

SBI Holdings

ANNUAL REPORT 2008



Strategic Business Innovator



SBI Holdings, Inc.

Izumi Garden Tower 19F,
1-6-1 Roppongi, Minato-ku,
Tokyo 106-6019, JAPAN

Tel +81-3-6229-0100 Fax +81-3-3224-1970

www.sbigroup.co.jp



Annual Report 2008

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Forward-Looking Statement

Statements contained in this report regarding the plans, projections and strategies of SBI Holdings, Inc. 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 obtainable at the time of announcement in compliance with SBI Holdings' management policies and certain premises that are deemed reasonable by SBI Holdings. Hence, actual results may differ, in some cases significantly, from these forward looking statements contained herein due to changes in various factors, including but not limited to economic conditions in principal markets, service demand trends and currency exchange rate fluctuations. Further, statements contained herein should not be construed to encompass tax, legal, or financial advice, and should not be considered to be solicitations to invest in SBI Holdings, Inc., or any of the SBIH Group companies.

<p>1999 March SOFTBANK CORP.'s Administrative Division spun off as an independent company, SOFTBANK FINANCE CORPORATION, as part of business reorganization accompanying the conversion of SOFTBANK CORP. into a pure holding company; SOFTBANK FINANCE CORPORATION becomes an operating holding company to oversee financial-related business activities</p> <p>July SOFTBANK INVESTMENT CORPORATION (currently SBI Holdings, Inc., hereafter "SBIH") established to undertake venture capital and incubation business</p> <hr/> <p>2000 June Morningstar Japan K.K. listed on NASDAQ Japan (currently Hercules market of the Osaka Securities Exchange)</p> <p>September E*TRADE Japan K.K. (currently SBI Holdings, Inc.) listed on NASDAQ Japan (currently Hercules market of the Osaka Securities Exchange)</p> <p>December SBIH listed on NASDAQ Japan (currently Hercules market of the Osaka Securities Exchange)</p> <hr/> <p>2001 August SOFTBANK FRONTIER Securities Co., Ltd. (SBI Securities Co., Ltd. after merger with WORLD NICHIEI Securities Co., Ltd.) listed on NASDAQ Japan (currently Hercules market of the Osaka Securities Exchange)</p> <hr/> <p>2002 February SBIH listed on First Section of Tokyo Stock Exchange</p> <p>November SBIH listed on First Section of Osaka Securities Exchange</p> <hr/> <p>2003 June SBIH merged with E*TRADE Japan K.K. (currently SBI Holdings, Inc.) and converted E*TRADE SECURITIES Co., Ltd. into a subsidiary; reorganization of business accelerates thereafter, with SBIH positioned as the core company</p> <p>September Listed FINANCE ALL CORPORATION on the Hercules market of the Osaka Securities Exchange</p> <p>October SBIH acquired WORLD NICHIEI Securities Co., Ltd. (formerly SBI Securities Co., Ltd.) and converted this company into a subsidiary</p>	<p>2004 October Listed VeriTrans Inc. (currently SBI VeriTrans Co., Ltd.) on the Hercules market of the Osaka Securities Exchange</p> <p>November Listed subsidiary E*TRADE SECURITIES Co., Ltd. (currently SBI SECURITIES Co., Ltd.) on JASDAQ</p> <hr/> <p>2005 March Percentage of equity share held by SOFTBANK CORP. decreases due to a capital increase through a public offering; changed from a consolidated subsidiary to an equity-method affiliate</p> <p>July Changed name to SBI Holdings, Inc. Transferred venture fund management business to SOFTBANK INVESTMENT CORPORATION (formerly SBI VENTURES K.K.) and changed to a holding company structure</p> <hr/> <p>2006 March SBI Holdings, Inc. merged with consolidated subsidiaries of SBI Partners Co., Ltd. and FINANCE ALL CORPORATION</p> <p>May SBI Securities Co., Ltd. became a wholly owned consolidated subsidiary through a share exchange</p> <p>August Listed SBI Futures Co., Ltd. on the Hercules market of the Osaka Securities Exchange</p> <p>August Listed Gomez Consulting Co., Ltd., a subsidiary of Morningstar Japan K.K., on the Hercules market of the Osaka Securities Exchange</p> <p>September SBI Holdings, Inc. purchased its stock held by majority shareholder SOFTBANK CORP. via its subsidiary, and is no longer an equity method affiliate of SOFTBANK CORP.</p> <hr/> <p>2007 February Listed E*TRADE Korea Co., Ltd., a subsidiary of SBI E*TRADE SECURITIES Co., Ltd. (currently SBI SECURITIES Co., Ltd.) on the KOSDAQ market in S. Korea</p> <p>October SBI Securities Co., Ltd. and SBI E*TRADE SECURITIES Co., Ltd. merged, with SBI E*TRADE SECURITIES Co., Ltd. (currently SBI SECURITIES Co., Ltd.) as the surviving company</p> <hr/> <p>2008 August SBI SECURITIES Co., Ltd. became a wholly owned consolidated subsidiary through a share exchange</p>
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Decline in SOFTBANK ownership of SBI Holdings



2007

- April**
 - Started operation of the "SBI Money World" financial community website
 - Signed Memorandum of Understanding with Weifang City, Shandong Province in China for a comprehensive alliance for the purpose of establishing a jointly owned company
- May**
 - Established SBI Fund Bank Co., Ltd. to start a "fee revolution" in the investment trust sector
- June**
 - Established alliance with The Corporation for Financing and Promoting Technology (FPT), Vietnam's largest information technology group, and agreed to jointly establish a fund management company for a fund denominated in the Vietnamese dong
- July**
 - Announced launch of a fund through a joint venture with Mizuho Securities Co., Ltd. to invest in companies in the energy and environmental protection sectors
 - Subsidiary SBI Wellness Bank Co., Ltd. signed an agreement with Clinique La Prairie of Switzerland, a world leader in anti-aging treatments, to start a members-only healthcare service
- August**
 - Five securities companies each acquired a 5% equity stake in SBI Japannext Co., Ltd., as Japannext PTS (Proprietary Trading System) started operations
 - Jointly established a Chinese asset management company named SBI & TH (Beijing) Venture Capital Management Co., Ltd. with Tsinghua Holdings Co., Ltd.
- September**
 - SBI Sumishin Net Bank, Ltd., an Internet bank, received its business license and began operations
 - LIVING Corporation, a developer of condominiums for sale to investors, became a subsidiary of SBI Holdings, Inc.
- October**
 - SBI Securities Co., Ltd. and SBI E*TRADE SECURITIES Co., Ltd. merged, with SBI E*TRADE SECURITIES as the surviving company
- November**
 - Agreed to establish a joint fund with Beida Jade Bird, one of China's leading corporate groups in the information technology sector
 - Agreed to work with Keio University to establish a fund that will provide support primarily for venture companies originating from Asian universities
 - SBI University received permission from the Ministry of Education, Culture, Sports, Science and Technology to establish SBI Graduate School
 - Increased equity investment in Autobyte Japan Co., Ltd. (currently Autoc one K.K.), making this company a consolidated subsidiary

2008

- January**
 - Received final approval from the Chinese Ministry of Commerce to establish a fund with Tsinghua Holdings Co., Ltd., making this the first fund in Beijing that will be established with a foreign owned company
 - Agreed to establish a fund jointly with IFC METROPOL, a leading Russian financial group, to jointly establish a fund in Russia
 - SBI Insurance Co., Ltd., an Internet nonlife insurance company, started operations following the December 2007 receipt of a business license
 - SBI Robo Corp. a joint venture with Norwegian search technology company FAST, started "SBI Business," an SNS (Social Networking Service) exclusively allowing business name registration
- February**
 - Opened a representative office in Weifang City, Shandong Province, China
- March**
 - SBI Japannext Co., Ltd. extended nighttime trading hours of its PTS (Proprietary Trading System)
 - C4 Technology, Inc. (changed name to SBI Net Systems Co., Ltd. in August 2008) became a subsidiary
 - SOFTBANK MOBILE Corp. began retailing the "Stock Mobile Phone," which has pre-installed application software to permit users to trade stocks using SBI E*TRADE SECURITIES Co., Ltd.
- April**
 - SBI AXA Life Insurance Co., Ltd., Japan's first life insurer to operate exclusively on the Internet, received its business license and began operations
 - SBI E*TRADE SECURITIES Co., Ltd. announced the sale of stock of subsidiary E*TRADE Korea Co., Ltd.
 - Announced purchase of stock of Strategic Consulting Group Inc., a boutique investment bank
 - Signed Memorandum of Understanding with China-Singapore Suzhou Industrial Park Land Co., Ltd. for joint investments in real estate development projects at Suzhou Industrial Park in Jiangsu Province, China
- May**
 - Signed an agreement with COSMO OIL CO., LTD. for the joint ownership of SBI ALAproMo Co., Ltd., a newly established biotechnology company
- June**
 - SBI Wellness Bank Co., Ltd. contracted with Clinique La Prairie of Switzerland for exclusive rights in Japan
 - Agreed to establish a fund in China with China Merchants Securities Company Limited, Resource Capital China Limited and China CITIC Bank Corporation Limited, and to establish a jointly operated fund management company with these partners
 - Announced purchase of newly issued shares of KTIC Holdings Corporation, a leading investment company group in South Korea, through a private placement
 - Jointly established an asset management company specializing in real estate with Korea's Hyundai Suisse Group
- July**
 - SBI E*TRADE SECURITIES Co., Ltd. changed its name to SBI SECURITIES Co., Ltd.
 - Established SBI AutoSupport Co., Ltd., which provides financing for buyers of used cars, as a joint venture with JAPAN AUTOMOBILE AUCTION INC. (JAA)
- August**
 - SBI SECURITIES Co., Ltd. became a wholly owned subsidiary through an exchange of stock
 - Deposits of SBI Sumishin Net Bank, Ltd. surpassed ¥400 billion only 320 days after the start of operations

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

Sound Ethical Values

We shall undertake judgments on actions based not only whether they conform to the law or profit the company, but also whether they are socially equitable.

Financial Innovator

We will transcend traditional methods and bring financial innovations to the forefront of the financial industry, utilizing opportunities provided by the powerful price-destruction forces of the Internet and developing financial services that further enhance benefits for customers.

New Industry Creator

We will work to become the leader in creating and cultivating the core industries of the 21st century.

The SBIH Group's Management Philosophy

Social Responsibility

We will ensure that each company in the SBIH Group recognizes its social responsibilities as a member of society while fulfilling the demands of its stakeholders, contributing to the betterment of society.

Self-Evolution

We will continue to be a company that evolves of its own volition by forming an organization that flexibly adapts to changes in the operating environment and incorporates corporate "Ingenuity" and "Self-transformation" as part of its organizational DNA.

The SBIH Group's Corporate Vision

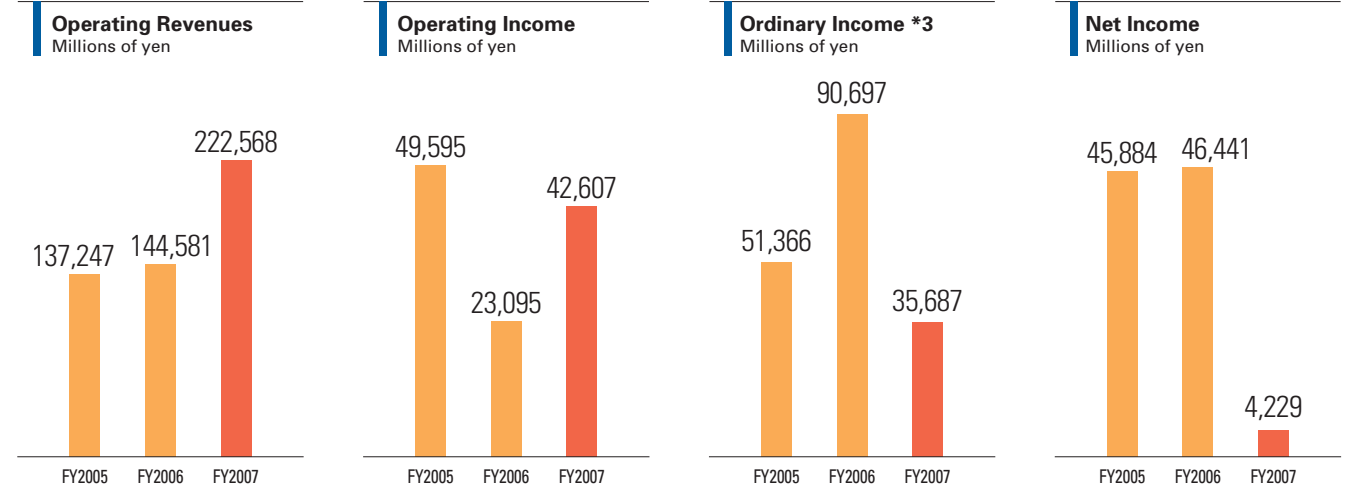
(Formulated in April 2008)

- Increase operating income to 100 billion yen in five years (year ending March 2013)
- Expand Asset Management and Brokerage & Investment Banking Business to two-thirds of operating income by year ending March 2013, with all other businesses accounting for the remaining one-third
- Transform the SBIH Group into a global organization that earns half its operating income outside Japan by year ending March 2013

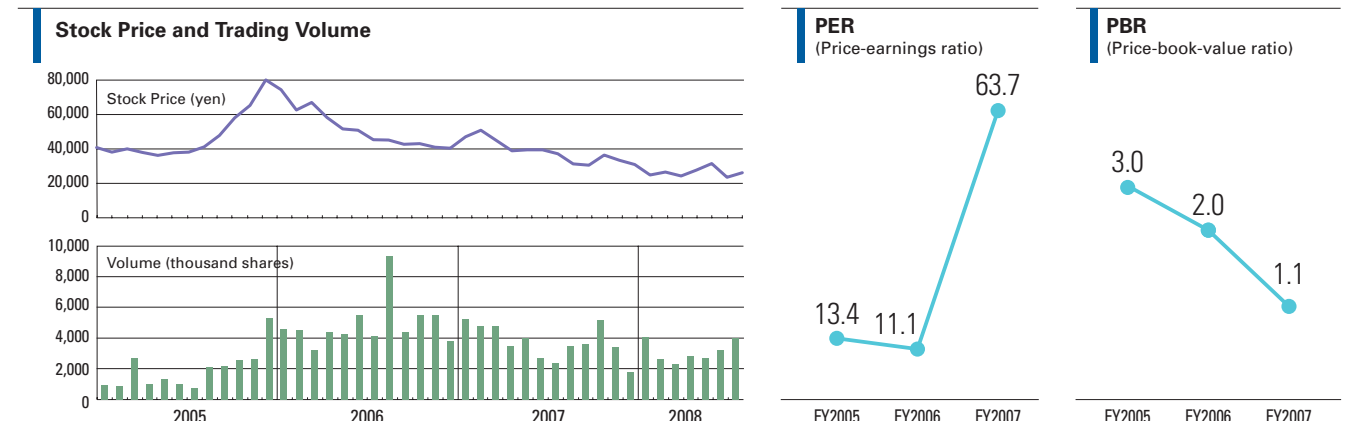
The SBIH Group makes a clear distinction between its "management philosophy" and "corporate vision." We regard our management philosophy as long-term and universal values to which we aspire and that this philosophy should not be easily altered because of a change in top management or shifts in the market. On the other hand, our "corporate vision" concretely describes how the Company sees its desired corporate organization in the future and therefore must be realistic and attainable. In the current age of rapid change, a corporate vision is of a medium-term nature.

	Millions of Yen Years ended 31st March			Thousands of U.S. Dollars Year ended 31st March *1
	2006	2007	2008	2008
Operating Revenues	¥ 137,247	¥ 144,581	¥ 222,568	\$ 2,221,233
Operating Income	49,595	23,095	42,607	425,219
Net Income	45,884	46,441	4,229	42,205
Total Equity *2	268,123	346,641	387,766	3,869,925
Total Assets	1,331,644	1,367,222	1,219,247	12,168,136
Equity Ratio(%)	20.1	18.1	19.8	
Net Cash used in Operating Activities	(132,740)	(67,409)	50,074	499,738
Net Cash provided by Investing Activities	(33,137)	86,014	(20,610)	(205,690)
Net Cash provided by Financing Activities	200,746	(58,176)	(9,957)	(99,374)
Cash and Cash Equivalents, end of Year	132,545	115,092	159,007	1,586,901

*1. U.S. Dollar figures are for reference only, and calculated at ¥100.20 to U.S. \$1.00, the exchange rate on 31st March 2008.
 *2. Due to the new accounting standard for presentation of equity, the Total Equity at 31st March 2007 and 31st March 2008 includes stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under the hedge accounting standard. These items are not included in the Total Equity numbers for 31st March 2006.



*3. Ordinary income represents periodic accounting profit/loss attributable to the nominal and recurring business operations of the entity. Ordinary income is calculated by adjusting operating income for gains on management of surplus funds (interest income, etc.) and the cost of raising funds (interest expense, etc.).



Note: Share price and trading volume figures are monthly averages (adjusted for stock splits).

PER = FY end TSE closing price / Earnings per share

PBR = FY end TSE closing price / Net assets per share*
 Note: The closing price for FY2007 was ¥23,980.

* Uses net assets prior to application of the new accounting standard for FY2005.

The SBIH Group had 74 consolidated subsidiaries (including 19 partnerships) and eight equity-method affiliates as of March 31, 2008.

The SBIH Group has five core businesses: Asset Management, which primarily involving the operation of investment funds; Brokerage & Investment Banking, mostly the securities business; Financial Services, which offering a variety of innovative financial services; Housing and Real Estate, involving primarily real estate investments and development; and System Solution, a business sector newly established in FY2007. As an Internet-based comprehensive financial group, which is centered on financial businesses but includes non-financial operations as well, the SBIH Group is positioned for future growth as it continues to pursue the convergence of finance and the Internet.

The **Asset Management Business** achieved solid growth owing to a strong performance by investments in Asia. Operating revenues were up 55.3% to ¥58.0 billion and operating income was ¥16.5 billion compared with a ¥3.2 billion loss a year earlier, the result of one-time factors associated with the start of investment fund consolidation.

In the **Brokerage & Investment Banking Business**, operating revenues increased 3.2% to ¥68.5 billion, despite the global downturn in stock markets. This owes to the diversification of the profit structure of SBI SECURITIES Co., Ltd.*, which has a dominant position in Japan's retail securities market in terms of number of customers and market share. Operating income

decreased 15.8% to ¥20.5 billion primarily because of a reduction in brokerage commission rates.

In the **Financial Services Business**, a consistent performance by existing businesses produced a 19.4% increase in operating revenues to ¥22.5 billion. However, operating income fell 74.1% to ¥0.8 billion as a substantial volume of start-up expenses at new businesses held back earnings.

In the **Housing and Real Estate Business**, a significant increase in revenues from real estate operations, primarily real estate development, caused operating revenues to surge 212.7% to ¥75.1 billion and operating income to climb 583.7% to ¥8.1 billion.

