

Analysis of Business Results for the Fiscal Year

Asset Management Business

In the Asset Management Business, the SBIH Group endeavors to be an "industry creator." Operations are based on the management philosophy of serving as a leading company in creating and fostering the development of core industries of the 21st century, primarily in the information technology sector. The Group provides risk capital to portfolio companies, mainly through investment funds managed by group companies. The Group also supports portfolio companies by extending assistance for tax accounting and finance, consulting services for IPOs and other activities, the provision of executives and employees, and in other ways. In addition, the Group assists portfolio companies form business and equity alliances with each other, and conduct other forms of collaboration. The SBIH Group also provides portfolio companies with access to its business network and expertise in IPO support. All these activities contribute to improving returns at funds by helping portfolio companies to achieve further growth in their corporate value.

In Japan, the Group is using the Broadband Fund, the Media Fund, the Mobile Fund, the Biotechnology Fund, the Environment and Energy Fund, and other funds to make investments in emerging companies that are active in business fields with superior growth prospects. Targeted business fields include broadband networks, media and mobile communications, biotechnology, and environment and energy.

Overseas, the Group is placing priority on working more diligently on capitalizing on investment opportunities in Asian countries with rapidly growing economies. In accordance with this policy, the Group is using Singapore as the base for establishing funds that are managed jointly with prominent local partners, and for preparing to establish these funds. The goal is to establish, as quickly as possible, a fully integrated framework extending from the solicitation of fund contributions from overseas investors to the management of such fund assets.

During this fiscal year, the SBIH Group and funds operated by the SBIH Group made investments totaling ¥96.5 billion, with 12 portfolio companies that became publicly owned through an IPO or a merger or acquisition.

Brokerage and Investment Banking Business

The Brokerage and Investment Banking Business primarily represents the operations of SBI E*TRADE SECURITIES Co., Ltd.* and E*TRADE Korea Co., Ltd. During this fiscal year, economic growth in Japan, although moderate, caused stock prices to climb in June and July 2007, raising the Nikkei Average to more than ¥18,000. After this peak, stock prices dropped sharply owing to the increase in crude oil prices and concerns about global financial instability caused by the subprime loan crisis. In the foreign exchange market, the yen-U.S. dollar exchange rate dropped below ¥100 to the dollar for the first time in about 12 years, briefly reaching ¥95 in March 2008. In response to these events, the Nikkei Average fell below ¥12,000 in March 2008. This was the lowest level of the Nikkei for the fiscal year, and the first time the

average was less than ¥12,000 in about two and a half years. At the end of March 2008, the Nikkei Average closed at ¥12,525, about 27% below its March 2007 close.

In this difficult operating environment, the SBIH Group continued to introduce highly appealing products, services and fee structures, based on its customer-centric principle. At the end of March 2008, there were 1,855,192 customer accounts, with assets in customer accounts totaling ¥3,936.3 billion.

SBI E*TRADE SECURITIES Co., Ltd. merged with SBI Securities Co., Ltd. on October 1, 2007. This merger produced Japan's first "Internet-based real securities company" (truly integrated online and offline securities company) business model. The model is based on the advantages of online securities operations, such as low expenses, the ability to attract many customers, and a very large volume of transactions. At the same time, this model includes strengths of face-to-face operations, notably activities deeply rooted in local markets and the ability to conduct consulting-based sales activities. The result is an unprecedented business model that can offer highly sophisticated services. By making full use of this model, the objective is to go beyond face-to-face and online securities operations by entering new business domains as a comprehensive securities company.

*SBI E*TRADE SECURITIES Co., Ltd. was renamed SBI SECURITIES Co., Ltd. on July 1, 2008.

Financial Services Business

In the marketplace business, actions were undertaken to expand and upgrade the service lineup, primarily by forming alliances with prominent companies to increase the volume of content and to strengthen functions. There were declines in unit fees received from some companies participating in service websites of this business. However, the marketplace business continued to grow because of the benefits of newly launched services and promotions. There was a 9.7% year-on-year increase to more than 888,000 in the number of active users (users who receive an estimate, request information, apply for an account, or take other actions) at the service websites, primarily at the InsWeb insurance site and at the E-LOAN website.

