



北尾吉孝

Yoshitaka Kitao
Representative Director & CEO

Profile

- 1951 : Born in Hyogo prefecture
- 1974 : Graduated Keio University with degree in Economics
Joined Nomura Securities Co., Ltd.
- 1978 : Received Economics degree from Cambridge
University (England)
- 1989 : Named Managing Director of Wasserstein Perella
& Co. International, Limited (London)
- 1991 : Named Director of Nomura Wasserstein Perella Co.,
Ltd. (concurrent with Wasserstein Perella
International position)
- 1992 : Named General Manager of Corporate Finance &
Services Dept. III, Nomura Securities Co., Ltd.
- 1995 : Joined SOFTBANK CORP. at invitation of founder
Masayoshi Son (named Executive Vice President
and Chief Financial Officer)
- Present Representative Director and CEO of SBI Holdings, Inc.

Overview of Fiscal 2007

For our 2007 fiscal year, which ended in March 2008, SBI Holdings achieved well-balanced growth across all of our businesses despite an extremely difficult operating environment. Operating revenues increased 53.9% to ¥222.6 billion, setting a new record for the fifth consecutive year, and operating income was up 84.5% to ¥42.6 billion. However, ordinary income fell 60.7% to ¥35.7 billion, and net income was down 90.9% to ¥4.2 billion. One reason for this drop in earnings is a gain in fiscal 2006 of ¥69.0 billion, due to the amortization of all negative goodwill associated with investment funds that were consolidated beginning with the first half of fiscal 2006. Another reason is an expense in fiscal 2007 for the amortization of goodwill associated with asset impairment for the stock of affiliated companies. We recorded negative goodwill in fiscal 2006 because of the unrealized capital gains corresponding to our interests in the newly consolidated funds at the high stock prices as of the fund consolidation record date (end of December 2005). All of this goodwill was amortized in that fiscal year as the funds sold these stocks, transforming unrealized capital gains into actual realized capital gains. Consequently, a direct comparison of our performance in fiscal 2006 and 2007 is not possible because of revisions to the accounting standards, and other one-time events that have occurred since the first half of fiscal 2006. Beginning with fiscal 2008, direct year-to-year comparisons based on the same accounting standards will be possible once again.

Shareholders received a fiscal 2007 dividend per share of ¥1,200, including a first half dividend of ¥600, the same as in the previous fiscal year. This dividend is based on our consolidated earnings, which reflects the performance of the SBIH Group companies, the stock price of SBI Holdings and other applicable factors.

Many financial companies in Japan and around the world saw their earnings fall in fiscal 2007 because of the turmoil in the financial markets, which was sparked by the U.S. subprime loan crisis and other developments. However, each of our core businesses made further progress in establishing a diverse range of profit sources. In particular, our venture capital and Internet securities operations reinforced their leading positions in Japan. Another highlight of the year was the start of operations at our three major new businesses: an Internet bank, Internet nonlife insurer and Internet life insurer. Launching these businesses completes the financial ecosystem that was planned since the SBIH Group's inception. We have become an "Internet-based financial conglomerate" that is unique in the world. This business model creates a multitude of opportunities for pursuing synergies among group companies. Our objective is to become a true one-stop source of financial services centered on the Internet. In a big step toward this direction, we made SBI SECURITIES Co., Ltd. (fka SBI E*TRADE SECURITIES Co., Ltd.) a wholly owned subsidiary of SBI Holdings on August 1, 2008.

Business Segment Performance and Significant Events

The Asset Management Business made a substantial contribution to the Group's consolidated performance. Operating revenues increased 55% to ¥58.0 billion, owing to the strong growth in revenues from the SBIH Group's Asian investments. Significantly, we achieved this growth even as Japan's sluggish initial public offering market in fiscal 2007 severely impacted the operations of our competitors. As a result, we further distanced ourselves from these competitors. The New Horizon Fund, which has been investing significantly in promising companies in China since May 2005, is beginning to yield substantial distributions. To set the stage for similar gains in the future, we are committed to a large volume of new investments during fiscal 2008 primarily in China, India, Vietnam, and Russia, where we have been establishing investment funds.