*Name changed from SBI E+TRADE SECURITIES Co., Ltd. in July 2008.

Business Segments

Ratio of Operating Revenues to Total Consolidated Operating Revenues (Share of consolidated revenues in FY2006 and 2007)

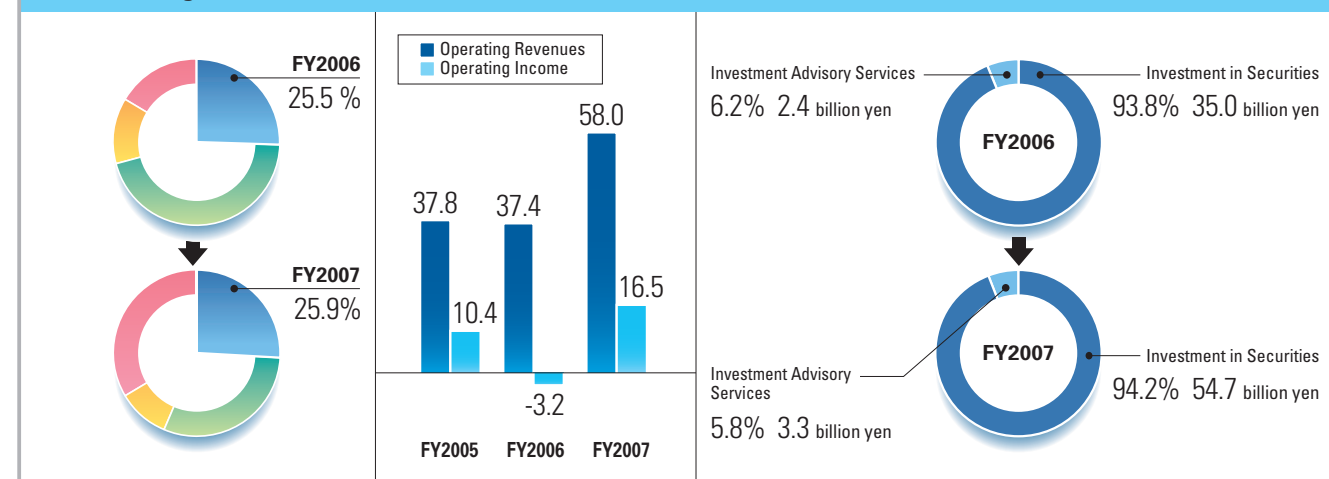
Operating Results

(billion yen)

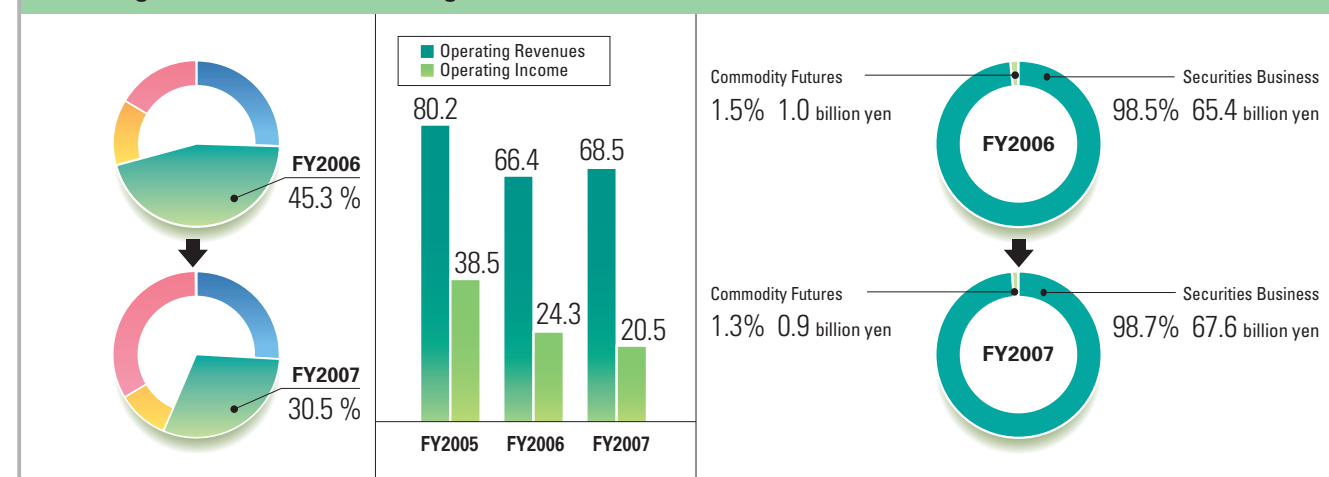
Operating Revenues by Segments

(Share of consolidated revenues in FY2006 and 2007)

Asset Management Business



Brokerage and Investment Banking Business



Note: In prior periods, SBIH Group's business was divided into three segments: Asset Management Business, Brokerage and Investment Banking Business, Financial Services Business. Effective from FY2007, the Group's business was divided into five segments: Asset Management Business, Brokerage and Investment Banking Business, Financial Services Business, Housing and Real Estate Business, and System Solution Business. FY2006 sales are restated to comply with FY2007 presentation.

Business Segments

Ratio of Operating Revenues to Total Consolidated Operating Revenues (Share of consolidated revenues in FY2006 and 2007)

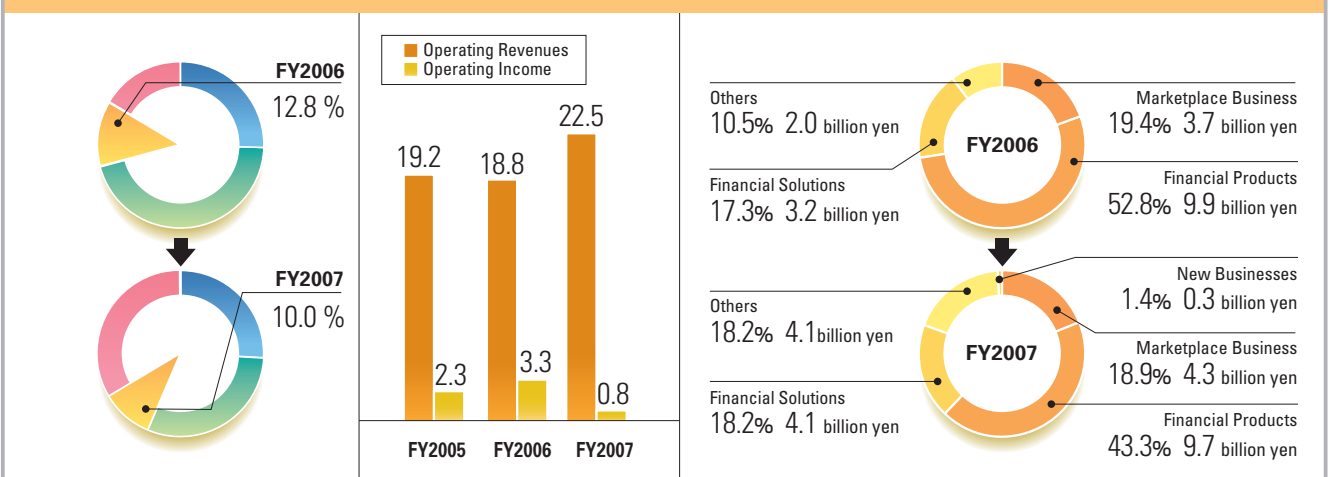
Operating Results

(billion yen)

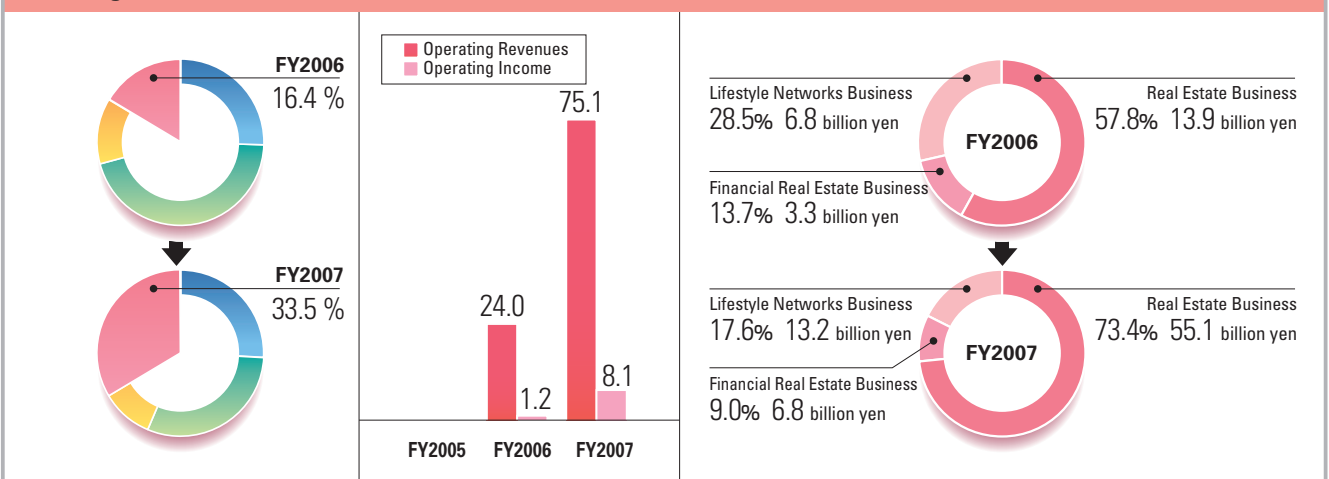
Operating Revenues by Segments

(Share of consolidated revenues in FY2006 and 2007)

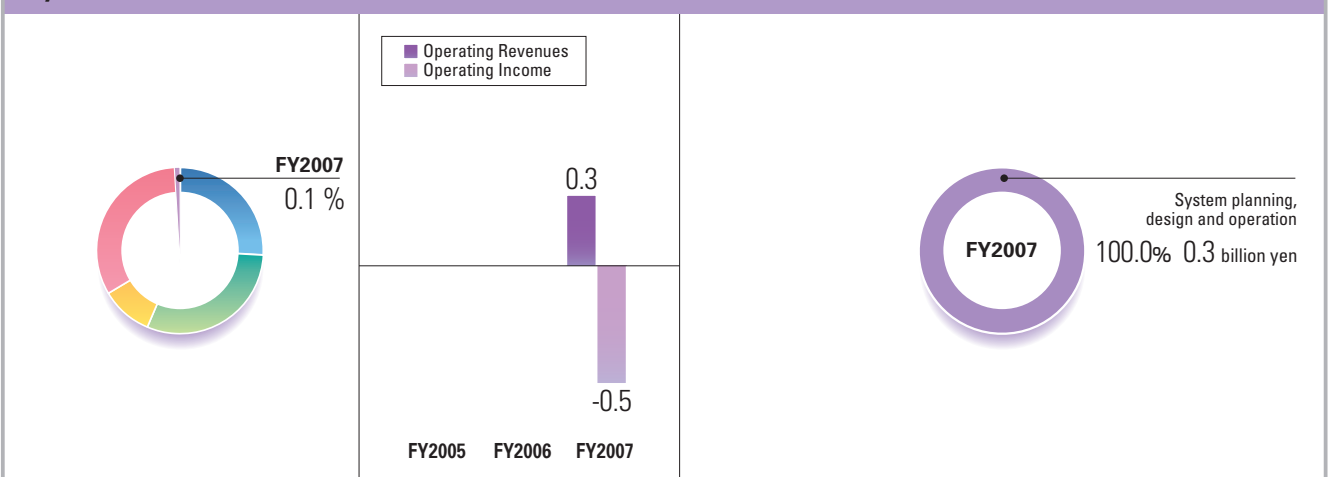
Financial Services Business



Housing and Real Estate Business



System Solution Business



SBI Holdings, Inc.

TSE 1st section

Asset Management Business

Fund management, investment advisory services, etc.

- ① SBI Investment Co., Ltd.
 - Venture capital fund management 100.0%
- ① SBI CAPITAL Co., Ltd.
 - Buyout and value up fund management 60.0%
- ① SBI Capital Solutions Co., Ltd.
 - Mezzanine fund management 100.0%
- ① SBI Asset Management Co., Ltd.
 - Investment advisory services, investment trust management 100.0%
- ① SBI Arsnova Research, Co., Ltd.
 - Arrangement and management of alternative investments 99.0%
- ① SBI Biotech Co., Ltd.
 - Pharmaceuticals research and development 26.3% [69.2%]
- ④ SBI ALApromo Co., Ltd.
 - Development and sales of products that use "5-ALA"(5-Aminolevulinic acid hydrochloride) 46.2% [76.9%]
- ④ SBI VEN CAPITAL PTE. LTD.
 - Overseas investments (100.0%)

Management of IT, Biotechnology, Buyout and other funds, primarily through SBI Investment; establishment of investment products, primarily at SBI Asset Management; establishment of venture capital funds that invest in China, India and other countries offering excellent growth prospects

Brokerage & Investment Banking Business

Securities, investment banking, commodity futures, etc.

- ① SBI SECURITIES Co., Ltd.
 - Comprehensive online securities company 55.8%
 - fka SBI E*TRADE SECURITIES Co., Ltd. until July 2008
 - KOSDAQ
 - ① E*TRADE Korea Co., Ltd.
 - Online securities company in Korea (71.4%)
 - (agreement signed for the sale of this company)
 - ① SBI Benefit Systems Co., Ltd.
 - Services for defined-benefit pension plans (87.0%)
- ① SBI Futures Co., Ltd.
 - Internet commodity futures trading company 78.7%
- ② SBI Japannext Co., Ltd.
 - Operation of PTS (Proprietary Trading System) 37.5% [47.5%]
- ③ Strategic Consulting Group, Inc.
 - Financial advisory services 44.4%
- ④ SBI Fund Bank Co., Ltd.
 - Planning services associated with investment trusts 100.0%

A comprehensive securities business centered on the operations of SBI SECURITIES, thereby combining online and traditional "bricks and mortar"(face-to-face) business models

Financial Services Business

A diversified line of financial services

Financial Services Business Division (SBI Holdings)

Operation of financial product comparison, search and estimate websites

- ① Morningstar Japan K.K.
 - Investment trust evaluations 48.6%
- ① Gomez Consulting Co., Ltd.
 - Evaluation of e-commerce websites and other services (67.9%)[74.2%]
- ① Morningstar Asset Management Co., Ltd.
 - Investment advisory services, others (100.0%)
- ① SBI VeriTrans Co., Ltd.
 - Provision of electric settlement services 42.2%
- ① SBI Lease Co., Ltd.
 - Comprehensive leasing business 100.0%
- ① SBI Equal Credit Co., Ltd.
 - Loans to individuals and business owners 100.0%
- ① SBI Card Co., Ltd.
 - Credit card business 100.0%
- ① SBI Card Processing Co., Ltd.
 - Credit card transaction processing 75.0%
- ① SBI Marketing Co., Ltd.
 - Advertising agent 92.0%

The new bank, non-life insurance and life insurance businesses; operation of insurance and loan product comparison websites; credit cards and other financial products and services; payment settlement services; development of financial software; investment trust evaluations; and many other activities

- ① SBI Insurance Co., Ltd.
 - Non-life insurance company using primarily the Internet 61.6%
- ① SBI AXA Life Insurance Co., Ltd.
 - Life insurance company using exclusively the Internet 55.0%
- ③ SBI Sumishin Net Bank, Ltd.
 - Internet bank 50.0%
- ① Autoc one K.K.
 - Internet support service for purchasing automobiles 54.1%
 - fka autobytel Japan K.K. until April 2008
- ④ SBI Auto Finance Co., Ltd.
 - Financing for used car dealers 87.5%
- ④ SBI Servicer Co., Ltd.
 - Management, purchase and recovery of receivables 60.0%
- ③ SOLXYZ Co., Ltd.
 - Software development 22.8%
 - JASDAQ
- ④ SBI Systems Co., Ltd.
 - IT Systems development 100.0%
- ④ SBI Point Union Co., Ltd.
 - Rewards points system for SBIH Group and other companies 90.0%
- ④ SBI Intechstra Co., Ltd.
 - Management of intellectual property 76.9%
- ④ SBI artfolio Co., Ltd.
 - Purchase and sale of works of art 100.0%

Housing and Real Estate Business

Housing loans, real estate investments, real estate developments, etc.

Real Estate Business Division (SBI Holdings)

Real estate investments, real estate developments, and operation of real estate investment funds

Lifestyle Networks Business Division (SBI Holdings)

Operation of a diverse line of products and services comparison, search and estimate websites

- ① SBI Mortgage Co., Ltd.
 - Long-term, fixed-rate housing loans 81.8% [93.8%]
- ① CEM Corporation
 - Real estate-secured loans 22.6% [79.7%]
- ① LIVING Corporation
 - Development and sale of properties sold to investors 68.2%
- ① SBI Planners Co., Ltd.
 - Architectural construction and consulting services (100.0%)
- ④ SBI ArchiQuality Co., Ltd.
 - Residential structure inspections and evaluations (75.0%)
- ④ SBI Guarantee Co., Ltd.
 - Loan guarantees 100.0%
- ① HOMEOSTYLE Inc.
 - Beauty and health services and sale of accessories [95.8%]
- ① E*GOLF Corporation
 - Operations of golf course information websites 67.2%
- ④ SBI Wellness Bank Co., Ltd.
 - Healthcare services for membership 100.0%

Housing loans and housing loan brokerage; real estate investments and property development; establishment and operation of funds, mainly to invest in real estate; operation of businesses for the efficient support of customers' purchasing activities by establishing networks, such as the "Hikaku ALL" comparison and estimate portal site, to meet needs associated with major life events and stages

System Solution Business

Planning, design and operation of IT systems

- ① SBI Robo Corp.
 - Development of next-generation financial services 84.0%
- ① SBI Net Systems Co., Ltd.
 - R&D and information security products for C4 encryption technology 55.3% [69.1%]
 - fka C4 Technology, Inc. until August 2008
- ① TradeWin Co., Ltd.
 - Provision of system solutions to financial institutions (100.0%)
- ① SBI Tech Co., Ltd.
 - Development and operation of IT systems for financial institutions (100.0%)
 - fka Traders Financial Systems Co., Ltd. until April 2008

Search engine development; planning, development and operation of services, mainly Web 2.0 platforms; OEM business; social marketing business; service for provision, development and operation of system solutions for financial institutions; other activities

As of 30th June, 2008
 Note: (): Percentages are including indirect holdings by SBIH []: Percentages are total holdings by the SBIH Group

① Consolidated subsidiary ② Equity-method company/non-consolidated subsidiary ③ Equity-method company/affiliated company ④ Non-consolidated subsidiary



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)

Toward a New Evolutionary Process

Strategic Business Innovator



Yoshitaka Kitao
Representative Director & CEO

As we further advance our “customer-centric principle,” the point of origin of our founding, the SBIH Group is striving to attain significant growth to become a comprehensive corporate group that transcends the finance domain.