In the financial products business, SBI Lease Co., Ltd. had leases outstanding of ¥63.5 billion at the end of March 2008, including subleasing and the arrangement of lease syndications. This represents leases of broadband communication infrastructure equipment and broadband content business equipment. The company also offers leases for mobile communication infrastructure equipment. SBI Equal Credit Co., Ltd., which extends loans to consumers and business owners, recorded growth in the number of transactions for Equal Credit NEO, a new personal loan that uses a new range of interest rates.

In the financial solutions business, SBI VeriTrans Co., Ltd., which offers online payment processing solutions for e-commerce businesses, continued to grow along with the expansion of the Internet and e-commerce markets in Japan. By starting to handle transactions using Mobile Suica, Mobile Edy and other types of e-money, this company recorded a 34.4% increase in the number of transactions to 37 million. SBI Holdings provides MoneyLook® technology to six companies. At the end of March 2008, there

Operating Revenues by Segment

	Year ended 31st March, 2007		Year ended 31st March, 2008	
	Millions of Yen	%	Millions of Yen	%
Asset Management Business	¥ 37,364	25.9	¥ 58,008	26.1
Investment in Securities	35,030		54,670	
Revenue from Operational Investment Securities	28,783		53,447	
Fees from Funds	6,247		1,223	
Investment Advisory Services Fees and Others	2,334		3,338	
Brokerage & Investment Banking Business	66,419	45.9	68,531	30.8
Revenue from Securities Transactions	65,421		67,626	
Revenue from Commodity Futures Transactions	998		905	
Financial Services	18,834	13.0	22,495	10.1
Marketplace Business	3,663		4,255	
Financial Products Business	9,937		9,749	
Financial Solutions Business	3,251		4,095	
Other Businesses	1,983		4,080	
New Businesses	—		316	
Housing and Real Estate Business	24,010	16.6	75,071	33.7
Real Estate Business	13,866		55,126	
Financial Real Estate Business	3,292		6,727	
Lifestyle Networks Business	6,852		13,218	
System Solution Business	—	—	323	0.1
Intersegment Revenue	(2,046)	-1.4	(1,860)	-0.8
Total Operating Revenue	144,581	100.0	222,568	100.0

Note: In previous fiscal years, business activities were divided into three business segments: Asset Management Business, Brokerage & Investment Banking Business and Financial Services Business. Beginning with the fiscal year that ended in March 2008, there are five business segments: Asset Management Business, Brokerage & Investment Banking Business, Financial Services Business, Housing and Real Estate Business, and System Solutions Business. Operating revenues for the previous fiscal year are presented using the new reporting system based on five business segments.

were more than 620,000 users of this software, which facilitates centralized management of transactions using accounts at two or more financial institutions.

Morningstar Japan K.K. provides evaluations and other information regarding financial products, particularly investment trusts. Along with the growing awareness of its "Fund of the Year" awards, the company's revenues are increasing from the licensing of its reports, as well as from the growth of its advertisement revenues. At Morningstar Asset Management Co., Ltd., a subsidiary of Morningstar Japan, assets for its fund of funds, where the company provides investment advisory, increased to ¥222.1 billion at the end of March 2008 from ¥106.4 billion a year earlier. Furthermore, the newspaper and other operations of Kabushiki Shimbun Inc., which became a subsidiary of Morningstar Japan in this fiscal year, made a significant contribution to growth in revenue. Gomez Consulting Co., Ltd. has a website rating and ranking service and a business support service for e-commerce websites. The company posted strong growth in revenue from website planning and design services for banks, and website analysis services for securities companies. Performance at Gomez Consulting further benefited from a significant increase in search engine optimization services.

In new businesses, SBI Card Co., Ltd., which issues a variety of MasterCard-branded SBI credit cards, used its skill in offering cards with some of the industry's best features to increase the number of cards issued to more than 32,000 (at the end of March 2008) after only about 18 months since starting operations. SBI Insurance

Co., Ltd., received its property and casualty insurance business license from the Financial Services Agency on December 26, 2007, and started operations on January 16, 2008. SBI AXA Life Insurance Co., Ltd. began operations on April 7, 2008, following receipt from this agency of a life insurance business license on April 2.

Housing and Real Estate Business

The real estate business continued to make progress in building a stable base of operations by using alliances and other measures to increase the scale of operations, and to diversify its profit structure.