In the Brokerage & Investment Banking Business, growth in the number of new accounts at Japan's Internet securities companies is slowing as slumping stock prices cause competition to intensify. Despite these challenges, SBI SECURITIES Co., Ltd. (fka SBI E*TRADE SECURITIES Co., Ltd.) continued to leverage its competitive advantage based on its overwhelming customer base, along with offering the industry's lowest level of brokerage commission rates, to retain its dominance of the Internet securities market in Japan. As of the end of June 2008, the company had more than 1.7 million customer accounts. SBI SECURITIES is now building Japan's first "online and face-to-face" securities business model, in which Internet and conventional

(face-to-face) service channels complement each other. While working on this model, SBI SECURITIES plans to strengthen its investment banking and wholesale securities operations. The SBI Japannext PTS (Proprietary Trading System) started operating in August 2007. Trading value is already far greater than at the two other PTS in Japan, which began operating before our PTS. We plan to increase the liquidity of our PTS by raising the number of participating securities companies and adding daytime trading hours in the fall of 2008. Enhancing the reliability and stability of our PTS data processing infrastructure is another goal. We are committed to operating a PTS that offers the greatest possible convenience to our investors.

The Financial Services Business provides a variety of Internet-based financial services, and is quickly growing to become an operation that provides steady and consistent earnings for the Group. By launching three new businesses, we added the final components needed to complete our financial ecosystem. SBI Sumishin Net Bank started operating in September 2007, SBI Insurance in January 2008 and SBI AXA Life Insurance in April 2008. We plan to develop all three operations into core businesses of the SBIH Group. Our highest current priority is to make these three companies profitable as quickly as possible. To accomplish this goal, we are assembling a framework of support for these companies that includes the expansion of sales channels, further cooperation with other SBIH Group companies, and other activities.

In the Housing and Real Estate Business, a strong

performance by our real estate development business was primarily responsible for a 213% increase in operating revenues to ¥75.1 billion, and a 584% increase in operating income to ¥8.1 billion. Growth in this business was a major component of the increases in consolidated revenues and operating income. We will continue to invest in Japanese and overseas real estate markets to generate a consistent stream of revenues and earnings in this business.

In fiscal 2007, we established the System Solution Business with the intent of making this another core business of the SBIH Group. Since the SBIH Group was formed in 1999, we have rapidly expanded our financial ecosystem by concentrating on the financial businesses. Now, our central objective is "to utilize finance as the nucleus to go beyond the financial sector." Basically, this means that we want to become a diversified corporate group with "nuclei" in fields outside of the financial sector. To reach this level of diversification, the SBIH Group must return to its roots as an Internet-based organization. We must also use our information systems ecosystem as the base for unifying finance and the Internet. I am convinced that this will give us the powerful foundation required to support our continued rapid growth.

Transforming SBIH from a Japanese to a Global Organization

The SBIH Group announced a new corporate vision in fiscal 2008 to guide our activities. Expanding our overseas operations is a key objective. We have established the goal of becoming a global organization

that derives half of its operating income from outside of Japan by the fiscal year ending in March 2013. In 2005, I made the decision to start expanding operations rapidly outside of Japan. Since then, our overseas investments have climbed steadily. In fiscal 2007, overseas operations accounted for 17.9% of the consolidated operating revenues. I believe that the SBIH Group must assemble a high-return asset management framework that does not rely solely on Japan's stock markets. By continuing our growth overseas, I want to transform the SBIH Group from an organization centered in Japan to a truly global organization. I believe that this transformation will give us an even better foundation for sustained growth.

As an Internet-based comprehensive financial group, the SBIH Group plans to grow even faster while fully utilizing the Internet, which is an extremely effective competitive advantage. This is why we will continue to take on the challenge of capitalizing on new business opportunities, while remaining firmly dedicated to the customer-centric principle in all of our businesses. The SBIH Group will use this spirit to create more revolutionary services and businesses to benefit customers and investors. I am confident that this process will lead to further growth in our corporate value, which we believe to be the aggregate of our "customer value," "shareholder value" and "human capital value."

Selected books authored by Mr. Kitao



- **The SBI Group Vision and Strategy: Continuously Evolving Management** (English language translation published by John Wiley & Sons, Inc.)
(Chinese translation published by Tsinghua University Press)
 - **Challenges of E-Finance I** (Chinese translation published by The Commercial Press)
(Korean translation published by Dongbang Media Co., Ltd.)
 - **Challenges of E-Finance II** (Korean translation published by Dongbang Media Co., Ltd.)
 - **"Value-Creation" Management** (Chinese translation published by The Commercial Press)
(Korean translation published by Dongbang Media Co., Ltd.)
- (The above four books are published in Japan by Toyo Keizai Inc.)
- **Universal Management, Growth Management** (Korean translation published by Dongbang Media Co., Ltd.)
(Chinese translation published by World Affairs Press)
 - **Developing Character** (Chinese translation published by World Affairs Press)
- (The above two books are published in Japan by PHP Research Institute)
- **Why Do We Work?** (Published in Japan by Chichi Publication.)
(Korean translation published by Joongang Books)
 - **"Mysterious Powers" Gained from Chinese Classics** (Published in Japan by Mikasa Shobo Co., Ltd.)
(Chinese translation published by Peking University Press)