Question Q1

The SBIH Group announced a new corporate vision in April 2008. Please explain why a new corporate vision is needed at this time, and how you plan to accomplish the objectives set forth by this vision.

1) The SBIH Group’s accomplishments and changes in the operating environment since the establishment of the initial corporate vision

SBI Holdings transitioned to a holding company structure in July 2005, and following this reorganization, the company formulated overall strategies based on our management philosophy and corporate vision.

Upon this basis, we have endeavored to build a business portfolio that maximizes various synergies that ultimately establishes a powerful comprehensive finance group structure, which is in line with the market trend toward the establishment of financial conglomerates.

Initial Vision of the SBIH Group (Formulated in July 2005)

- Maximize corporate value through the synergies between customer value, which is the basis of our company, as well as the value created by shareholders and our own intrinsic human capital value.
- Increase the aggregate market capitalization of listed group companies from the current ¥1.0 trillion to ¥3.0 trillion in three years and ¥5.0 trillion in five years.
- Become not just a “strong company”, but a “strong and respected company”

Since announcing the corporate vision in 2005, there have been substantial changes in the SBIH Group’s operating environment, as well as in the Japanese economy. To reflect the realities of today’s market conditions, we decided to replace the 2005 vision with a new corporate vision. In today’s rapidly changing business environment, a corporate vision should be considered to have a medium-term duration, while a management philosophy is of a more long-term and universal nature, and should not be changed easily because of shifts in top management, or changes in business circumstances.

Precisely because we live in a world of rapid changes and uncertainties, the leaders of nations or corporations alike have the important role of presenting in a concrete manner an intriguing picture of what the nation or corporation will be like in the future; in other words, its vision. When a current leader steps down, such vision may be revised - or should be revised, in my opinion - in accordance with the changes in circumstances, or the prospect for such changes at that time.

We started by asking ourselves how we should transform our corporate vision in response to ongoing events that are reshaping our business environment. Japan is falling behind other countries in restructuring its industries. At the same time, emerging economies are growing rapidly, primarily in the BRIC countries. Having recognized these trends early on, we have been increasing our overseas investments since 2005. This has greatly expanded our overseas operations to the point where they account for 17.9% of our consolidated operating revenues.

Growth in Overseas Operating Revenues at SBI Holdings

Years ended March 31	2005	2008
Operating revenues	81.5	222.5
Overseas operating revenues	3.0	39.9
Pct. of operating revenues	3.7	17.9

The SBIH Group started out with 55 employees and no revenues. Today, we have a workforce of 2,666 employees and consolidated operating revenues of ¥222.5 billion (year ended March 2008). Advancing our “customer-centric principle” has been crucial to our success. Our customer base, which is the foundation for growth of the SBIH Group’s corporate value, has grown to include about 6.8 million customers. The result of increased customer value is clearly demonstrated by the growth of our customer base.

Progress of the SBIH Group Following the 2005 Corporate Vision Announcement

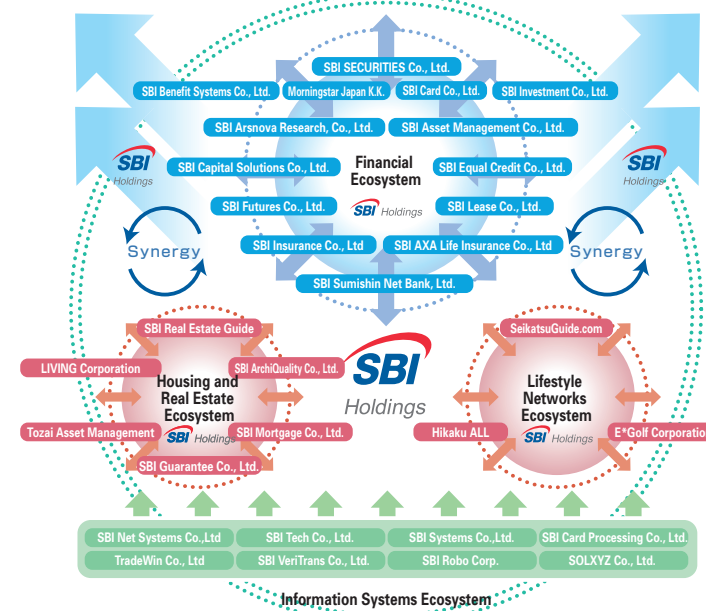
Growth since the SBIH Group’s inception

	1999 (start of the SBIH Group)	End March 2005	End March 2008
Customer base	0	About 1.7 million	About 6.8 million Up 300%
Employees (consolidated)	55	1,374	2,666 Up 94%
Operating revenues (consolidated)	0	¥81.5 billion	¥222.5 billion Up 173% (FY2007)
Consolidated subsidiaries in number	0	36	74 Up 106% (including funds)
Publicly owned group companies in number	0	6 <small>(including Softbank Investment currently SBIH)</small>	11 Up 83% (including SBIH)
Paid-in capital	¥50 million	¥34.7 billion	¥55.1 billion Up 59%

Major group companies & divisions		March 2005	March 2008
SBI SECURITIES (formerly SBI E*TRADE)	(number of accounts)	590,000	1.66 million Up 181%
InsWeb	(cumulative users performing transactions)	690,000	2.4 million Up 1.71 million
E-LOAN	(cumulative users performing transactions)	140,000	570,000 Up 430 k
SBI Mortgage	(loans outstanding)	¥68.1 billion	¥365.1 billion Up 436%
SBI Sumishin Net Bank	(deposits)	(Started Sep.'07)	¥400 billion (as of Aug. 2008)
SBI VeriTrans	(stores using this service)	1,010	2,500 Up 148%
SBI Card	(cards issued)	(Started Nov.'06)	32,000
Morningstar Japan	(new portfolio registrations)	(Started fall '06)	31,000
Lifestyle related comparison websites	(cumulative users performing transactions)	50,000	720,000 Up 670 k
MoneyLook	(number of users)	300,000	620,000 Up 320 k
Autoc one	(number of service users)		2.12 million (FY07)

*Overlapping users are eliminated in cases where, due to the nature of each service site, unique users may be counted more than once when conducting more than one transaction using these sites. However, users who use services of more than one group company are counted twice.

How did we become such a large group in such a short time? I think one key factor was our superior organizational structure. Our strategy is to assemble a group that functions as an ecosystem. That means every company helps each other grow while benefiting from mutual synergies. Additionally, I have repeatedly stressed the theme of "to utilize finance as the nucleus to go beyond the financial sector." Outside of the finance domain, we have created ecosystems for housing and real estate and for information systems. Both are now beginning to grow.



2) Sustaining growth of operating income – one of the goals of the new vision

The SBIH Group now has a new corporate vision that is consistent with the changes in the operating environment that I shall now discuss.

Targeting operating income of ¥100 billion in five years (year ending March 2013)

Thereafter, we are targeting a long-term annual operating income growth greater than 15%.

This goal can be accomplished through internal growth, as opposed to a market capitalization goal which greatly depends on the course of the stock markets.

Expand Asset Management and Brokerage & Investment Banking Business to two-thirds of operating income by year ending March 2013, with all other businesses accounting for the remaining one-third.

We will work to reduce the contribution from the Asset Management and Brokerage and Investment Banking Businesses, which are easily affected by the volatility of the stock markets, to two-thirds of operating income. Conversely, we will work to increase the contribution from our other businesses that are minimally affected by the volatility of the stock markets, to one-third of our operating income. To accomplish this, we plan to further expand our three ecosystems: Housing and Real Estate, Lifestyle Networks, and Information Systems. Increasing earnings from financial services and other businesses that are minimally affected by stock market volatility will help to stabilize our earnings going forward.

Transform the SBIH Group into a global organization that earns half of its operating income outside of Japan by the year ending March 2013.

We are expanding our sources of earnings outside of Japan in order to transform our organization from a domestic Japanese entity into a truly global organization.

Forecast and Targets for Business Unit Operating Income

Years ending March 31	2008 (actual)	2013 (goal)
Asset Management	16.5	66.6
Brokerage & Investment Banking	20.5	
Financial Services	0.8	
Housing and Real Estate	8.1	33.4
Total	42.6	100.0

(¥ billion) **Growth of 134.7%**

Minimum target for operating income in year ending March 2013

→ ¥100 billion

Note: Eliminations for consolidation and corporate expenses have been apportioned to each business.

The SBIH Group's Target for Operating Income

[Composition by business segment]

	Asset Management	Brokerage & Investment Banking	Financial Services, Housing and Real Estate, System Solution
Year ended March 2008 (%)	36.2	45.1	18.7
Within 5 years	2/3		1/3

[Composition by region]

	Japan	Overseas
Year ended March 2008 (%)	54.9	45.1*
Within 3 Years	2/3	1/3
Within 5 years	1/2	1/2

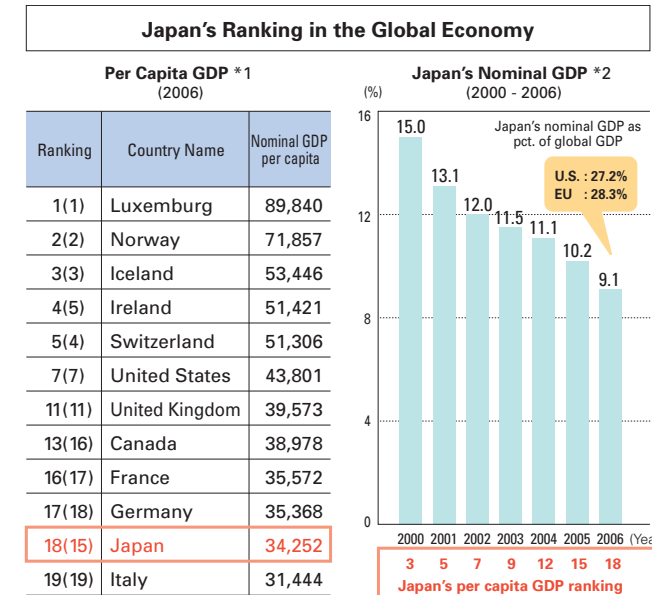
* Note: Sum of operating income from sales of overseas assets and from E*TRADE Korea.

Question Q2

Please discuss your strategy for growth outside of Japan, in the midst of large changes in the global economy.

1) Why do we need to grow overseas?

Japan's income balance surpassed its trade balance for the first time in 2005. This was an undeniable signal that Japan's days as an export-based economy was over. Unfortunately, this signal was ignored. Japan should have been moving away from an economy centered on manufacturing, but this structural change was delayed by a weakening yen and China's strong demand for Japanese manufactured goods. As a result, while countries making progress towards the post industrial society have been raising their per capita GDP, Japan has dropped from the world's highest per capita GDP in 1993 to 18th in 2006, clearly indicating Japan's weakening economic position in the world.



*Unit: Dollar based on OECD
*1 From Nihon Keizai Shimbun, December 27, 2007
*2 Japanese Economy Report, Cabinet Office

As Japan's economy weakened, foreign investors have shifted their attention to other countries. During 2007, stock prices in China rose 95.5%, the biggest increase in the world. Stocks in India were up 45.0%, ranking second, U.S. stocks rose 7.1%, ranking eleventh, and British stocks rose 3.0%, ranking sixteenth. However, stock prices in Japan fell 11.1% in 2007, putting Japan in twentieth place, a clear sign that the Japanese stock market is falling behind the growth of equity markets in other countries.

The emergence of the subprime loan problem in July 2007 has led to a global credit crunch, along with a capital crunch for many financial companies. Shortages of credit and capital are largely responsible for the subsequent downturn in the stock markets, as well as their continuing volatility.

In the wake of the Livedoor scandal that broke in January 2006, the performance of Japan's small company stock markets has been weaker than the Nikkei Average. For the year that ended in March 2008, the TSE Mothers market index fell 39% and the OSE Hercules market index dropped 43%, while the Nikkei Average declined 26%.

Slumping prices of small company stocks caused Japan's IPO market to shrink rapidly. There were only 99 IPOs during the year to March 2008, which was 47% less than a year earlier, and the fewest number of IPOs in five years.

Stock Prices in Japan Lagged Behind Other Major Markets in 2007

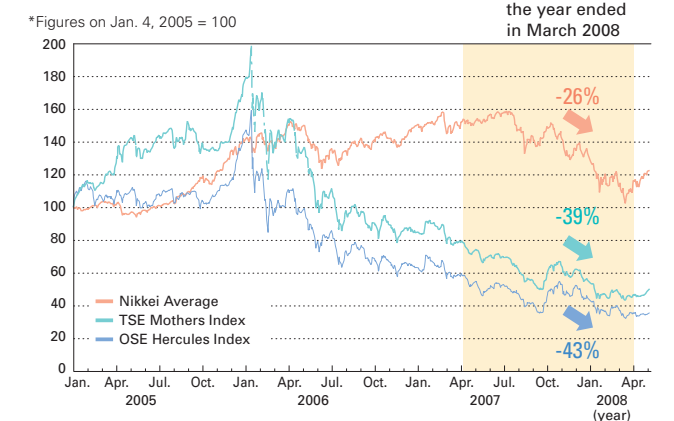
Japanese stocks down 11.1% in 2007, ranking 20th in the world
Up-down ratio of major world's markets from Jan. to Dec. 2007 (%)

Ranking	Country	Up-down ratio	Ranking	Country	Up-down ratio
1	China	95.5	11	United States	7.1
2	India	45.0	12	Spain	6.2
3	Brazil	40.5	13	Canada	5.8
4	Hong Kong	37.1	14	Taiwan	5.0
5	South Korea	33.0	15	Netherlands	3.1
6	Germany	20.3	16	United Kingdom	3.0
7	South Africa	18.7	17	France	0.2
8	Singapore	14.5	18	Switzerland	-4.5
9	Australia	13.8	19	Italy	-8.7
10	Mexico	11.2	20	Japan	-11.1

Source: Nihon Keizai Shimbun, December 28, 2007

Major Stock Indexes in Japan

The Nikkei Average dropped 26% between the year ended in March 2008 as the yen appreciated. The Mothers market fell 39% and Hercules was down 43%.



2) Accelerate overseas businesses, primarily in the Asset Management Business

Recent trends make it clear that the SBIH Group must establish a high-return asset management framework that is no longer centered on Japan's small company stock markets. This is why our new corporate vision includes an ambitious goal for overseas operations. We plan to transform ourselves into a global organization that earns half of its operating income from outside of Japan by the fiscal year ending in March 2013.

Our Singapore subsidiary, SBI VEN CAPITAL PTE. LTD., started operations in May 2007 to take advantage of the business opportunities that are present in the rapidly expanding Asian economies, in countries such as China and India. Largely owing to the 20% withholding tax for foreign investors into Japanese venture capital funds, Japan is not a favorite venture capital investment country for foreign investors. This onerous tax is a major impediment to the country becoming a Financial Services Nation. In Singapore, foreign investors are able to avoid the Japanese withholding tax, enabling us to offer investment funds with a more equitable and attractive tax structure. Our strategy is to use these funds to purchase equity in privately owned companies involved in information technology, as well as other business fields.

Personal relationships are extremely important to the success of investment activities outside of Japan. This is why we operate many funds in partnership with well-known overseas companies, universities and other organizations.

In India, we have an alliance with The State Bank of India, which is that nation's largest commercial bank. Using this alliance, we established the India Japan Fund in April 2008. With commitments for contributions totaling US\$100 million, the fund targets in promising unlisted companies in India.

In Vietnam, we have an alliance with The Corporation for Financing and Promoting Technology (FPT), that country's largest information technology group. With FPT, we established and began operating The Vietnam Japan Fund in April 2008. The fund is denominated in the Vietnamese Dong (VND), and started operations with contribution commitments totaling US\$100 million.

In China, we have alliances with Tsinghua Holdings, which is affiliated with Beijing-based Tsinghua University, and with Beida Jade Bird, the strategic investment arm of Peking University, to invest in new companies originating from universities. Further, we reached an agreement in principle in June 2008 to form an investment fund and fund management company with China Merchants Securities Company Limited, Resource Capital China Limited and China CITIC Bank Corporation Limited.

For our real estate operations in April 2007, we signed a memorandum of understanding with the city of Weifang, in China's Shandong province, as the first step in forging a comprehensive alliance with this city, which then led to the March 2008 opening of a representative office in Weifang. By submitting bids, we plan to participate in real estate developments jointly with an investment company operated by

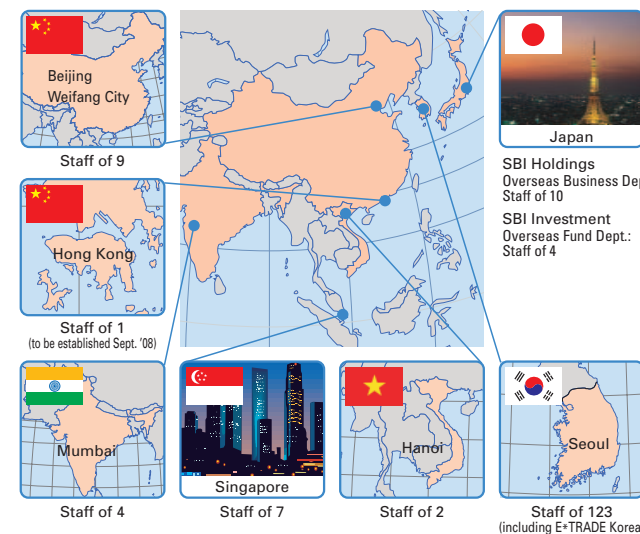
Weifang and with local general contractors. Additionally in April 2008, we signed a strategic memorandum of understanding with China-Singapore Suzhou Industrial Park Land Co., Ltd., which obtains indirect financing from the Chinese and Singaporean governments. Under this agreement, the goal will be joint investments in projects planned at the Suzhou Industrial Park, and the establishment of joint ventures associated with these projects.

In addition, we are actively in discussions about new businesses in various countries and areas such as the Middle East, Brunei and Malaysia. Also, we are currently preparing to start operations in Cambodia with a Korean partner. Under the current circumstances where stock prices are dropping in Asian countries, we are examining investment in publicly listed stocks, not just unlisted stocks, in order to enjoy all types of income opportunities.

We are currently considering investment operations in Eastern Europe. I believe this region is on the verge of significant growth that will produce an enormous market. For example, Japanese automakers are building plants in Poland, where labor costs are comparatively low. Growth in jobs in Eastern Europe will transform this region into a large market for consumer products. In this sense, inclusion of Eastern European countries in the EU is beginning to produce substantial benefits.

The SBIH Group's Overseas Network is Centered in Asia

The SBIH Group's overseas bases have continuously expanded since the establishment of its subsidiary in Singapore in May 2007, and now covers the greater part of the Asian emerging countries. The overseas workforce will continue to grow as the SBIH Group increases the number of overseas investment funds that will target Asia's potentially high investment returns.



Thus by partnerships with financial institutions, universities, companies and governments, we are accelerating the pace of overseas growth, primarily in venture capital investments. Capital gains are not our only objective, as we also examine various other possibilities, such as acting as an intermediary for mergers and acquisitions for our portfolio companies, and transplanting our online securities and other business models into other countries.