In the financial real estate business, SBI Mortgage Co., Ltd. has already established a distinctive identity as a provider of housing loans with fixed interest rates over the entire repayment period. Housing loans continue to increase steadily, with the balance of loans amounting to ¥365.1 billion at the end of March 2008.

The lifestyle networks business supplies services designed to assist consumers at every stage and major event of their lives. The primary activity is the operation of comparison and search websites. In this fiscal year, the number of transactions using the six service sites of this business continued to grow, rising 39.2% to more than 285,000.

Operating Revenues

1) Asset Management Business

Investment in Securities

There are two components of operating revenues in this business. The first is revenue from operational investment securities, which is gains from the sales of securities that were purchased for the purpose of earning capital gains. The SBIH Group makes venture capital investments in industries such as information technology, biotechnology, broadband networks, media and mobile communications, and invests in companies in need of restructuring. The second is revenue from funds. This is the sum of fund establishment fees, which are a fixed percentage of a fund's initial contributions, fund management fees, which are normally a fixed percentage of initial investments or net assets, and success fees that are based on a fund's performance. When SBI Holdings or its consolidated subsidiaries invest in a fund operated by the SBIH Group, revenue from funds that are consolidated is the entire amount of revenue from operational investment securities, including the portion corresponding to fund contributions from investors outside the SBIH Group.

For this fiscal year, revenue from operational investment securities increased by 85.7% to ¥53,447 million. This was mainly attributable to a gain on the sale of the stock of Kyobo Life Insurance Co., Ltd. of South Korea, and to revenue from consolidated funds. Revenue from funds was down 80.4% to ¥1,223 million. This primarily represents management fees from the SBI Broadband Capital Fund and the SBI BB Media Fund.

Investment Advisory Services

Revenue from investment advisory services and other activities increased 43.0% to ¥3,338 million primarily owing to the growth in interest income from loans receivable.

2) Brokerage and Investment Banking Business

Revenue in this business comes from the securities business and the commodity futures business.

Securities Business

Revenue in this business is derived mainly from brokerage commissions from securities transactions, underwriting and sales fees for initial public offerings, and commissions for the placement and sale of stock.

Revenue increased by 3.4% to ¥67,626 million. This revenue represents the operations of SBI E*TRADE SECURITIES Co., Ltd.*, SBI Securities Co., Ltd. and E*TRADE Korea Co., Ltd. SBI Securities and SBI E*TRADE SECURITIES merged in October 2007 with SBI E*TRADE SECURITIES the surviving company.

*Renamed SBI SECURITIES Co., Ltd. on July 1, 2008.

Commodity Futures Business

Revenue in this business consists of fees received from commodity futures transactions. Revenue decreased by 9.3% to ¥905 million, all of which represents the operations of SBI Futures Co., Ltd.

3) Financial Services Business

There are five components of revenue in this business. The financial marketplace business operates Japan's largest comparison and estimate portal websites for insurance and loans. The financial products business includes a leasing business and a consumer and small company loan business. The financial solutions business provides online payment settlement solutions for e-commerce companies and develops systems for the financial services industry. Other businesses include financial information evaluations and consulting, primarily involving investment trusts and website evaluations and rankings. New businesses include the credit card business and the non-life insurance business that started operating on January 16, 2008. The life insurance business was added to new businesses when operations began on April 7, 2008.

Financial marketplace business revenue increased 16.2% to ¥4,255 million, financial products business revenue decreased 1.9% to ¥9,749 million, financial solutions business revenue increased 25.9% to ¥4,095 million, other businesses revenue increased 105.7% to ¥4,080 million, and new business revenue was ¥316 million (no revenue in prior fiscal year).

4) Housing and Real Estate Business

There are three components of operating revenues in this business. The first is the real estate business, which basically includes real estate investments and real estate development projects. The second is the financial real estate business, which mainly represents the provision of long-term, fixed-rate housing loans and loans secured by real estate. The third is the lifestyle networks business. The main activities are the operation of websites for comparisons, searches and estimates of various products and services, and the sales and services for beauty care and health food products, women's accessories and other products. This is the first year in which the lifestyle networks business was included in the Housing and Real Estate Business. In prior fiscal years, this business was part of the Financial Services Business.

