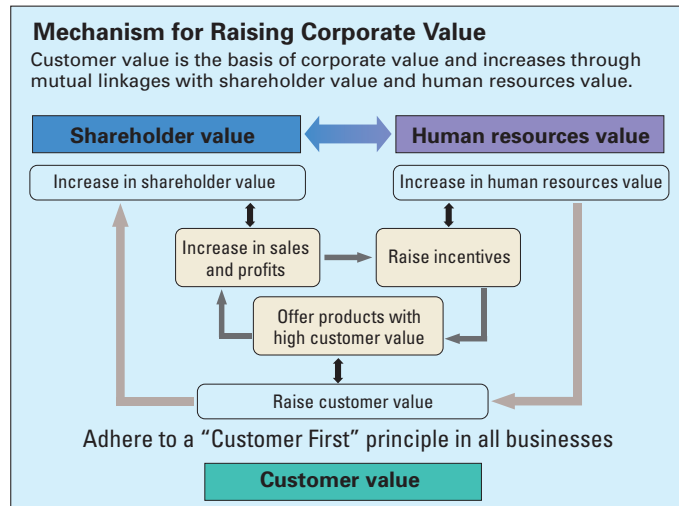
In March 2005, we increased our capital through a public offering. Along with this capital increase, the percentage of SOFTBANK CORP.’s equity interest declined, and our status thus changed from being a consolidated subsidiary to an equity-method affiliate. As a result, we have established a structure for having our creditworthiness evaluated independently from SOFTBANK CORP., and this has already yielded several positive benefits. For instance, in June 2005, SBI Holdings received a BBB rating on our corporate bonds from Japan Credit Research (JCR) while E*TRADE SECURITIES Co., Ltd. was rated BBB+, a higher rating than that for SOFTBANK CORP. On July 25, 2005, SBI Holdings completed a shelf registration for the

issuance of ¥60.0 billion in corporate bonds and is now able to implement financial strategies offering greater flexibility. This has also had a positive impact in terms of bank credit, since our creditworthiness is no longer evaluated based on a total credit line for the SOFTBANK Group, but rather as an independent group of companies under the SBI Holdings umbrella. In June 2005, we were able to procure ¥35.0 billion from banks as capital to be invested as a portion of an investment unit for an IT Fund. Together with ¥15.5 billion of our own funds, we were thus able to secure ¥50.5 billion for the IT Fund’s 500 investment units.

Question

Will you please explain SBI Holdings’ vision of “Maximize corporate value through synergies between customer value—the basis of our company—and shareholder and human resources value”?

I consider “corporate value” to be an aggregate of “customer value,” “shareholder value” and “human resources value.” Customer value is the basis of corporate value and increases through mutual linkages and synergies with shareholder value and human resources value. Customer value is the cornerstone and foremost element of corporate value, and is created by providing customers with useful products and services. We believe that increasing customer value is contingent on continually raising customer satisfaction by enhancing the quality of and lowering the prices for our products and services. In this regard, ensuring that the entire SBI Group strictly adheres to the “Customer First” principle is of utmost importance for assuring the group’s ongoing prosperity. This thinking is the foundation of the vision for the new SBI Group.



Question

One of your goals is to increase the aggregate market capitalization of listed group companies to ¥3.0 trillion in three years and ¥5.0 trillion in five years. What measures are you taking to achieve this objective?

With the goal of forming an Internet-based financial group, the SBI Group initiated operations in April 1999 by establishing SOFTBANK FINANCE CORPORATION with 55 employees from SOFTBANK’s former administration division, which was under my authority. The SBI Group currently includes seven listed companies with a total market capitalization of approximately ¥1.0 trillion (monthly average for March 2005). Reaching the current levels of market capitalization has taken six years and the arduous efforts made over this period defy description. Considering the tremendous efforts required to get these businesses on track, I am confident that we can achieve our goals of raising aggregate market capitalization of listed group companies to ¥3.0 trillion in three years and ¥5.0 trillion in five years. In working toward this objective, we will implement the following three measures.

First, each listed company will strive for further growth and development.

Second, we will list currently unlisted group companies. In addition to the SBI Group’s numerous existing unlisted companies with great potential, we plan to establish and cultivate additional companies to enable their public listings. For companies that list and become

independent, we must of course make special efforts to ensure each company retains its sense of solidarity as an SBI Group member and that the SBI Group’s unifying force remains intact.