3) New Horizon Fund holds the potential of producing significant returns

We established the New Horizon Fund, which had an initial fund investment of US\$100 million, in May 2005 with Temasek Holdings, the principal investment arm of the Singaporean government. The fund has invested in a portfolio of promising Chinese companies by way of our Beijing representative office, which we opened in September 2005. Currently, the New Horizon Fund has investments in 10 promising companies in China. Of these, six are now publicly listed with unrealized capital gains already far above the fund's original investment. The other four portfolio companies are planning an IPO either later this year, or in 2009. Sales of some of the holdings resulted in realized capital gains of ¥3.6 billion in the fiscal year that ended in March 2008. Prospects are excellent for a continuation in the fund's outstanding performance.

New Horizon Fund Performance

Since the start of operations in May 2005, six of the fund's 10 portfolio companies have undergone an IPO. Sales of a portion of the stocks produced a gain of ¥3.6 billion in the year ended March 2008.

(Unit : US\$ million)

Portfolio companies	Investment	Category	IPO (planned)	Capital gain		
				End Mar.07	End Mar.08	As of Jul. 29, 2008
Sichuan Meifeng Chemical Industry	14.8	A-Class share		30.5	63.7	37.4
Changsha Zoomlion Heavy Industry Science & Technology Development	10.2	A-Class share		35.6	144.6	97.3
China Printing & Dyeing Holding	3.4	IPO		1.0	0.2	-1.1
Yingli Green Energy Holding	0.2	IPO		Pre-IPO	4.5	0.6
Kingsoft	9.4	IPO		Pre-IPO	2.3	4.7
Goldwind Science and Technology	4.1	IPO		Pre-IPO	124.9	97.7
Cathay Industrial Biotech	12.0	Pre-IPO	2008		79.1	79.1
China Stem Cells Holdings	4.1	Pre-IPO	2008		17.6	17.6
Jiangsu Ealong Biotech	2.5	Pre-IPO	2008		5.6	5.6
Shineway Group	20.4	Pre-IPO	2009		15.0	15.0
Total	81.1			67.1*	457.5	353.9

* The figures of capital gain (end Mar. '07) were included three companies which completed IPO as of March 31, 2007

(Approx. ¥45.8 billion)
(Approx. ¥35.4 billion)

[Estimated Dividend (tentative)]

FY2008 US\$ 66 million (¥6.6 billion)
 FY2009 US\$ 85 million (¥8.5 billion)
 FY2010 US\$ 83 million (¥8.3 billion) Total dividend (tentative) US\$234million (¥23.4 billion)

Note : The above figures are not confirmed

Question Q3

As the SBIH Group accelerates its overseas expansion, what is your strategy for future investments in Japan?

1) Set up funds that match today's market trends

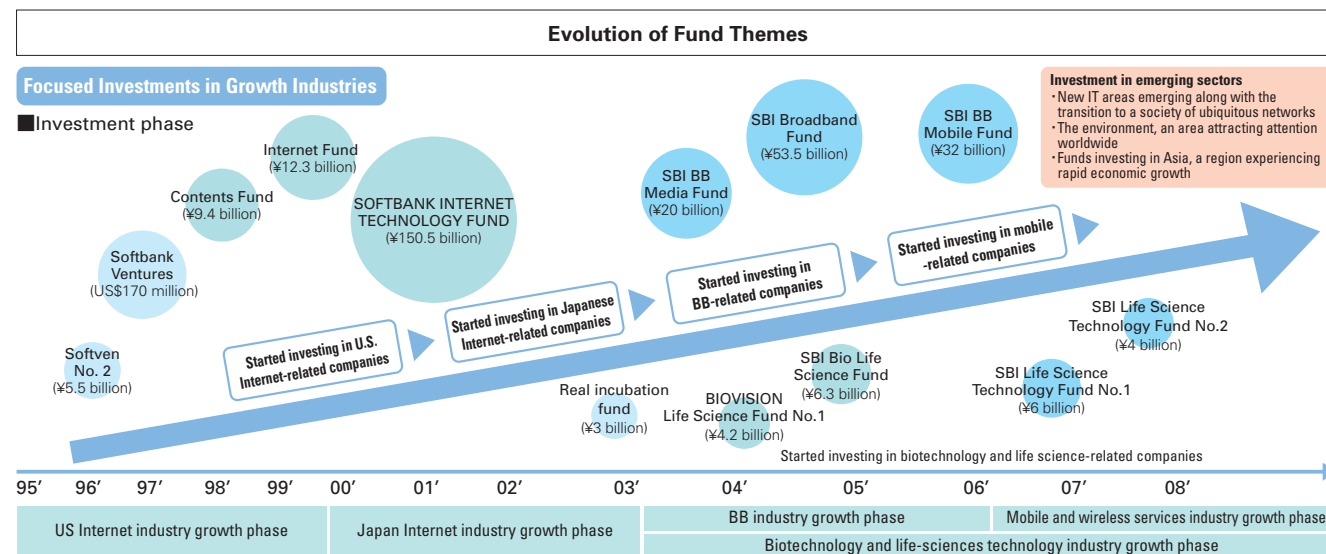
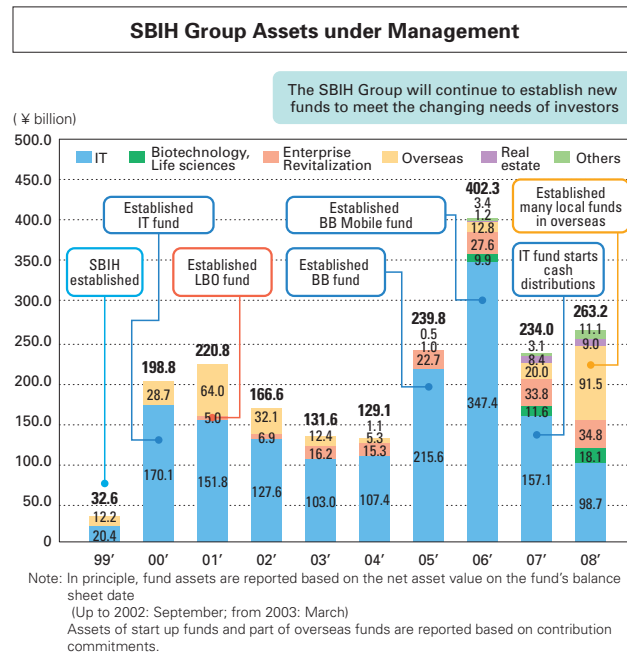
We have become the leader in the Japanese venture capital industry after only eight years since the start of operations (based on the amount of new investment for FY2007, using IR materials of competitors). At the end of March 2008, the SBIH Group had ¥627.1 billion in assets under management, including assets in the housing and real estate business, investment trusts, the investment advisory category, and others. Assets in the private equity sector totaled ¥279.6 billion, even after the redemption of our flagship fund that had assets of ¥150.5 billion.

Although a number of venture capital firms in Japan have been operating longer than we have, SBIH became number one by following a clear investment strategy. That is, concentrating investments in growing industries and giving portfolio companies hands-on support, while holding a large percentage of their equity. It is based on this strategy that we identified the Internet and biotechnology as two key growth industries for the 21st century, and have been focusing our investments on these two sectors.

As such, we established our flagship "SOFTBANK INTERNET TECHNOLOGY FUND" in 2000, with an initial contribution of ¥150.5 billion. By investing mainly in companies associated with the Internet, the fund has performed very well. Since then, we have established many other funds. Targeted industries include mobile communications and media, biotechnology and life sciences, including drug discovery and intellectual property, and environment and energy.

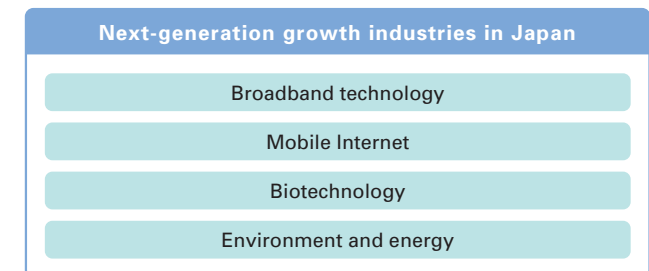
2) Major growth industries in Japan

The SBIH Group has invested in a large number of promising companies, primarily in the information technology field, and helped these companies to grow. In addition to IT, we believe that "biotechnology", "environment and energy", "broadband technology" and "mobile Internet" have the greatest growth potential in Japan. We have already launched venture capital funds that target these industries.



As our next core fund, we are in preparations for the launch of the SBI·NEO TECHNOLOGY FUND. The new fund will benefit from two SBIH Group strengths. First is our extensive knowledge of the IT and environmental fields. Second is our venture capital expertise, which is evident in fund performances that place us far ahead of our competitors. Privately owned Japanese companies with excellent growth prospects in the "next-generation information technology," such as ubiquitous information technology and "environment and energy" will be the main components of this venture capital fund, as there is a rising worldwide demand for companies in these two sectors. The fund's portfolio will also incorporate listed Japanese companies and companies in countries with emerging economies, by utilizing the established wide network of relationships with our local partners in Asia.

In accordance with the SBIH Group's management philosophy, including the goals of being a "financial innovator" and a "new industry creator," we are endeavoring to make direct contributions to the Japanese society by investing in and supporting the growth of companies that can become the country's next generation of industry leaders.



SBIH Group Activities in the Biotechnology and Environment and Energy Fields

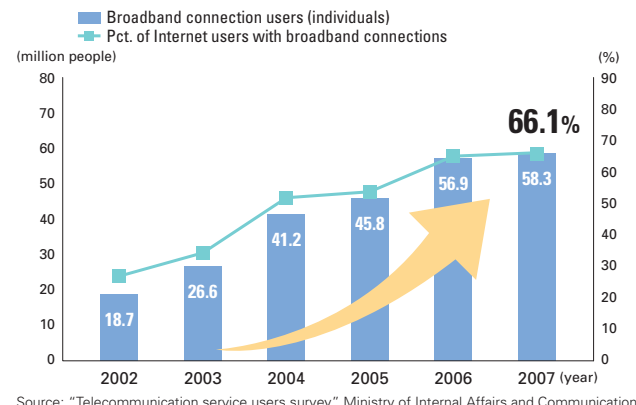
Operation of biotechnology funds	The SBIH Group currently manages biotechnology funds with aggregate assets of ¥20.5 billion*.
SBI Biotech Co., Ltd.	Preparing to start U.S. clinical trials using a nucleic acid pharmaceutical pipeline from alliance partner, Changchun Huapu Biotechnology Co., Ltd. of China.
SBI ALApromo Co., Ltd.	Established in April 2008 to prepare for the planning, development and marketing of pharmaceuticals, health food and beauty care products that use "5-aminolevulinic acid (5-ALA)" (bioactive substance).
Operation of fund investing in environment and energy fields	Established an investment in September 2007 with assets of ¥7.5 billion and is now making investments.

* based on contribution commitments

Japan's Broadband Market Advances to a New Stage

66.1% of Japan's Internet users have a broadband connection.

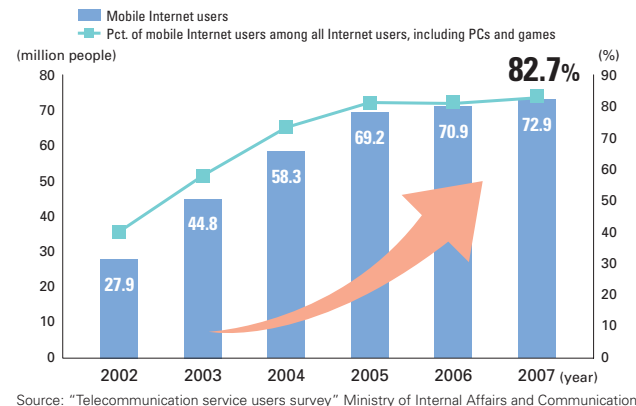
Fiber-optic connections (31.3%) are more widely used than DSL (18.9%). Information and communication technology is advancing to a new stage due to the emergence and development of NGN (Next Generation Network) and digital broadcasts.



Mobile Internet Drives Growth of the IT Industry

More than 70 million people use the mobile Internet, which is more than 80% of all people who use the Internet.

Activities involving mobile technologies will greatly affect further development of the IT industry.

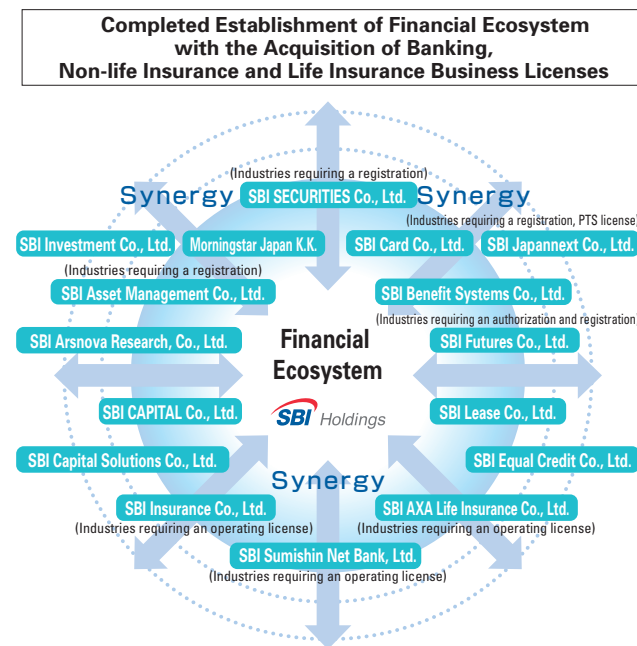


Question Q4

With the start of operations of an Internet bank, Internet nonlife insurer and Internet life insurer, the SBIH Group has finally completed its financial ecosystem. This creates the "Internet Financial Conglomerate" that the group has been planning since its inception. Please explain your strategies for making these three new core businesses profitable, including expected synergies with other group companies.

1) The final pieces of the financial ecosystem

Our financial ecosystem is now in place. The final events were the start of operations of SBI Sumishin Net Bank in September 2007, SBI Insurance in January 2008 and SBI AXA Life Insurance in April 2008. From the outset, the SBIH Group planned to build a growing financial ecosystem by establishing a variety of companies, which includes joint companies with prominent partners in the financial domain. With our bank and insurance companies operating, we have established a globally unique Internet-based financial conglomerate.



Since the inception of the SBIH Group in 1999, we have regarded banking as an essential and central component of our efforts to become a comprehensive financial group. The U.S. experienced a banking system crisis in the 1980s, and Japan's banks struggled with impaired loans during the 1990s. We were thus well aware of the difficulties of operating a bank. The biggest question was when to launch our bank. We decided to start our bank now because the SBIH Group's business ecosystem is largely in place. We therefore have many opportunities for capturing synergies between our bank and other group companies. Another reason is the trend toward universal banking as Japan's Financial System Council considers lowering barriers separating banks and securities companies. Establishing an Internet bank is essential to preparing for this trend. Once barriers separating the banking and securities sectors are gone, we can capture significant synergies between Internet banking and

Internet securities operations. Furthermore, if we do not act quickly, we may fall behind our competitors.

2) Progress at the three new core businesses

The SBIH Group has three new core businesses: banking, nonlife insurance and life insurance. In all three fields, we will take full advantage of our expertise to expand the Internet financial businesses, especially from the experience that we gained from operating Internet-based businesses, primarily in the securities field.

Internet bank

SBI Sumishin Net Bank is Japan's first Internet bank that offers full banking services covering deposits, loans and the settlement of accounts. Since the start of operations, the bank has been steadily increasing the number of customers. One advantage is a lineup of distinctive benefits as an Internet bank. Examples include highly competitive interest rates, free ATM transactions for individual customers and foreign currency deposits that permit placing orders at specific exchange rates. High-profile marketing campaigns have also helped attract new customers. SBI Sumishin Net Bank is dedicated to providing products and services that enhance convenience for its customers. For example, the "SBI Hybrid Deposit" provides a link to SBI SECURITIES, which has more than 1.7 million customer accounts. Even though other Internet banks in Japan started their operations earlier, SBI Sumishin Net Bank exceeded ¥400 billion in deposits after only 320 days and continues to increase the volume of its deposits.

SBI Sumishin Net Bank Ltd. SBI Sumishin Net Bank

Business plan at start of operations (September 24, 2007)

- Customer accounts Third year : about 400,000 Fifth year : about 600,000
- Deposits Third year : about ¥700 billion Fifth year : about ¥1,000 billion
- Earnings Third year : profitable on single-year basis Fifth year : net income of about ¥5 billion and elimination of accumulated losses

Progress report

- Customer accounts 200,907 (August 10, 2008)
- Deposits ¥403 billion (August 10, 2008) (Surpassed ¥400 billion on 320th day of operations, fastest of any Internet bank in Japan)

I believe the success of our new Internet bank and two Internet insurance companies will depend greatly on our ability to achieve an integration of online and conventional (face-to-face) services in various ways.

I think that the banking business is well suited to combining Internet and conventional channels. Banks can use the Internet to gather deposits, and use conventional channels for investing those funds. In other words, we need to take full advantage of the

Internet for increasing the volume of deposits, and at the same time, to invest these deposits productively while receiving the assistance of the many SBIH Group companies that have expertise in conventional asset management.

For housing loans, it is basically difficult to achieve growth by solely depending on the Internet. Increasing the volume of these loans requires forming ties with many real estate and housing companies. Consequently, we need to examine more closely the banking business from all of these perspectives in order to achieve an effective integration of online and face-to-face operations.

Days Needed by Internet Banks to Surpass ¥400 Billion in Deposits

	Start of operations	Surpassed 100 billion yen in deposits (*1)	Days after start of operations	Surpassed 400 billion yen in deposits (*1)	Days after start of operations	Deposits (billion yen) (*2)
eBANK	2001/07/23	2003/10/1 ~2004/3/31	801-983 days	2006/11/1 ~2006/11/30	1,928-1,957 days	802
Japan Net Bank	2000/10/12	2002/10/1 ~2003/3/31	720-901 days	2007/10/1 ~2007/12/31	2,546-2,637 days	434
Sony Bank	2001/6/11	2002/3/1 ~2002/3/31	264-294 days	2004/6/1 ~2004/6/30	1,087-1,116 days	1,241
SBI Sumishin Net Bank	2007/9/24	2007/11/19	57 days	2008/8/8	320 days	403

*1 Term during which the amount of deposits surpassed respective amount based on information announced by each bank.
*2 SBI Sumishin Net Bank : as of Aug. 11, 2008 Others : as of Jun. 30, 2008

Internet nonlife insurance

Our policy for nonlife insurance is to offer our customers policies at the lowest possible premiums. This is similar to the successful strategy of SBI SECURITIES, which offers very low brokerage commissions. I believe SBI Insurance can also attract customers through a similar approach, and we must also combine this business with conventional marketing and service channels. To be competitive, automobile insurance is an extremely important part of our strategy. If we can become a leader in this enormous market, I believe that our nonlife insurance business will be very successful.