Real estate business revenue increased 297.5% to ¥55,126 million, financial real estate business revenue increased 104.3% to ¥6,727 million, and lifestyle networks business revenue increased 92.9% to ¥13,218 million.

5) System Solution Business

The System Solution Business represents the operations of SBI Robo Corp., which develops search engines, plans, develops and operates services mainly for Web 2.0 platforms, conducts an OEM business, and offers social marketing services. Revenue was ¥323 million (no revenue in prior fiscal year).

Note: Operating revenues in each segment and figures used for comparisons with the previous fiscal year are not adjusted for intersegment revenue.

Operating Costs

1) Asset Management Business

Operating costs increased by 5.5% to ¥38,341 million. This is the sum of ¥33,630 million for the cost of operational investment securities, a provision of ¥1,125 million for the valuation allowance for operational investment securities, and personnel and other operating costs of ¥3,585 million.

2) Brokerage & Investment Banking Business

Operating costs increased by 54.0% to ¥6,615 million. These costs consisted mainly of financial costs resulting from interest expenses associated with margin transactions.

3) Financial Services Business

Operating costs increased by 12.0% to ¥13,159 million. These costs mainly represent the cost of leases.

4) Housing and Real Estate Business

Operating costs increased 232.4% to ¥57,833 million, which is mostly the cost of real estate for sale.

5) System Solution Business

Operating costs were ¥249 million (no operating costs in prior fiscal year), which is entirely the cost of sales at SBI Robo.

Note: Operating costs in each segment and figures used for comparisons with the previous fiscal year are not adjusted for intersegment operating costs.

Selling, General and Administrative Expenses

These expenses increased by 22.5% to ¥64,617 million, consisting mainly of personnel expenses and expenses for outsourcing the operation of IT systems for securities operations.

Other Income (Expenses)

Net other loss was ¥13,788 million (net other income of ¥38,947 million in prior fiscal year) mainly due to Equity in losses of subsidiaries and associated companies of ¥4,615 million and Goodwill amortisation for the equity method affiliates with significant losses of ¥6,794 million.

Cash Flows

Cash and cash equivalents totaled ¥159,007 million at the end of March 2008, a net increase of ¥43,915 million compared with the balance of ¥115,092 million at the end of March 2007. The equity ratio increased by 1.7 point to 19.8% compared with 18.1% in the previous fiscal year.

The following is a summary of cash flows.

Operating Activities

Net cash provided by operating activities was ¥50,074 million compared with a negative cash flow of ¥67,409 million in the previous fiscal year. Income taxes paid totaled ¥30,542 million, but cash was provided by income before income taxes and minority interests of ¥28,819 million, net changes in margin transaction assets and liabilities of ¥55,173 million, and other sources.

Investing Activities

Net cash used in investing activities was ¥20,610 million compared with a positive cash flow of ¥86,014 million in the previous fiscal year. Purchases of investment securities were ¥8,310 million. This includes an investment of ¥5,499 million in SBI Sumishin Net Bank, Ltd., which began operations on September 24, 2007.

There were proceeds of ¥7,190 million from sales of subsidiaries' stock and ¥191,927 million from collections of loans receivable. These proceeds were offset by payments of ¥3,861 million for purchases of subsidiaries' stock and ¥200,953 million for investments in loans receivable.

Financing Activities

Net cash used in financing activities was ¥9,957 million compared with ¥58,176 million in the previous fiscal year. ¥13,451 million was paid as dividends, and ¥25,265 million was disbursed as distributions to minority interests in investment funds, which was offset by proceeds of ¥29,859 million from minority interests in investment funds.

There was an increase of ¥25,365 million in cash and cash equivalents from newly consolidated companies. This amount includes cash and cash equivalents of ¥17,341 million from newly consolidated investment funds.

Risk Information

The following principal categories of business risks and other risks affecting the SBIH Group's businesses may have a material impact on investment decisions. Although the risks below are those currently recognized by the SBIH Group, this is not necessarily a complete list of risks. In recognizing these latent risks, the Group will work to avoid any such risks and take appropriate measures in the event that any such risk arises.