Third, we will increase shareholder value through M&A, joint ventures and strategic alliances. I should point out, however, that we will exercise sufficient restraint in M&A. Although completing actual M&A deals is relatively simple, my own experiences have demonstrated that it is extremely difficult to raise shareholder value over the medium and long term by relying on M&A to yield synergies whereby the whole is greater than the sum of the parts, for example, one plus one equals three. Instead of M&A, I believe that establishing joint ventures and forming strategic alliances are highly effective strategies for raising shareholder value of companies similar to SBI Holdings’ subsidiaries that are involved in Internet-related businesses. SBI Group joint ventures such as E*TRADE Japan K.K., Morningstar Japan K.K., and SBI VeriTrans Co., Ltd. represent our starting point in executing this strategy. Although we invested only small amounts of capital for their establishment, these joint ventures all made public listings within three to five years.

Question

You aim to become not just a “strong company,” but a “strong and respected company.” Could you explain this and the measures you are taking to attain this objective?

Until now, the SBI Group’s management focused on maintaining high earnings power and growth capabilities with an emphasis on corporate efficiency. However, we now believe that we must incorporate a broader view of and build even better relationships with our stakeholders. To transition from a “strong company” to a “strong and respected company,” it is imperative to alter the very basis of conceptual frameworks that fundamentally govern the views and thinking of management and employees. Because this represents a paradigm shift, I believe that undergoing the following process is essential.

First of all, companies must recognize that they have a social nature. Companies are integral members of society for this reason and owe their very existence to society. With this in mind, it is imperative that companies contribute to the continuance and advancement of society.

Next, based on this awareness, companies must work

to earn the trust of society. Clearly prescribing such conceptual frameworks as our own values, management philosophies and corporate visions is absolutely crucial. Within such frameworks, it is then necessary to decide the specific fields where we will undertake our business and determine our business portfolio, customer segments, and competitive strategies to ensure that we prevail in our chosen business fields. All of these matters must be clearly expressed inside and outside the SBI Group and then put into practice.

Finally, we will focus on raising our so-called “company virtues.” I believe that companies also have virtues in the same way people have “human virtues.” In concrete terms, obtaining “company virtues” requires raising the moral character of management and employees, possessing proper ethics and establishing and maintaining a strong corporate brand.

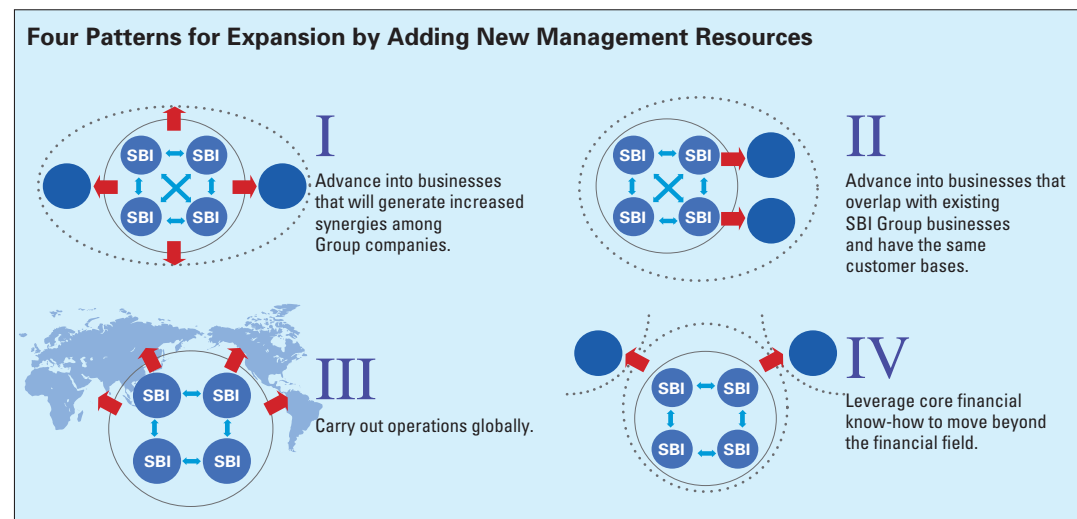
Question

Could you describe how are you going to drive the future direction of the corporate ecosystem formed by the SBI Group for the purpose of increasing the market capitalization of the SBI Group?

To ensure our current corporate ecosystem achieves efficient and significant growth, we will implement two primary measures. Specifically, we will foster the self-advancement and self-growth of the SBI Group ecosystem by exhaustively pursuing synergies among the companies that comprise the ecosystem. At the same time, we will introduce new management resources from outside the group to achieve a rapid expansion of the existing ecosystem while pursuing synergies among existing management resources to realize growth. These two measures will be implemented in unison, with the aforementioned external management resources concentrating on the following four resource categories.