Consequently, we plan to gain a competitive advantage in the nonlife insurance market by establishing a variety of alliances with companies in the new and used car industry. Success in the nonlife insurance business will require that we combine the Internet and conventional channels from the very beginning.

SBI Insurance Co., Ltd. SBI Insurance

Business plan at start of operations (January 16, 2008)

- Number of policies Fifth year : about 300,000
- Earnings Fifth year : profitable on single-year basis Tenth year : premium income of ¥25-¥30 billion

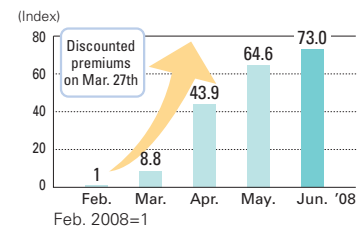
Highlights of fiscal year ended March 2008

- Dec. 26, '07 Received nonlife insurance business license from the Financial Services Agency
- Jan. 16, '08 SBI Insurance started operations
- Shareholders: SBI Holdings 61.6%, Aioi Insurance 33.4%, SOFTBANK 5.0%

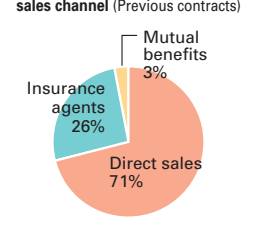
Progress report

- Number of policies Steady growth in number of policies since March 2008 reduction in premiums
- Development of sales channels Established alliance in May 2008 with the "Autoc one" auto purchasing support website Creates a new sales channel by allowing SBI Insurance to target car buyers at the comparison and estimate stage, a point where Internet insurers have not yet been able to market their policies effectively.

Growth in SBI Insurance automobile policies



SBI Insurance policyholders by sales channel (Previous contracts)



Internet life insurance

SBI AXA Life Insurance started operations in April 2008 as Japan's first Internet life insurance company. Just as with the Internet nonlife insurance business, our goal is to establish a competitive edge by offering the lowest possible premiums.

SBI AXA Life Insurance Co., Ltd.

Business plan at start of operations (April 7, 2008)

- Number of policies First year : about 20,000 Fifth year : about 200,000
- Earnings Fifth year : profitable on single-year basis

Highlights leading up to start of operations

- Dec. 7, '07 Application to Financial Services Agency for preliminary examination for insurance business license
- Apr. 2, '08 Received life insurance business license from the Financial Services Agency
- Apr. 7, '08 SBI AXA Life Insurance started operations
- Shareholders: SBI Holdings 55.0%, AXA Japan Holding 40.0%, SOFTBANK 5.0%

Progress report

- Page views steady growth April: 390,000 May: 410,000 June:680,000
- Development of sales channels Started marketing and selling policies through insurance agents on June 19
- High-profile PR activities Since start of operations, SBI AXA Life Insurance has been mentioned in articles and programs of four TV networks and 133 newspapers and magazines.

SBI AXA Life Insurance is the pioneer in Japan's Internet life insurance sector. When SBI AXA Life Insurance started its operations, the online life insurance market had not yet been established. This is in contrast to the Internet nonlife insurance market, where competitors such as Mitsui Direct already sold exclusively over the Internet, prior to SBI Insurance's entree into that market. In Japan's Internet life insurance sector, we need to be a source of innovations that will help to enlarge the entire life insurance market. In that sense, we welcome the emergence of competitor online life insurers. In fact, I believe it is a necessary condition for this market to grow.

With the start of operations, one of our most difficult but important tasks is to find ways to encourage policy holders of other life insurers, particularly those using conventional marketing channels, to switch to SBI AXA Life Insurance. This is the most difficult task with regard to creating a market for Internet life insurance. SBI AXA Life Insurance is currently exploring numerous ways to strengthen its marketing activities, including the expansion of sales through insurance agents.

Premiums of SBI AXA Life Insurance and Competitors

Monthly premiums for term life insurance

(Death/serious injury benefit of ¥10 million (no riders) for male policyholder, term of 10 years)

Age at start of policy	SBI AXA Life Insurance*1	Major Japanese life insurer A (policy sold directly) *2	Major foreign life insurer B (policy sold directly) *2
20	1,310	1,848	2,230
30	1,530	2,119	2,380
40	2,690	3,385	3,770
50	5,620	6,507	7,470

Monthly premiums for medical insurance

(¥10,000/day payment for hospital stay for male, monthly premiums for 10 years)

Age at start of policy	SBI AXA Life Insurance*1	Major Japanese insurer A (policy sold directly) *2	Major foreign insurer B (policy sold directly) *2
20	1,280	1,559	1,777
30	1,600	1,813	2,304
40	1,840	2,215	3,093
50	2,850	3,464	5,073

*1: As of April 7, 2008
*2: Average monthly premium for 10 years (date prepared by SBI Holdings on December 14, 2007)

3) Build a framework to pursue greater synergies within the SBIH Group to accelerate the profitability of the three new core businesses

Obviously, the success of these three new core businesses will depend on our ability to create marketing and other related channels. Let me give you examples of the kinds of channels that we must build.

Collaboration with SBI SECURITIES

Customers of SBI SECURITIES are able to open an account at SBI Sumishin Net Bank very easily through its website, which serves as an agent for banking services. In fact, since the bank started its operations, SBI SECURITIES' customers have accounted for about half of all new accounts. Furthermore, there is a close link between the accounts of these two companies. For example, bank customers using the "SBI Hybrid Deposit", which has a higher interest rate than ordinary deposits, will have their bank deposit balances automatically included in their funds available for purchases at SBI SECURITIES. By offering this type of seamless link between banking and securities,

we make it possible for customers to utilize a "one-stop" convenience for the centralized management of their funds, while providing them with higher returns.

Pursuing synergies between the three new core businesses and the automotive market

We have been making steady progress in establishing relationships and capabilities needed to quickly develop our Internet banking and insurance businesses into core businesses. In particular, we are strengthening equity relationships with various companies that have the potential for producing substantial synergies with the three new core businesses and our other financial businesses. We have made several investments in the auto-related field, which we view as an especially attractive source of new customers.

SBI Holdings invested in a variety of companies associated with automobiles, all of which is expected to yield valuable synergies. We own 87.5% of SBI Auto Finance, which offers car trade finance, 53.4% of Autoc one, which offers Internet auto purchasing services, 50.57% (through an SBIH-managed fund) of Auto Server, a bidding agent for used car auctions, 35.58% (through an SBIH-managed fund) of IKE-Autobus, 19.9% of Financial Agency, and 3.97% of IRRC Corporation.

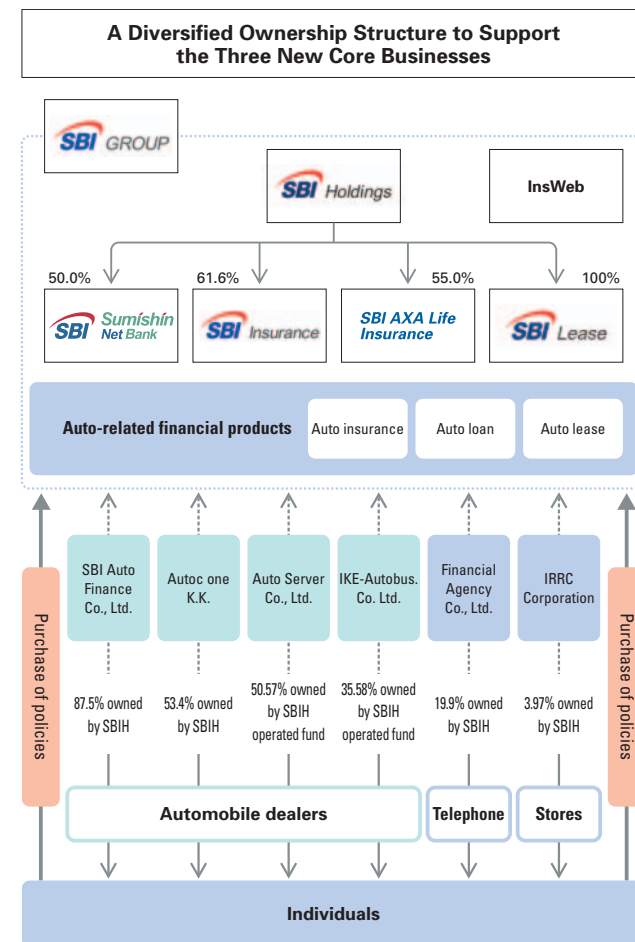
At Autoc one, 2.12 million people have used this company's new car estimate and intermediary service. We will also pursue other synergies with our three new core businesses, such as distributing information about SBI Insurance to users through the website of Autoc one. I am confident that these synergies will produce many new sources of earnings for our financial businesses.

We have great expectations for these new channels. At our Internet bank, the most crucial issue is how to manage the deposits received from our customers in order to earn a proper margin. One way is through a large increase in the volume of auto loans. These loans have an enormous advantage, which is the use of automobiles as collateral. This reduces the possibility of problems involving the repayment of these loans.

The July 2008 establishment of SBI AutoSupport Co., Ltd. is one more way that we are supporting our Internet bank and insurance companies. This new company is 70% owned by SBI Holdings and 30% owned by JAA, a used car auction company. The objective is to provide support for the provision of automotive financial services. JAA is one of Japan's largest operators of automobile auctions, with more than 14,000 registered companies. By drawing on JAA's knowledge, we seek to use SBI AutoSupport as a platform that will substantially reinforce the automobile insurance, automobile loan and other automotive financial services.

Our strategy is unique within Japan's financial services sector. Very few financial services companies have adopted a growth strategy that uses so many investments and alliances involving companies in other industries. As a part of this strategy, I want the SBIH Group to offer a diverse range of financial services associated with the automobile industry, which is still the twenty-first century's largest industry in Japan.

A Diversified Ownership Structure to Support the Three New Core Businesses



Preparing for Links to Many Automotive Related Companies

SBI Auto Finance Co., Ltd.	Activities: Guarantees for short-term loans and payment processing agency service for vehicle purchases by auto auction members Number of member auto sales companies: 345 Affiliated used car auction sites: 35
Autoc one K.K.	Activities: Uses Internet to assist individuals purchase automobiles Member automobile dealers: 849 (March 31, 2008) Users of new car estimate intermediary service: 2.12 million (March 31, 2008)
Auto Server Co., Ltd.	Activities: Bidding agency service for Internet used car auctions Member companies: 32,000 Winning bids per year: 124,000 vehicles (FY2007) Vehicles submitted: Covers about 77% of vehicles submitted at all auction sites
IKE-Autobus Co., Ltd.	Activities: Retail and wholesale automobile sales, guarantees for residual value of automobiles
Financial Agency Co., Ltd.	Call center operator with expertise in building customer relationships using a unique direct telemarketing method
IRRC Corporation	Insurance agent that operates 97 "Insurance Clinic" real shops throughout Japan (June 30, 2008)

4) Reinforcing the Information Systems Ecosystem for supporting online financial services

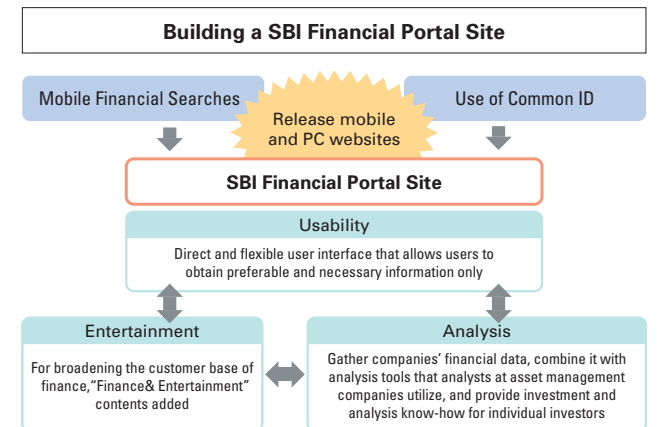
We are returning to the basics of an organization that does business on the Internet. This means that we will make extensive use of marketing that employs blogs, social network systems and other Web 2.0 tools. At the same time, we must act quickly to make the three new core businesses profitable by building the required support systems for each business.

SBI Holdings established the "Web Finance Department", which reports directly to me, in February 2008. Furthermore, I am the general manager of this department with the CEO of SBI Robo serving as my deputy. Why create this division now? Because of my strong belief that using Web services to differentiate ourselves will be the key to advancing the SBIH Group to the next phase of growth. This department is responsible for conceiving differentiation strategies and developing the necessary tools.

Initially, the Web Finance Department will focus on building a central financial portal site for the entire SBIH Group by using the latest advances in Web technology. Search engine optimization (SEO) and search engine marketing (SEM) techniques will be fully utilized by the site. By raising the number of unique users and page views, we aim to heighten the market profile of the entire SBIH Group. All group companies will use the portal site to grow, mainly by attracting new customers and enabling customers to move among the SBIH Group websites with ease, which will lead to an increase in service transactions. I believe this process has the potential to become a major growth driver. Once this portal site is functioning, the division will turn its attention to creating a website for cell phones, as Internet use from cell phones is increasing. Every service of the SBIH Group must have a website that is compatible with these phones.

With this new department, the SBIH Group has started its preparations to offer its customers a full-scale of Web services.

To review, I foresee our Internet banking and insurance businesses yielding enormous synergies by interacting with other group companies. These three new businesses will benefit from the diverse customer and operating bases of the group companies, as well as from our accumulated knowledge. Pursuing synergies is vital to making these new core businesses profitable quickly. In other words, I believe that synergies are essential to enabling the three new businesses to positively contribute to the SBIH Group's earnings.



Question Q5

SBI SECURITIES (formerly SBI E*TRADE SECURITIES) became a wholly owned subsidiary of SBI Holdings in August 2008. What are the reasons for this action? Also, please explain your strategic objectives for this company.

SBI SECURITIES has been extremely successful as an online securities company. Now this company is preparing for even greater success as a comprehensive securities company. This is why SBI E*TRADE SECURITIES (currently SBI SECURITIES) merged with the former SBI Securities in October 2007. Combining these companies produced a fully integrated online and conventional (face-to-face) securities operations. We have thus created Japan's first "Internet-based real securities company" that has the strengths of both online and conventional operations. As an Internet securities company, SBI SECURITIES has a low cost structure, the ability to attract many customers, a dominant share of stock brokerage trading value, and other strengths. As a conventional securities company, SBI SECURITIES has strong regional roots, the ability to combine sales activities with consulting services and other strengths. Through the combination of these resources, we will position ourselves to better serve the needs of our customers.

Taking one step further, we made SBI SECURITIES a wholly owned subsidiary on August 1, 2008 for the purpose of enabling SBI SECURITIES to compete on an equal footing with Japan's major securities companies. This is essential for advancing to the next stage of growth.

Originating as an online securities company, SBI SECURITIES succeeded in establishing a powerful base of operations. Today, this company is Japan's preeminent Internet securities firm with a significant lead over all competitors. Amongst all Japanese securities companies, SBI SECURITIES ranked in the top five in terms of operating income, ordinary income and net income for the fiscal year that ended in March 2008.

Operating revenues at SBI SECURITIES, the equivalent of sales, are far less than at Nomura, Daiwa and Nikko Cordial. Raising revenues to the same level as at these securities companies is impossible as long as online brokerage remains the only business of SBI SECURITIES. By combining our online securities company with the former SBI Securities, which has 27 branches we have significantly expanded our securities operations, which enables us to be a full-service securities company with activities that go far beyond the online brokerage business alone.

Our plans also include establishing an overseas office network, strengthening investment banking operations, and taking many other actions to grow in the conventional securities company domain.

This is why I decided to place SBI SECURITIES under the direct control of SBI Holdings. In brokerage services, investment banking, overseas operations and other business categories, SBI SECURITIES must grow within an extremely short period of time.

Universal banking is another key factor. As Japan's financial services industry moves closer to universal banking, we need to integrate operations to become a true financial conglomerate. Rather than having the securities business remaining with no ties to our other financial services, operating as a conglomerate puts us in a much better position to maximize synergies across the SBIH Group.

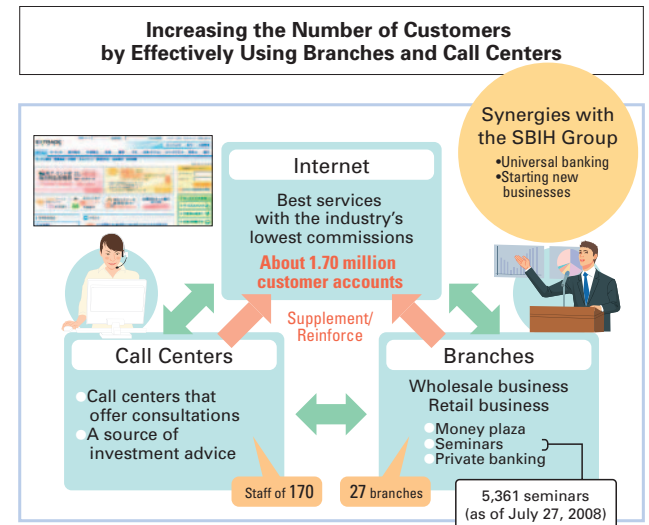
Barriers in Japan separating banks and securities companies are becoming lower each year. To grow, SBI Sumishin Net Bank, SBI SECURITIES, SBI Insurance, and SBI AXA Life Insurance must

operate in a unified manner. The days when we could treat securities as an operation independent of other group businesses are behind us. In Japan, banks are already selling investment trusts and insurance policies at their branches. With all four of these financial services in our group, we will have more opportunities to grow as financial service companies enter each other's domains. The conclusion is clear; the securities business must also function as an integral part of our financial service business.

The SBIH Group is endeavoring to fully utilize the Internet and other networks to create a "one-stop" financial services destination for customers to fulfill every possible financial need. This will allow the SBIH Group companies to share their customer bases, naturally with the customers' consent, and expanding cooperation among group companies will create a seamless lineup of financial services. SBI SECURITIES' customers, for instance, will have Internet access to payment settlement services, asset management products, loans, insurance policies, and other products and services.

Securities companies and banks serve different customer segments. People who have accounts at online securities companies have a high level of IT and financial literacy. However, people who use online banks and life insurers generally are not as knowledgeable about financial matters. In the future, I hope that we can improve the financial literacy of our online bank customers by offering a diverse lineup of financial services and providing information about financial products. This process will further increase the customer segment for the securities companies by transforming online bank customers into financially literate investors.

The primary reason for making SBI SECURITIES a wholly owned subsidiary of SBI Holdings is to increase synergies by using this company's more than 1.7 million customers to benefit the entire SBIH Group. Another reason is the rising concerns about



companies that have publicly owned subsidiaries. Managing a corporate group in a more unified manner creates the possibility of conflicts of interest between shareholders of the parent company and its subsidiaries. By making SBI SECURITIES a wholly owned subsidiary, we can avoid this potential problem.