(1) Impact of Changes and Other Events in the Operating Environment

The SBIH Group is engaged in a diverse range of businesses that include investments, housing and real estate, financial products trading, proprietary trading system, banking, insurance, housing loan, and leasing businesses. Accordingly, there is a possibility that trends in such related markets as the stock markets, money markets and real estate markets as well as political, economic and industry trends may have a significant impact on the Group. Therefore, such external factors over which the Group has no control could cause changes in business results and have a major impact on the SBIH Group's overall business results. Furthermore, the Company's business results may experience substantial fluctuations in the event that investment gains/losses are concentrated in certain time periods.

Additionally, governments, government ministries and agencies, as well as various financial markets are proceeding with system reforms and amendments to laws concerning stock markets and other markets related to the Group's businesses. Although appropriate measures are taken upon sufficiently ascertaining these developments, additional major changes to system reforms and legal amendments in the future may have an impact on the Group's business results.

(2) Competition

The SBIH Group is engaged in businesses in fields characterized by innovation and high growth. Since these businesses are considered to have promising growth potential, competition is intense and new participants continue to enter these fields. Consequently, there is no assurance that the SBIH Group can remain competitive in the event of excessive competition that exceeds market growth. The Group will continue to endeavor in its efforts to maintain and increase its current competitive business advantages. However, the emergence of strong competitors could cause the SBIH Group to lose its dominant position, and therefore have an impact on its business results.

(3) System Risk

The SBIH Group extensively utilizes the Internet in carrying out its businesses. Since a large portion of business activities depend on computer systems, the SBIH Group has devised various countermeasures that include the build-up of backup computer systems. Nevertheless, the SBIH Group's business results may be significantly affected if its computer systems become inoperable due to reasons unforeseen at present, including hardware and software malfunctions, human error, interruption or cessation of service due to a breakdown in communication lines, or problems with the communications provider, computer viruses, cyber terrorism, or a system malfunction caused by a natural disaster.

Particularly in the Brokerage & Investment Banking Business, which utilizes the Internet as the principal sales channel, the Group recognizes that ensuring the stability of its system for online transactions is the most crucial management issue. The Group has thus implemented a number of countermeasures, which include building redundant mission critical systems and monitoring functions, as well as establishing backup sites at multiple locations and undertaking continual initiatives to maintain and enhance the level of service. Nevertheless, should a system malfunction occur despite the implementation of these countermeasures, there is a possibility that a delay or failure to appropriately respond may result in claims for damage resulting from such a malfunction, and this may also erode trust in the SBIH Group's systems and support structure. This, in turn, may result in the loss of a large number of customers.

(4) Investment Risk

In the Asset Management Business, the portfolio companies of the investment associations managed by the SBIH Group include numerous emerging companies and companies undergoing restructuring. These companies face numerous challenges regarding their future performance, resulting in the possibility of a change in the business results of these portfolio companies due to various factors in the future. These factors include, but are not limited to, changes in the competitive environment owing to sudden technological innovations or changes in industry standards, the inability to secure and maintain talented managers and employees, a weak financial position, or the failure of portfolio companies to disclose crucial information.

In the Real Estate Business, the Group conducts sufficient prior due diligence when acquiring real estate. However, the discovery of problems after acquisitions in areas beyond the scope of the due diligence, including problems related to rights that are unique to the real estate industry, soil and geological issues involving the site or the environment, may have a significant impact on the value or profitability of a property. Also, the occurrence of any unforeseen accidents, incidents, or natural disasters such as fires, civil unrest, terrorism, earthquakes, volcanic eruptions, or tidal waves may impact the value or profitability of the property.

In addition, investment activities outside Japan may be affected by changes in local economies, politics and legal systems, terrorism, or unforeseen social unrest. The SBIH Group is thoroughly studying and analyzing conditions in other countries in order to reduce exposure to country risk. However, since it is difficult to completely avoid the effects of these risks, the occurrence of any of these problems may have an impact on the Group's business results.

(5) Protection of Personal Information

By extensively utilizing the Internet, the SBIH Group carries out wide-ranging business activities that include Financial Services, Real Estate and Lifestyle Networks businesses. In the course of these activities, the Group obtains and uses information on numerous customers. The Group is engaged in financial service businesses, including the recently started banking and insurance operations. Since financial service businesses demand confidence, stability and safety, the SBIH Group believes that preventing damage from leaks of customer information and unauthorized access is extremely crucial. The Group thus recognizes that

information security is its most crucial issue for ensuring that customers may use its services with confidence.