The first resource category is financial industry businesses that can generate synergies with the majority of current SBI Group companies. Such businesses include banking, a field in which I am considering a full-fledged entry. Let me point out, however, that small and medium-sized banks are unattractive in terms of earnings power. This is because if these banks only increase their accounts,

they merely incur enormous systems costs that make profits elusive. Accordingly, any thoughts of entering the banking field should be abandoned unless we can find synergies with the companies in our ecosystem. Fortunately, the SBI Group is solidly positioned to realize such synergies with the banking business. For example, SOFTBANK INVESTMENT CORPORATION funds contain numerous investee companies with growth potential that would also make promising borrowers. Additionally, I am certain we can uncover synergies between a bank and companies inside and outside the SBI Group, such as SBI Mortgage Co., Ltd., which has a housing loan balance that reached ¥100.0 billion in August 2005; Equal Credit Co., Ltd. and SBI Business Loan Co., Ltd., which are involved in consumer and small- and medium-sized business finance; and SBI Partners Co., Ltd., which is involved in real estate-related business. From the perspective of the entire group, I expect that our entry into the banking business would generate positive effects.





Utilizing substantial synergies with our Internet securities business, Internet banking could generate synergies with numerous members of our corporate ecosystem, enabling actual Internet banking to operate in the black for the first time ever and to make a positive contribution to the group as a whole.

The second category is non-financial fields, where several SBI Group companies have customer bases that overlap with customer segments of Group companies in financial fields. A good example is the real estate business. The customer bases of SBI Partners, which is involved in real estate-related businesses, overlaps with E*TRADE SECURITIES' customer segment of highly affluent individuals. Therefore, there is an excellent possibility that E*TRADE SECURITIES and SBI Securities Co., Ltd. could solicit capital for real estate funds and Real Estate Investment Trusts (REITs) formed by SBI Partners.

The third category is the development of existing finance businesses globally. In this area we are promoting alliances encompassing capital tie-ups that include the conversion of E*TRADE KOREA Co., Ltd. into a subsidiary of E*TRADE SECURITIES; a business tie-up with U.S.-based E*TRADE FINANCIAL Corp.; and tie-ups between SBI Holdings and Hong Kong-based SW Kingsway Capital

Holdings Limited. Through these global tie-ups, E*TRADE SECURITIES enables customers to trade in U.S., Hong Kong, Chinese (H shares) and Korean shares using their own PCs in Japan.

The fourth category is expansion into non-related fields using our core capabilities in finance. We are focusing on two types of cases: non-related businesses that enable significant synergies with existing SBI Group companies and non-related fields where the SBI Group could apply its current business models. Examples of the first case are Nexyz. TRADE Inc., a securities brokerage jointly established by Nexyz. Corporation and E*TRADE SECURITIES, and CANOW Co., Ltd., an Internet advertising agency with strengths in finance established as a joint venture by SEPTENI Co., Ltd. and FINANCE ALL CORPORATION. The second case includes FINANCE ALL's move into operating comprehensive comparison websites. FINANCE ALL is applying its know-how and business model, which it cultivated in marketplace businesses and is based on insurance and loan product comparison sites, in other non-financial businesses. In relation, FINANCE ALL's current efforts entail entry into such marketplace businesses as sites for providing lump-sum moving estimates and sites for comparing renovation costs.

Question

Could you describe some of the SBI Group's direct social contribution activities?

One of the SBI Group's management principles is to be a socially responsible company. As part of our indirect contributions to society through our main business activities, we strive to serve as a "financial innovator" to offer financial services that provide benefits for customers, as well as a "new industry creator" that carries out activities for cultivating new core industries for the 21st century.

The SBI Group also carries out activities that directly contribute to society. Our basic policy is to contribute a

reasonable level of our profits to children's welfare organizations. Our plan calls for SBI Group companies that record ¥300 million or more in net income to contribute around 1% of this amount. (This is premised on institutionalized decisions to be made by each group company).

Also, we plan to establish a new foundation, tentatively named SBI Children's Aspiration Foundation, which will provide continuous support for children who are victims of child abuse.

Direct Social Contribution Activities of SBI Group

Outline of Planned Foundation

Name (tentative)	The SBI Children's Hope Foundation
Endowment	¥500 million
Main activities	<ol style="list-style-type: none"> 1. Donate to child welfare facilities to help improve their environment. 2. Donate to businesses, foundations, and NPOs that work to improve child welfare. 3. Help children become independent adults through school admission and securing employment. 4. Support other activities related to improving child welfare.

Donation Estimate for Current Fiscal Year

	(Unit: Millions of yen)		
	Sales	Profit after tax	Estimated donation
SBI Holdings	17,532	6,297	63
E*TRADE SECURITIES	27,174	6,061	61
SBI Securities	10,671	3,777	38
Yoshitaka Kitao			38
Total			200