Another important development in the securities business is our ability to start operations outside of Japan. Until recently, our trademark licensing agreement with E*TRADE FINANCIAL Corp. in the United States prevented us from operating a securities business outside Japan. Now that this agreement has terminated, we plan to set up online securities companies outside of Japan. We will primarily target countries with emerging economies, where we already have relationships with well-known local partners through our asset management business.

SBI SECURITIES' Ranking in the Securities Industry (Income - FY2007)

Ranking by Operating Income (100 million yen)			Ranking by Ordinary Income (100 million yen)			Ranking by Net Income (100 million yen)		
1	Daiwa	836	1	Daiwa	901	1	Daiwa	464
2	Nikko *1	421	2	Nikko *1	436	2	Nikko *1	171
3	SBI SECURITIES	228	3	SBI SECURITIES	224	3	Matsui	128
4	Matsui	207	4	Matsui	207	4	SBI SECURITIES	119
5	SMBC Friend	191	5	SMBC Friend	198	5	SMBC Friend	113
6	Tokai Tokyo	141	6	Tokai Tokyo	149	6	Shinko	94
7	Monex	130	7	Okasan	148	7	Tokai Tokyo	90
8	Shinko	122	8	Shinko	146	8	Mitsubishi UFJ	81
9	Okasan	119	9	Monex	128	9	Monex	72
10	Kabu.com *2	99	10	Mitsubishi UFJ	110	10	Kabu.com *2	60
11	Mizuho Investors	73	11	Kabu.com *2	100	11	Okasan	56
12	Toyo	62	12	Mizuho Investors	77	12	Mizuho Investors	53
13	Rakuten	61	13	Rakuten	68	13	Toyo	32
14	Mitsubishi UFJ	46	14	Toyo	66	14	Ichiyoshi	11
15	Ichiyoshi	19	15	Ichiyoshi	19	15	Rakuten	3
16	Cosmo	-35	16	Cosmo	-33	16	Cosmo	-49
17	Nomura *3	-646	17	Nomura *3	-646	17	Nomura	-678
18	Mizuho	-4,303	18	Mizuho	-4,337	18	Mizuho	-4,187

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

*1 Nikko includes the total of Nikko Cordial Securities and Nikko Citigroup
*2 Non-consolidated basis *3 Pre-tax income

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

(Source: Compiled by SBIH based on information of May 1, 2008 Nikkei Shimibun)

Consolidated accounting
Amounts are rounded to nearest 100 million yen

SBI SECURITIES' Ranking in the Securities Industry (Customer Base and Revenues - FY2007)

Ranking by Customer Accounts (number of accounts)			Ranking by Assets in Customer Accounts (100 million yen)			Ranking by Operating Revenues (100 million yen)		
1	Nomura *1	4,165,000	1	Nomura	722,104	1	Nomura *4	15,937
2	Daiwa	3,022,000	2	Daiwa	470,911	2	Daiwa	8,254
3	Nikko *2	2,360,000	3	Nikko *2	409,741	3	Mitsubishi UFJ	5,341
4	SBI SECURITIES	1,662,051	4	Mitsubishi UFJ	236,737	4	Nikko*2	3,531
5	Mitsubishi UFJ *1, 3	1,207,000	5	Mizuho	190,468	5	Mizuho	2,237
6	Shinko	1,033,000	6	Shinko	127,715	6	Shinko	1,465
7	Monex	834,931	7	Mizuho Investors	66,098	7	Okasan	723
8	Rakuten	779,787	8	SMBC Friend	40,607	8	SBI SECURITIES	645
9	Matsui	729,394	9	Tokai Tokyo	39,002	9	Mizuho Investors	641
10	Kabu.com	622,422	10	Okasan	38,490	10	Tokai Tokyo	632
11	Okasan	431,364	11	SBI SECURITIES	37,549	11	SMBC Friend	606
12	Monex	17,520	12	Monex	17,520	12	Matsui	399
13	Marusan	17,299	13	Marusan	17,299	13	Monex	305
14	Cosmo	16,737	14	Cosmo	16,737	14	Rakuten	287
15	Ichiyoshi	15,902	15	Ichiyoshi	15,902	15	Toyo	230
16	Matsui	12,763	16	Matsui	12,763	16	Cosmo	222
17	Toyo	12,406	17	Toyo	12,406	17	Ichiyoshi	215
18	Rakuten	11,663	18	Rakuten	11,663	18	Kabu.com *5	207
19	Kabu.com	10,211	19	Kabu.com	10,211			

(Source: Compiled by SBIH based on available information)

*1 Outstanding balance, number of accounts
*2 Nikko includes the total of Nikko Cordial Securities and Nikko Citigroup, but the customer accounts are that of Nikko Cordial Securities
*3 As of the end of June 2007 *4 Total Revenues *5 Non-consolidated basis

(Source: Compiled by SBIH based on information in May 2, 2008 Nikkan Kogyo Shimibun and May 11, 2008 Nikkei Veritas)

(Source: Compiled by SBIH based on information in May 1, 2008 Nikkei Shimibun)

Consolidated accounting
Amounts are rounded to nearest 100 million yen

As Japan's Leading Venture Capital Firm*, Expanding into Worldwide Investments

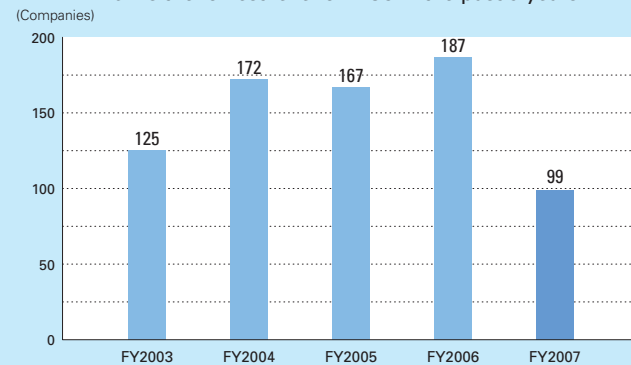
*Based on new investments for the year ended March 2008; ranking prepared by SBI Holdings using information provided by peer companies.

Principal Companies in the Asset Management Business

SBI Investment Co., Ltd. / Venture capital fund management
 SBI CAPITAL Co., Ltd. / Buyout and value up fund management
 SBI Capital Solutions Co., Ltd. / Mezzanine fund management
 SBI Asset Management Co., Ltd. / Investment trust management, investment advisory services
 SBI VEN CAPITAL PTE. LTD. / Venture capital fund management in Singapore for foreign investors

Number of IPOs in Japan on a FY Basis

Less than 100 companies completed IPOs during FY2007, which is the lowest level of IPOs in the past 5 years



Source: Stock exchanges in Japan

The Number of Portfolio Company IPOs and M&A Deals

12 portfolio companies completed an IPO or M&A in FY2007, surpassing the 10 companies for all of FY2006

	From start of operations to March 2006	FY 2006	FY 2007
IPOs and M&A deals	89	10	12

Korean Equity Investment Amount and Proceeds

(Unit: 100 million yen)

	Total equity investment	Proceeds		IRR (%)	
		Total	Sales proceed		
Kyobo Life Insurance (Feb. 2007 - Sept. 2007)	179	216	214	2	43.1

(Amounts are rounded to the nearest ¥100 million)

The SBIH Group continues to make substantial new investments

(Unit: million yen)

	FY2007		(Reference) FY2006	
	New investment amount	Number of investment companies	New investment amount	Number of investment companies
Funds' Investment	96,596	175	74,517	139
Direct Investment	4,444	33	42,581	13
TOTAL	101,040	208	117,098	152
JAFECO	39,094	168	60,305	316

Source : Based on companies materials

In the Asset Management Business, the assets under management continued to increase. With a track record of producing impressive returns, we have earned a solid reputation for reliability and have developed a highly respected brand. Our performance has been further backed by an increasing number of alliances with prominent partners in Japan and overseas. In Japan, we are currently enlarging the scope of our activities adding a new strategic business sector, the environment and energy, along with the existing priority fields of information technology and biotechnology. Additionally, we are increasing our investments outside Japan, primarily in Asian countries with rapidly growing economies.

Japan's Lackluster IPO Market

For the fiscal year ended March 2008, Japan's IPO market was extremely weak. Falling stock prices held the number of IPOs for all Japanese stock markets to only 99, the lowest level in five years.

The difficult environment for IPOs caused a number of our fund portfolio companies in Japan to push back IPOs that were scheduled for the March 2008 fiscal year to the following fiscal year, or later. Despite these adverse developments, there were 12 IPOs among SBIH Group fund portfolio companies, including overseas companies, compared with 10 in the previous fiscal year.

Strong Performance of Asian Investments

The Asset Management Business was able to increase revenues and earnings owing to gains from Asian investments. On the other hand, other Japanese asset management companies experienced weak business performances as stock prices moved lower in Japan.

In September 2007, we sold our entire 4.99% equity stake in Kyobo Life Insurance Co., Ltd., one of South Korea's big three life insurers. Proceeds amounted to ¥21.4 billion, compared with the purchase cost of ¥17.9 billion for the stock in February 2007. Including ¥200 million of dividend income, this transaction produced an extremely high IRR of 43.1%

The New Horizon Fund, which invests in Chinese companies, has performed very well since its May 2005 inception. During the past fiscal year, the fund posted a gain of ¥3.6 billion from distributions and other income.

A Consistently High Level of New Investments

We regard challenging market conditions that cause stock prices to drop as an excellent opportunity to make new investments. Owing to this investment outlook, new investments remained high, totaling ¥101.0 billion in the past fiscal year compared with ¥117.1 billion in the March 2007 fiscal year. There were ¥96.6 billion of investments through funds managed by the SBIH Group and ¥4.4 billion of direct investments through SBI Holdings.

Investments through funds managed by the SBIH Group are not restricted to companies planning IPOs. SBI CAPITAL is concentrating primarily on the establishment and management of buy-out funds that will acquire quality midium size companies with promising growth prospects, including listed companies.

The average IRR is 19.6% for all SBIH Group-managed funds that have been redeemed since 2000. This is far higher than returns at all other major venture capital investment companies in Japan.

SBIH Group's Current Assets Under Management

During the March 2008 fiscal year, the SBIH Group established a new fund that targets information technology and biotechnology, both of which are core investment categories. Also, a new fund was established for investments in companies associated with the environment and energy. Growth in alliances with promising overseas partners has also contributed to the increase in assets of our funds. Owing to these activities, assets in funds managed by the SBIH Group amounted to ¥627.1 billion as of March 31, 2008.

Track Records of Major Japanese Venture Capital Firms (Funds redeemed after 2000)

SBIH		JAFECO		NIF	
Fund IRR	IRR	Fund IRR	IRR	Fund IRR	IRR
SOFTBANK Ventures SV Angel '96 Profit-Participation Bonds *1	20.5	JAFECO No.6	0.0	NIF Global Ventures	4.1
SOFTBANK Ventures Fund No. 2 *2	20.4	JAFECO G-3 *3	—	NIF #7	1.1
SBI-LBO Fund No.1	18.3	JAFECO G-4 *3	—	NIF #8	3.4
Enterprise Restructuring Fund No.1	25.7	JAFECO R1(A)(B)	1.2	NIF #9	0.5
VR Enterprise Restructuring Fund	27.7	JAVP2	3.2	NIF10-A	3.0
SOFTBANK Content Fund	5.0	JAFECO G-5	4.2	NIF10-B	3.0
Average	19.6	JAFECO R2	4.4	ML-NIF1	5.4
		JAFECO R3	12.9	NIF #11	1.9
		JAFECO G6 (A)(B)	10.9	Average	2.8
		Average	5.3		

*1 The original general partner of Softbank Ventures SV Angel '96 was Softbank Ventures, which is now SBI Investment.

*2 The original general partner of SOFTBANK Ventures Fund No. 2 was Softbank Investment, which is now SBI Investment.

*3 The IRR is not announced because it is negative.

Source : Based on companies materials

Assets under Management of the SBIH Group

AUM of the SBIH Group amounted to 627.1 billion yen (incl. Real estate and others)

Private equity	total:279.6 billion yen	(Environment/Energy)	7.4
(IT/Biotechnology)	Total:120.5	(Buyout/Mezzanine)	Total:34.8
Internet	5.0	Value Up	23.4
Broadband/Media	64.4	Mezzanine	11.3
Mobile services	29.2	(Overseas)	Total:91.5
Biotech/Others	21.8	China/ Hong Kong	71.6
(Direct investment)	25.5	Vietnam*1	9.9
		India*2	10.0
(Investment trusts,others)	Total:301.5	(Real estate, others)	Total:46.0
Investment trusts	57.7	Development	16.1
Investment advisory	240.8	Completed properties	29.9
Investment companies	3.0		

Figures for real estate investments and investment trusts and others are net assets at market value as of end Mar. 08. Figures for other funds are net assets at market value based on the most recent financial report for each fund as of end Mar. 08.

*1 Established on Apr. 3, 2008. *2 Established on Apr. 29, 2008

The Full-scale Launch of Overseas Fund Operations in 2008



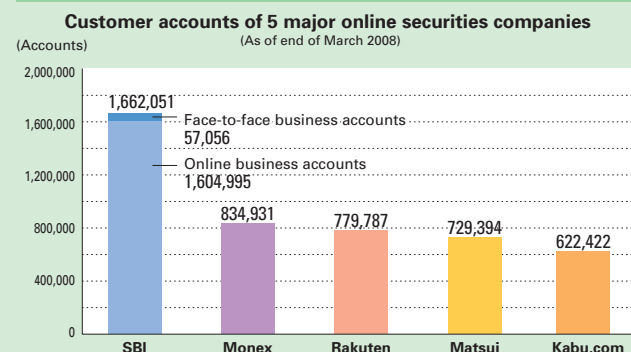
Country	Fund	Partners	Portfolio	Contributions (US\$ millions)
China	New Horizon Fund	TEMASEK	Privately owned companies	100 (SBI Holdings: 50%)
	Tsinghua University Fund	Tsinghua Holdings	Privately owned companies in China	30 (SBI Holdings: 50%)
	Peking University Fund	Peking University Beida Jade Bird	Companies and real estate	100 (SBI Holdings: 50%)
Russia	SBI-METROPOL Investment Fund	IFC METROPOL	- China Merchants Securities - Resource Capital China - China CITIC Bank	Manufacturing, consumer goods, services, retailing, logistics and distribution, energy and natural resources
India	India Japan Fund	State Bank of India	Privately owned companies in India	100 (SBI Holdings: 95%)
Vietnam	Vietnam Japan Fund	FPT	Privately owned companies in Vietnam	100 (SBI Holdings: 90%)
Asia	SBI SOI Fund	Keio University	Venture companies originating from Asian universities	¥500 million (SBI Holdings: 100%)

Building Japan's First Business Model of "Internet-based Real Securities Company" Based on a Dominant Market Share of Stock Market Transactions

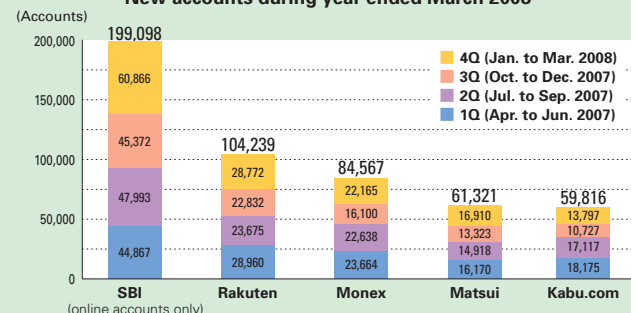
Principal companies in the Brokerage & Investment Banking Business

SBI SECURITIES Co., Ltd. (formerly SBI E*TRADE SECURITIES Co., Ltd., renamed on July 1, 2008) / Comprehensive online securities company
 SBI Futures Co., Ltd. / Online commodity futures broker listed on Hercules Market of OSE (code: 8735)
 SBI Japannext Co., Ltd. / Operation of PTS (proprietary trading system)
 SBI Fund Bank Co., Ltd. / Financial product agent with emphasis on investment trusts

Customer Account Comparison of Five Major Online Securities Companies



New accounts during year ended March 2008



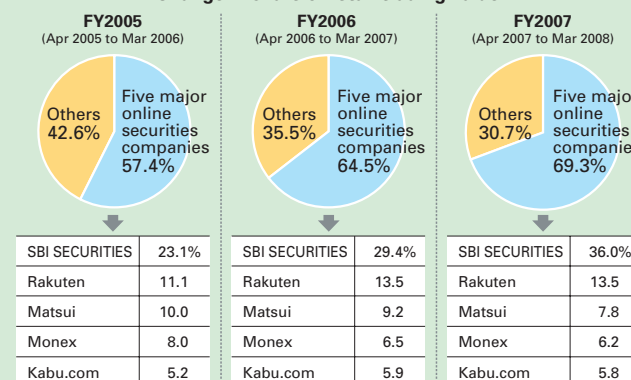
Sources: Competitor figures based on available public information from sources such as various company home pages.

Note: Monex Securities and Nikko Beans are totaled as Monex. Kabu.com Securities merged with MeNet Securities in January 2006. SBI E*TRADE SECURITIES merged with SBI Securities on October 1, 2007.

Major Online Securities Companies' Market Share of Retail Trading Value

Only SBI SECURITIES achieved a significant increase in the share among the five major online securities companies, achieving a record high level.

Change in share of retail trading value



Source: Based on TSE, JASDAQ and company materials

Note: Individual brokerage trading value is the sum of trades on the three major exchanges and JASDAQ. Kabu.com Securities merged with MeNet Securities on January 1, 2006. SBI E*TRADE SECURITIES merged with SBI Securities on October 1, 2007.

SBI SECURITIES successfully positioned itself as the dominant market leader. The company has grown through an adherence to its customer-centric principle, primarily by offering the industry's lowest level of stock brokerage commission rates, along with the highest level of customer services available in the securities industry. SBI SECURITIES ranks first among Japan's online securities companies in terms of the number of customer accounts, brokerage trading value and assets in customer accounts, positioning itself well ahead of all competitors.

In order to become a comprehensive securities company, SBI E*TRADE SECURITIES and former SBI Securities merged on October 1, 2007. The merged company, SBI SECURITIES, is building a new business model that utilizes two service channels: the Internet and branches for face-to-face interaction with customers. The goal is to build Japan's first "Internet-based Real Securities Company" business model. Concurrently, SBI SECURITIES will be using its dominant position in Japan's stock brokerage market to strengthen and expand its investment banking and wholesale securities businesses.

SBI SECURITIES determined that a sale of E*TRADE Korea Co., Ltd. was in the company's best interest, with the primary reason being the heated competition in Korea's securities industry. In addition, this sales will provide funds that will be used for securities and other business activities planned for targeted Asian countries with rapidly growing economies. SBI SECURITIES recorded about ¥1.5 billion in deferred tax liabilities in FY2007 owing to this sales, which is expected to close in the second quarter of FY2008.

Firmly Positioned as Japan's Leading Online Securities Company

SBI SECURITIES has maintained consistent growth in the number of customer accounts, which reached one million in January of 2006, 1,405,897 (online accounts only) at the end of March 2007, and 1,662,051 at the end of March 2008. These customer account numbers place SBI SECURITIES far ahead of its competitor Japanese online securities companies.