The Group has established an internal management structure, and is constantly working on making improvements for the purpose of complying with Japan's Personal Information Protection Act and associated regulations. In the event of a violation of a law or regulation at the Group, or an information leak, the resulting loss of trust among customers and other consequences may have an impact on the Group's business results.

(6) Business Reorganization

As a Strategic Business Innovator, one of the SBIH Group's basic policies is to perpetuate "Self Evolution."

In line with this policy, during the fiscal year that ended in March 2008, SBI E*TRADE SECURITIES Co., Ltd. and SBI Securities Co., Ltd. merged in October 2007. Additionally, based on a resolution approved at the annual shareholders meeting in June 2008, SBI E*TRADE SECURITIES became a wholly owned subsidiary of SBI Holdings through an exchange of stock in August 2008. Going forward, the SBIH Group will actively expand its business portfolio by taking actions that include M&A activities in fields that can produce synergies with the Group's core businesses. Nevertheless, despite sufficient prior investment analysis and detailed diligence, there is a possibility that this business reorganization and expansion in the range of business activities may have unanticipated results that impact the SBIH Group's business results.

In the fiscal year that ended in March 2007, the SBIH Group adopted "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations" (Accounting Standards Board of Japan Practical Solution Report No. 20, September 8, 2006). As a result, the Group began treating as consolidated subsidiaries several funds that the Group manages. Therefore, all assets, liabilities and other items at these funds are now included in the consolidated balance sheet of SBI Holdings. In addition, management and other fees from these funds that were previously recognized as operating revenues in the Asset Management Business are now eliminated through this consolidation. These fees are now included in the income statement as minority interests in net income. Moreover, all revenues and expenses of the newly consolidated funds are included in the consolidated income statement irrespective of the SBIH Group's ownership. An adjustment is made through minority interests in net income for the portion of revenues and expenses corresponding to external investors.

Consequently, the above changes caused by the application of "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations" must be taken into consideration when comparing the SBIH Group's consolidated financial condition, and results of operations in past fiscal years.

(7) Entering New Businesses

Based on the management principle of "Aiming to be a New Industry Creator," the SBIH Group is aggressively creating and cultivating core industries of the 21st century. The Group is entering a broad spectrum of new businesses. SBI Sumishin Net Bank, Ltd. began operations in September 2007, SBI Insurance Co., Ltd. began operations in January 2008 and SBI AXA Life Insurance Co., Ltd. began operations in April 2008. The Group

must manage a variety of risks associated with these new businesses. For this purpose, the Group is continuously improving its risk management systems. However, an inadequate risk management system may prevent a business from operating as planned. Furthermore, the inability of new businesses to attain initially forecasted targets, or the failure to achieve sufficient future profits commensurate with initial investments may have an adverse impact on the SBIH Group's business results. In addition, these new businesses could become subject to new laws or placed under the guidance of regulatory authorities. Subsequent violations of such laws with any resulting administrative actions, or other punishment could impede the performance of these businesses.

(8) Status as a Financial Conglomerate

Beginning in the fiscal year that ended in March 2008, the SBIH Group was classified as a financial conglomerate as defined by regulations of the Financial Services Agency. As a result, the Group is further strengthening its risk management and compliance systems in order to maintain financial soundness, and to conduct business activities properly. However, if the Group is subject to an administrative action or other punishment by the Financial Services Agency, for whatever reason, the Group may have difficulty conducting its business operations.

(9) Funding Liquidity Risk

The SBIH Group secures the funds required for its business operations by procuring equity capital from capital markets, taking out loans from financial institutions, issuing bonds, and taking other actions. The Group's ability to procure funds at the required time and desired terms may be restricted, and the cost of fund procurement may rise in the event of turmoil in financial markets, the reluctance of financial institutions to extend credit, a reduction in SBI Holdings' credit rating, or other events. Such events may have an impact on the SBIH Group's business results.

(10) Reliance on Key Personnel

The SBIH Group relies on a management team with strong leadership capabilities, beginning with Representative Director and CEO Yoshitaka Kitao. In the event that the current management team is no longer able to continue managing the Group's business activities, there could be an adverse impact on the SBIH Group's business results.