In the fourth quarter of the March 2008 fiscal year, SBI SECURITIES added more than 60,000 new accounts. This was the highest quarterly increase since the quarter that ended in June 2006, demonstrating that SBI SECURITIES' customer account growth is once again gaining momentum.

Share of Stock Brokerage Trading Value Continues to Increase

In FY 2007, SBI SECURITIES was Japan's only online securities company that achieved year-on-year growth in stock brokerage trading value. Stock market volatility and an uncertain economic outlook combined to reduce recorded trading value among online competitor companies. Products, services and fee structures that achieve outstanding customer satisfaction all contributed to this accomplishment. Another significant achievement at SBI SECURITIES was an increase in the share of individual stock brokerage trading value, which reached a new record high of 36.0%.

In addition to its leadership in individual stock brokerage trading value, SBI SECURITIES retained its overall number one ranking in total stock brokerage trading value, which includes orders from institutions and foreigners, placing SBI SECURITIES above Japan's conventional (face-to-face) securities companies. Moreover, the company was ranked first in stock brokerage trading value for 13 consecutive quarters since surpassing Nomura Securities in the fourth quarter of the fiscal year that ended in March 2005.

Further Diversification of the Profit Structure

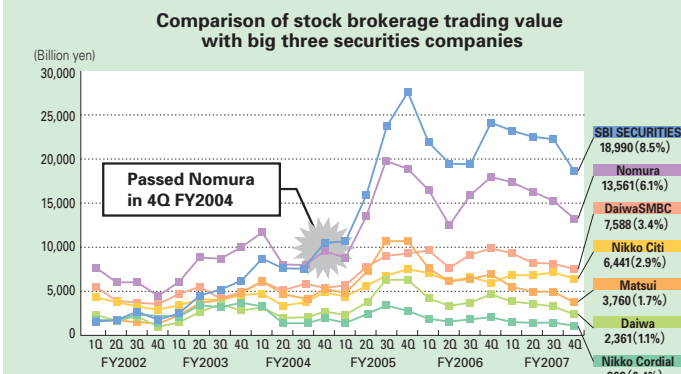
SBI SECURITIES is utilizing its large customer base to further diversify its profit structure. One example is the 24.5% growth in financial income to ¥21,743 million in FY 2007. An increasing volume of Internet margin transactions and rising interest rates were the primary reasons. In the IPO underwriting market, SBI SECURITIES ranked first among all Japanese securities companies through its participation in the offerings of 58 companies. There were also increases in investment trust sales, sales of foreign bonds, the volume of foreign exchange margin transactions and other activities. Furthermore, the company started selling overseas exchange-traded funds (ETF) and investment-type annuity policies. SBI SECURITIES will continue to diversify its revenue structure by providing an even broader lineup of products and services that match customers' needs.

SBI Japannext Begins Operating a PTS

The "SBI Japannext PTS" started operations on August 27, 2007 with the participation of SBI SECURITIES and two other securities companies. Trading volume is already greater than that of the PTS of other companies, all of which have been operating longer. The number of participating companies is also rising: Rakuten Securities started trading through the "SBI Japannext PTS" in April 2008 and Orix Securities established a link to this market in June 2008. SBI Japannext expects to continue to increase the number of participating securities companies.

In March 2008, SBI Japannext extended its trading hours, which ended at 23:59, by adding a nighttime trading period between 0:30 and 2:00. This gives traders further opportunities by increasing the time overlap with the operating hours of the NYSE and other U.S. securities markets. SBI Japannext is currently preparing to start daytime trading by the end of 2008. Progress continues on systems and operational projects, including negotiations with the Financial Services Agency. Longer trading hours are expected to attract an even more diverse range of both individual and institutional investors to SBI Japannext.

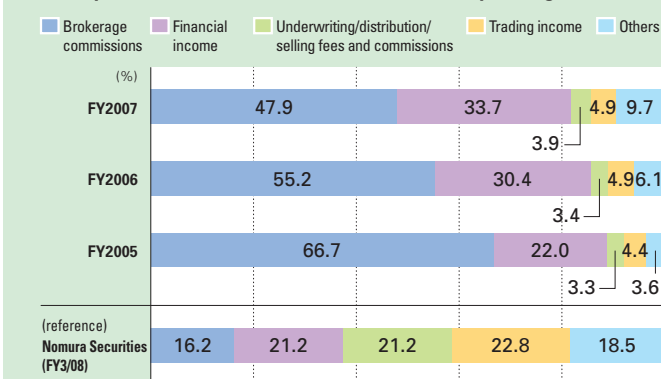
SBI SECURITIES Continues to Exceed Nomura in Stock Brokerage Trading



Source: Based on TSE and company materials (E*TRADE includes orders from overseas investors) (Unit: billion yen; percentages in parentheses are the stock brokerage trading value of each company divided by the total stock brokerage trading value for Japan's three major stock markets.)

A Revenue Structure Largely Immune to Changes in Market Conditions

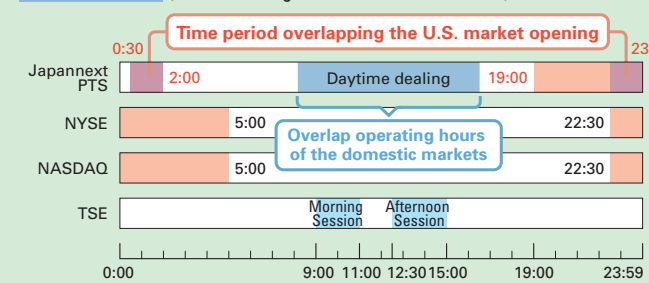
Composition of SBI SECURITIES consolidated operating revenues



Note: Nomura Securities data based on financial information using Japanese accounting standards.

Measures to Increase Trading Opportunities

Extension of dealing period



Various systems and operational projects for daytime trading are underway, for negotiations with the FSA

- Plan to make a capital increase of 3 billion yen
- Expect continuous dealing period from 8:10 to 16:30
- In preparations for a targeted operation commencement of Oct.-Dec. 2008

Offering a Variety of Highly Distinctive Internet-based Financial Services, and Targeting Rapid Growth by Pursuing Synergies with the Three New Businesses in order to Contribute More to Earnings as a Reliable Source of Profits.

Principal Companies in the Financial Services Business

SBI Holdings, Inc. (Financial Services Business Division); Operating financial comparison website business
 Morningstar Japan K.K. / Hercules Market of OSE (code 4765); Rating information for financial products, primarily investment trusts
 Gomez Consulting Co., Ltd. / Hercules Market of OSE (code 3813); Business support and evaluation of websites
 SBI VeriTrans Co., Ltd. / Hercules Market of OSE (code 3749); Electronic settlement services for e-commerce businesses
 SBI Sumishin Net Bank, Ltd. / Internet bank that provides a full lineup of banking services; co-owned with The Sumitomo Trust & Banking Co., Ltd.
 SBI Insurance Co., Ltd. / Internet nonlife insurer jointly owned with Aioi Insurance Co., Ltd. and SOFTBANK Corp.
 SBI AXA Life Insurance Co., Ltd. / Japan's first Internet life insurance company jointly owned with AXA Japan Holding Co., Ltd. and SOFTBANK Corp.
 SBI Card Co., Ltd. / Credit card services and an issuer of the MasterCard-branded SBI World Card

Performance of Publicly Owned Subsidiaries

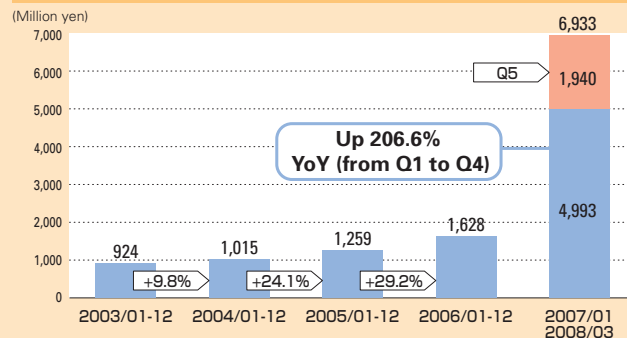
(Unit: million yen, Figures in parentheses are YoY change (%))

	Operating Revenues	Operating Income	Ordinary Income	Net Income
Morningstar Japan (FY2007)*2	6,933 (-)	824 (-)	891 (-)	447 (-)
Gomez Consulting (FY2007)*2	778 (-)	241 (-)	247 (-)	145 (-)
SBI VeriTrans (FY2007)	3,622 (+28.8)	733 (+23.8)	744 (+26.4)	438 (+30.2)

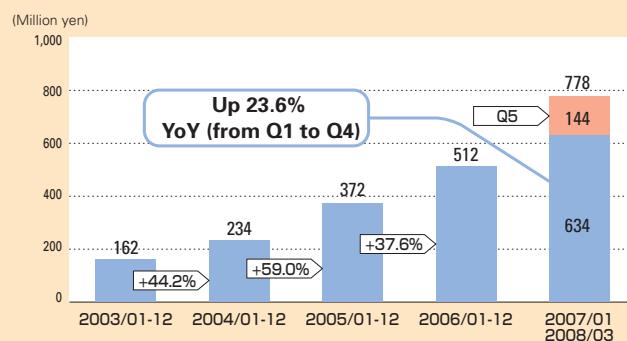
*1 Morningstar Japan figures are consolidated, whereas Gomez Consulting and SBI VeriTrans figures are non-consolidated.

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

Morningstar Japan Growth in Consolidated Revenues



Gomez Consulting Growth in Revenues



Existing businesses continued to post solid growth, with operating revenues up 19% to ¥22.5 billion for the fiscal year ended March 2008. This performance reflected the SBIH Group's ability to capitalize on opportunities spawned by trends in Japan such as the shift from savings to investments, the increased use of broadband technology, and revisions to laws and regulations for financial services. Operating income decreased 74.1% to ¥0.8 billion primarily owing to the severe impact of weakness in Japan's consumer finance industry, which adversely affected the SBIH Group's loan comparison website business.

New businesses include credit cards, card processing, Internet life insurance and Internet nonlife insurance. For these operations, operating revenues totaled ¥0.3 billion, but an operating loss of ¥2.3 billion was incurred owing to start-up expenses. All of these businesses are off to a good start as they are steadily increasing their customer base.

Publicly owned subsidiaries continue to grow through accurate targeting of market trends

"Morningstar Japan" Capitalizes on the Shift from Savings to Investments

Morningstar Japan, which supplies rating information for investment trusts and other financial products, achieved significant increases in revenues and earnings. The acquisition of Kabushiki Shimbun Inc., Japan's largest specialty securities newspaper (official circulation of 39,000), was a major reason for this growth. By combining Morningstar's global content with the massive volume of domestic content at Kabushiki Shimbun associated with stocks, Morningstar Japan plans to build a comprehensive financial information website.

Even as the volume of assets in equity investment trusts in Japan declined, Morningstar's website achieved a remarkable YoY increase in page views of nearly double to 200 million. In addition, assets in "funds of funds" managed by Morningstar Japan subsidiary Morningstar Asset Management rose to ¥222.1 billion as of March 2008, compared with ¥106.4 billion a year earlier.

"Gomez Consulting" Raises Awareness of Its Website Analysis and Ranking Services

Revenues and ordinary income at Gomez Consulting reached record highs. Driving this growth was the company's website

analysis service for banks and securities companies, and its website planning and design business. During the past fiscal year, Gomez Consulting provided services for the websites of 112 companies, primarily e-commerce sites and the sites of financial institutions. In April 2008, the company introduced the Gomez IR Website Comprehensive Ranking, which is based on a survey of the websites of 3,934 publicly owned companies in Japan. By announcing rankings and other information, Gomez Consulting is increasing its activities to establish relationships with companies in a broad range of industries.

Growth at "SBI VeriTrans" Accelerates Along with Rapidly Expanding E-commerce Market

SBI VeriTrans is a provider of online payment processing solutions for e-commerce companies. Revenues and all categories of earnings continue to grow at the company, along with the rising volume of e-commerce and credit card transactions. In the past fiscal year, non-consolidated and consolidated performance once again set new records. Expansion of operations to cover new business domains is a major source of growth. During the past fiscal year, SBI VeriTrans started processing transactions using "Mobile Suica" and "Mobile Edy," two widely used e-money systems in Japan. Owing in part to these additions, the number of transactions handled for the fiscal year ended March 2008 increased 34.4% to more than 37 million.

Distinctive financial services that continue to post steady growth

"InsWeb" and "E-LOAN": Japan's Largest Financial Comparison Sites

SBI Holdings operates Japan's largest financial comparison websites through its marketplace business. In particular, "InsWeb" continues to experience a steadily increasing number of requests for insurance policy estimates. For the fiscal year ended March 2008, the marketplace business recorded a total of 888,000 transactions*, another all-time high.

The downturn in Japan's consumer finance industry significantly impacted the "E-LOAN" consumer loan comparison website. The result was a decline in fees received from companies participating in the service site, which was one cause for the decrease in earnings from existing businesses.

*Number of estimates, requests for estimates, provisional applications and other transactions conducted on the website for the eight financial comparison websites operated by SBI Holdings

New businesses get off to a good start

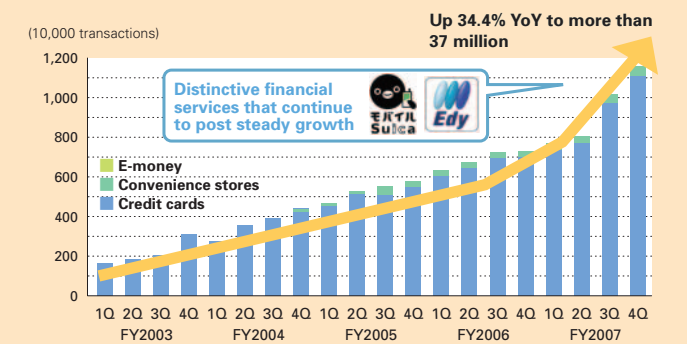
SBI Card, which issues a number of credit cards using the MasterCard brand, is steadily increasing its customer base. By leveraging its expertise in offering credit cards with features ranking among the best in the industry, the company increased the number of cards issued to 32,000 as of March 31, 2008, after only about 18 months since the start of its credit card issuance.

SBI Sumishin Net Bank is rapidly increasing its customer

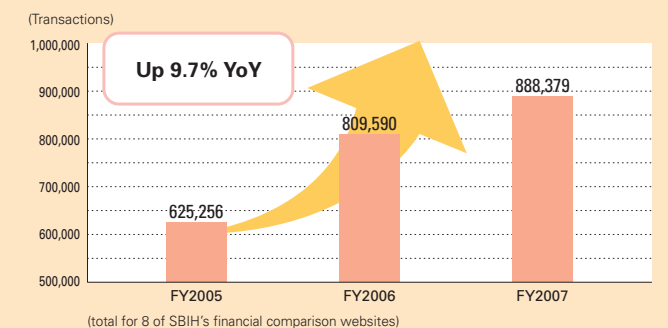
Morningstar Japan's comprehensive financial information website focuses primarily on stocks and investment trusts in Japan and overseas markets



Quarterly Growth in Transactions Handled by SBI VeriTrans



Another record high for marketplace business transactions, centering on "InsWeb" and "E-LOAN," Japan's largest financial comparison and estimate websites

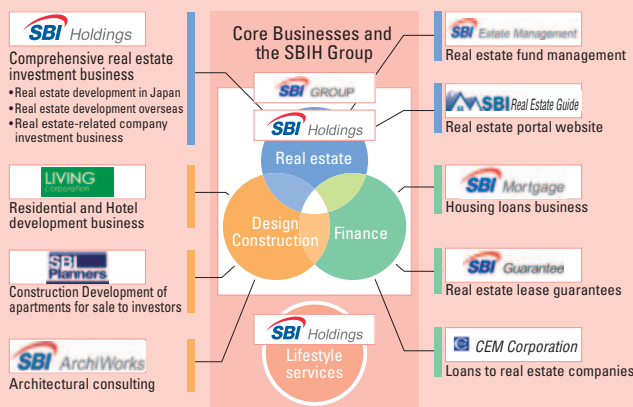


Looking beyond Finance to Target Growing Market Sectors as a New Core Business of the SBIH Group

Principal companies in the Housing and Real Estate Business

SBI Holdings, Inc. (Real Estate Business Division) / Mainly real estate investments and development projects in Japan and overseas markets
 SBI Holdings, Inc. (Lifestyle Networks Business Division) / Operation of websites for comparisons, searches and estimates for a variety of products and services
 SBI Mortgage Co., Ltd. / Provision of long-term fixed-interest securitized housing loans
 LIVING Corporation / Mothers Market of TSE (code 8998); Development, planning, design and sales of income-producing properties for investors
 SBI Planners Co., Ltd. / Architecture, construction, property design and consulting for real estate purchases and financial planning
 CEM Corporation / Provision of real estate-secured loans for individuals and companies
 SBI ArchiQuality Co., Ltd. / Provision of housing quality evaluation

Structure of the SBIH Group Housing and Real Estate Business



The development of buildings for sale to investment funds provided a significant contribution to the performance of the Housing and Real Estate Business. Overall, this business achieved a 213% increase in operating revenues to ¥75.1 billion, and a 584% increase in operating income to ¥8.1 billion for the fiscal year ended March 2008.

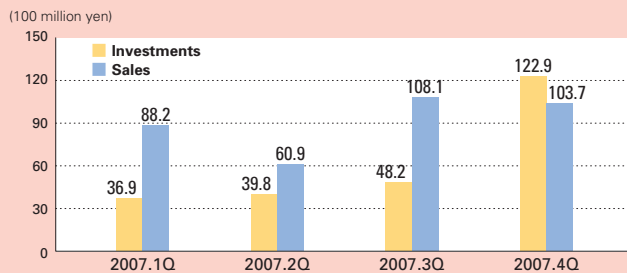
The Real Estate Investment and Development Business

The real estate business of SBI Holdings primarily involves the well-timed purchase of properties where value can be increased. As part of this value creation process, we perform real estate development, fund management, property management and other activities. We are very active in Japan as well as in other countries. Outside of Japan, locating, acquiring and managing properties in China, Vietnam and other countries with rapidly growing economies is our primary goal.

(1) Real estate development projects in Japan

Residential buildings, hotels, commercial facilities, and warehouses account for a large share of real estate development operations in Japan. Most projects are located in government-designated cities, which are primarily in the Tokyo area. We handle every step of the development process: planning, purchase of land, building design and construction, and sale of the completed building. Offering this all-inclusive approach allows us to add value from start to finish for every project.

SBI Holdings Real Estate Division Quarterly Investments and Sales



Kanayama rental condominium building (Nagoya) | Fukuoka Momochihama Hotel (Fukuoka) | Commercial building in Kagoshima

Development of hotel and condominium in Waikiki

Demand for residential properties is rising rapidly in Hawaii, owing to the large number of tourists and others who want to enjoy the beauty of the Hawaiian Islands. SBI Hawaii Property One, Inc. was established in September 2006 as a wholly owned subsidiary of SBI Holdings for the purpose of developing a hotel and condominium building in the Waikiki district of Honolulu.



(3) Overseas real estate investments

The overseas real estate investment business acquires and holds high-return office buildings, and other existing buildings in countries with rapidly growing economies. This business also invests in real estate development funds.

(4) Track record of private equity real estate funds

Our real estate fund management business utilizes strengths rooted in the SBIH Group's venture capital activities to manage an open fund called the SBI Private Equity Real Estate Fund (aka "Four-leaf Clover"), which invests including the stock of privately owned companies. The fund is performing well with a return of 12.51%* in its second fiscal period.

*Performance per investment unit = Fiscal period fund earnings/Total assets
 Return is annualized and rounded to the hundredths place. First fiscal period return is an annualized figure assuming that the actual performance (2.33% return for 123 days) would have continued for an entire year.

The Housing Loan Business of SBI Mortgage

SBI Mortgage has consistently offered long-term, fixed-rate housing loans at the lowest level of interest rates of any mortgage lender in Japan. The core product is "Flat 35," a loan extended in conjunction with the Japan Housing Finance Agency. Backed by the popularity of this loan, loans outstanding at SBI Mortgage have been rising steadily, reaching ¥365.1 billion at the end of March 2008 and ¥381.1 billion at the end of June 2008. SBI Mortgage plans to establish a nationwide network of franchised SBI Housing Loan shops. The first franchised shop opened in February 2007, by the end of March 2008 there were 22 shops, and 38 shops by the end of June 2008, with a total workforce of about 230 employees.

SBI Mortgage was established in 2001 as Japan's first mortgage bank. Since then, the company has relied primarily on the Internet to sell its loans directly to borrowers. The company plans to continue its Internet activities while expanding its network of shops in order to sell various types of financial products in addition to housing loans.

The Lifestyle Networks Business

SBI Holdings' Lifestyle Networks Business encompasses services for all significant events during one's life, including marriage, raising a family, purchasing a home, and many other activities. We are assembling a network that can serve not only financial needs, but also a diverse spectrum of needs in other fields that arise from significant events during one's life.

The Internet Media Sector operates life related comparison websites that allow visitors to perform searches and comparisons. One very popular website, "Hikkoshi Tatsujin Select," that is accessible from computers and cell phones provides easy comparisons of moving companies and estimates for moving expenses. The Intermediary Market Sector operates websites that serves as an intermediary for the purchase and sale of tickets to concerts and other events as well as merchandise. Performance benefited from the addition of several payment methods and a high volume of transactions using SBI Holdings' "Ticket Ryutsu Center" and "muSBI" free market websites. Both sectors became profitable, and the combined operating income for fiscal year ended March 2008 reached approximately ¥200 million.

Acquisition of office building in central Macau Island

Macau's economy has been fast growing following its September 2006 designation by China as a Special Administrative Region. Wholly owned subsidiary SBI MACAU HOLDINGS LIMITED is participating in this growth by investing in office buildings, and the company completed the sale of these buildings in April 2008.



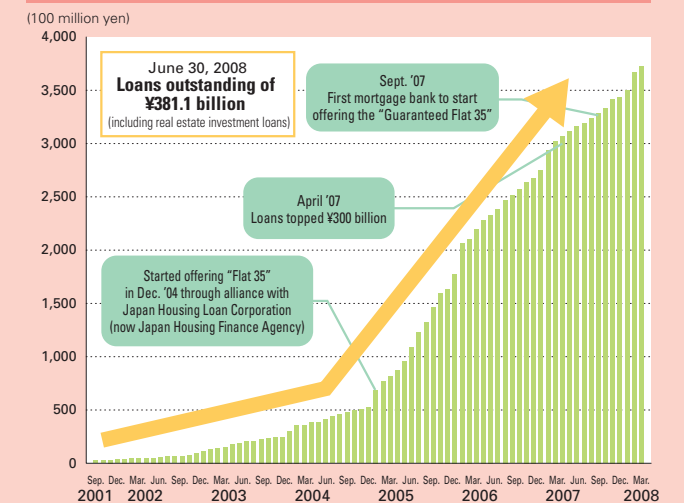
Public Real Estate Fund

SBI Private Equity Real Estate Fund (Quarterly Distributions) No. 1
 Nickname : Four-leaf Clover
 Total assets : No more than ¥15 billion

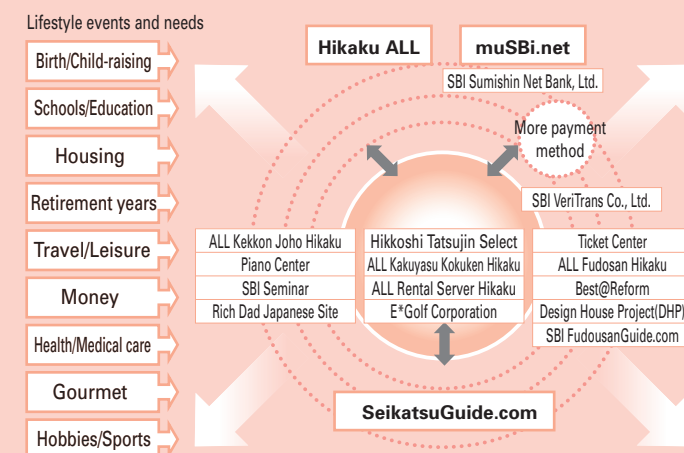
	First fiscal period (July '06 to Oct. '06)	Second fiscal period (Nov. '06 to Oct. '07)
Annual return per investment unit	6.93	12.51

(Unit: %)
 About twice as high than in prior period

Growth in Loans Outstanding at SBI Mortgage



Steady Growth of Lifestyle Networks Business

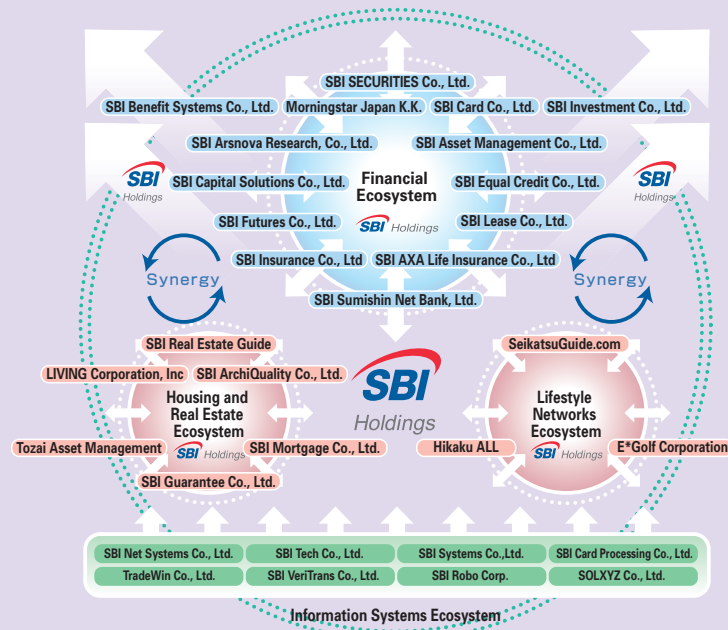


SBIH Group's New Core Business, which Started in FY 2007, with the Mission of Establishing the Information Systems Ecosystem Required to Support the Group's Internet Finance Business

Principal companies in the System Solution Business

SBI Robo Corp. / Development of search engines, planning, development and operation of services associated primarily with Web 2.0 platforms
SBI Net Systems Co., Ltd. (fka C4 Technology, Inc. until July 31, 2008) / R&D of C4 encryption technology, confidential data dispersion technology and electronic watermarks, and provision of information security products, which is listed on Mothers Market of TSE (code 2355)

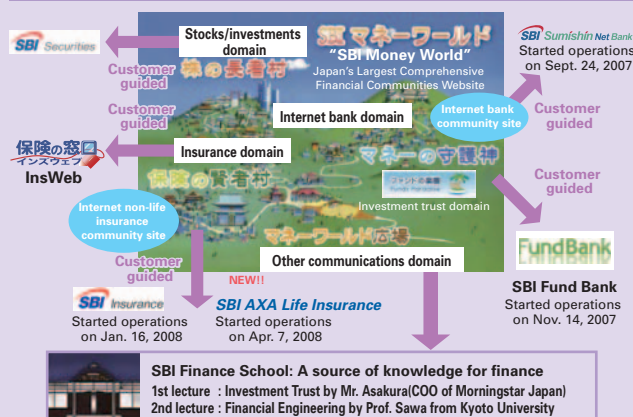
Systems Ecosystem That Supports Internet Finance



SBI Business



SBI Money World



Reinforcing the Information Systems Ecosystem That Supports Internet Financial Services

The SBIH Group relies on the Internet as the major distribution channel for its diverse lineup of products and services. This makes systems and software a vital component of the group's business operations. In order to supplement these components, we plan to assemble an information systems ecosystem that will play a central role in building, monitoring and maintaining the IT systems used by the Group companies. Taking this a step further, we also envision a unified finance and Internet framework based on our Information Systems Ecosystem. This framework will incorporate the elements of the "Finance 2.0" platform for the coming age of knowledge based financial services.

Promoting "Finance 2.0" as a Platform for New Services Associated with the Internet

The SBIH Group views "Finance 2.0" as a means of creating new Internet-related services, which will permeate various communities. We also plan to use "Finance 2.0" to achieve more seamless mutual links among the service sites of the group companies.

SBI Business — An exclusive SNS for businesses that recommend the use of real names

(<https://www.sbibusiness.com/>)

SBI Business made its debut in January 2008 as a social networking service (SNS) that recommends the use of real names. This service is operated by SBI Robo, a joint venture of SBI Holdings and FAST, a search technology company based in Norway. With SBI Business, individuals can post their real names and create their own profiles. By making this information available to the public, the SBI Business SNS allows users to achieve a high ranking for search results by name. Another advantage is ensuring that the proper information is sent to each counterparty.

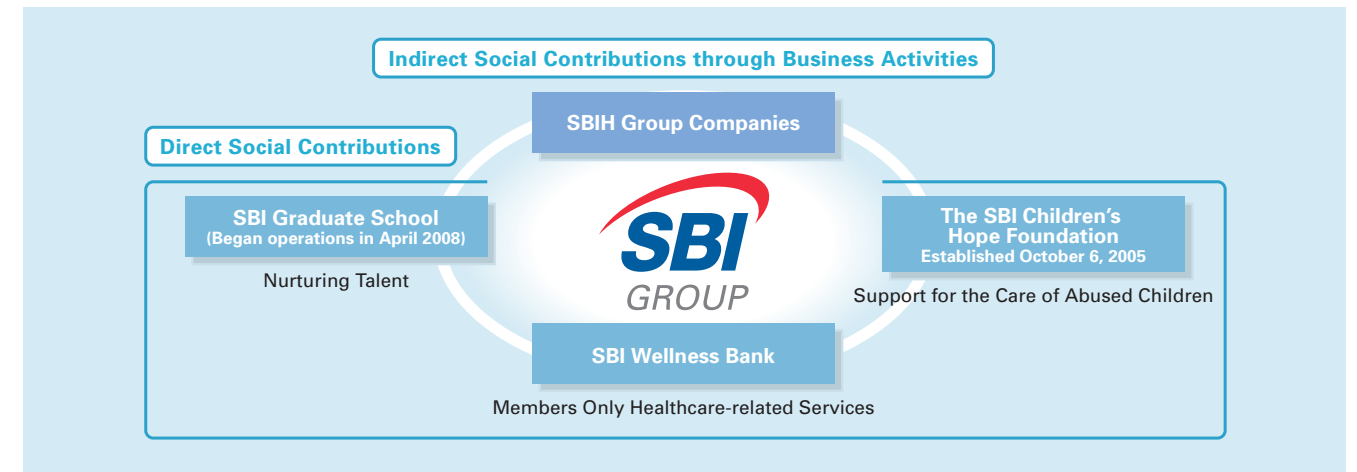
In June 2008, SBI Business added a Wikipedia search function service (<http://wiki.sbibusiness.com/>), and will take other actions to increase the selection of search functions and offer a larger lineup of services.

SBI Money World — A Community Site Specializing in Finance

(<https://www.sbi-com.jp/>)

The SBIH Group is constantly seeking new ways to expand and upgrade its Internet-based financial services. SBI Money World, a community website that began operations in April 2007, has significantly increased the volume of its content, and as of April 2008, the website's first anniversary, more than 65,000 members were registered. With such scale, SBI Money World is already developing into one of Japan's largest SNS sites for the sharing of financial knowledge.

The Four Pillars of Social Contributions at the SBIH Group



Approach to Nurturing Human Capital

The SBIH Group strives to develop as many "promising individuals" as possible who will play important roles in leading Japan's future. "Promising" does not refer solely to an individual's ability to contribute to the earnings of a single division or company. The SBIH Group also wants to nurture individuals, those who have a strong desire to contribute to the economy and society in many ways. Such individuals must acquire resolute ethical values, outstanding business expertise, an international perspective, and the capacity to make bold business decisions.

Recruiting New University Graduates

Until recently, the SBIH Group hired primarily experienced individuals rather than new graduates. In 2005, the Group started recruiting university graduates for the first time, which resulted 42 new university graduates in April 2006, 91 in April 2007 and 31 in April 2008 joining SBIH Group. The objective is to recruit individuals with the potential to advance to senior executive positions, where they will oversee the continued growth of the SBIH Group, and to increase the number of employees who will pass on the Group's unique corporate culture to the next generation of employees.

Classes Begin at SBI Graduate School

SBI Holdings had planned for some time to establish the SBI Graduate School, and received permission to open the school by the Japan's Ministry of Education, Culture, Sports, Science and Technology in November 2007. The first classes started in April 2008.

Yoshitaka Kitao, CEO of SBI Holdings, serves as president of the school and chairman of the Board of Regents. Courses cover a broad spectrum of subjects, including Mr. Kitao's philosophy concerning contributions to society. A central objective of the graduate school is to nurture the development of individuals who have a thorough grounding in ethical values and scientific management theory. To accomplish this, SBI Graduate School emphasizes both "moral education" and "practical lessons." Moral education classes use as text books, classical Chinese literature, chiefly *Shisho Gokyo* (the Four Books and Five Classics), and books about the modern history of thought in

Japan. This gives students knowledge about the humanities that is vital to becoming an effective business leader. For practical lessons, the goal is create professional business leaders who have practical skills, rather than merely an understanding of theories.

SBI Graduate School's goal is to assist individuals to quickly develop into leaders who can play key roles in Japan's future. This is why the school welcomes applications from a broad range of individuals who already have working experience. To make classes accessible to individuals with full-time jobs, the school offers Internet-based e-learning, where most classes have no restrictions in terms of time and location.

Major Events at SBI Graduate School

May 2006	Establishment of SBI University Co., Ltd. to nurture talent <ul style="list-style-type: none"> Open-door seminars led by instructors who can guide students to develop their skills Preparation for the establishment of a graduate school
April 2007	Submitted application to Ministry of Education, Culture, Sports, Science and Technology to establish a graduate school
Nov. 2007	Received permission to establish graduate school
April 2008	Began operation of the graduate school

- A professional educational institution for the development of entrepreneurs
- Classes employ e-learning based on the latest advances in technology

- Goals**
- Serve as a learning hub for Asia
 - Become a forum for exchanging information on research involving Internet technology and start-up companies backed by venture capital
 - Promote joint research projects with Asian countries
 - Establish alliances with business schools in China, India and other countries

CSR Initiatives

As integral members of society, companies owe their own existence to the very existence of society. Consequently, no company can function as a going concern without contributing to the sustained development of society. The SBIH Group has a strong awareness of the "social nature" of companies and the need to be a "strong and respected company." With this in mind, the Group is aggressively conducting many corporate social responsibility (CSR) programs.

Using The SBI Children's Hope Foundation to Strengthen CSR Activities

As a direct social contribution, the SBIH Group has established a fundamental policy of donating a reasonable portion of its earnings to child welfare facilities. The SBI Children's Hope Foundation, which received permission from the Ministry of Health, Labour and Welfare, was established in October 2005 to administer such donations. The foundation is involved in many issues and activities dealing with child welfare in Japan.

Activities of The SBI Children's Hope Foundation

1. Donations to Child Welfare Facilities

To improve conditions at facilities that care for abused children, the SBIH Group companies donated approximately ¥350 million to the Foundation during FY2007. Of this amount, the Foundation donated ¥216 million to 137 facilities.

	Donations (million yen)	Facilities
FY2007	216	137
FY2006	259	174
FY2005	155	105
FY2004	167	173

Note: FY2004 donations are by the SBIH Group. All subsequent donations are by the Foundation.

2. Training for Child Care Personnel

The Foundation sponsored training for about 50 care workers at child care facilities, conducting separate programs in eastern and western Japan. To make the training more effective, the six-day courses were divided into two sessions. The objective was to provide on-the-job training programs that give personnel at facilities the knowledge and skills required to help abused children heal their emotional scars. In FY2007, there were four seminars in eastern Japan and two in western Japan.

3. Support for Self-Reliance

The foundation donated ¥17 million to five facilities (homes for self-reliance, shelter support and counseling centers) for programs that assist children to live on their own after leaving a care facility. In addition, the foundation held clay animation workshops for children living at care facilities.

4. Public Awareness Activities

As in 2006, the foundation once again supported the Orange Ribbon Campaign in 2007, which uses a nationwide child abuse prevention network to raise public awareness of this social problem. During November, which is Child Abuse Prevention Month, SBI Holdings CEO Yoshitaka Kitao and other SBIH Group executives and employees wore orange ribbons, raising awareness of this issue within the group and elsewhere. In fiscal 2007, the SBIH Group collected donations totaling ¥716,270 by distributing 4,249 orange ribbons and 1,175 orange ribbon badges.

The foundation provided support for the National Child Abuse Prevention Forum in Kumamoto, which was held by the Ministry of Health, Labour and Welfare. The foundation also extends assistance to a telephone consultation service for child rearing and child abuse prevention. The service is operated by a private-sector network for the prevention of child abuse in Japan.



Participation in Members-only Healthcare Services Business

The SBIH Group entered the members-only healthcare business in April 2007 by establishing SBI Wellness Bank Co., Ltd. This company plans to provide comprehensive support for healthy living that includes disease prevention, the treatment and cure of disorders, and anti-aging treatments. In June 2008, SBI Wellness Bank signed an agreement for exclusive rights in Japan to offer the services of Clinique La Prairie of Switzerland, one of the world's preeminent anti-aging medical institutions. The company plans to construct Clinique La Prairie Yugawara, the first Clinique La Prairie facility outside of Switzerland, on a site of more than 40,000 square meters that it owns in Atami City, Shizuoka Prefecture. Prior to the start of operations at the Atami clinic, SBI Wellness Bank in July 2008 began offering some services through an agreement with Sakakibara Sapia Tower Clinic, which is in a building conveniently located next to Tokyo Station.

Clinique La Prairie Yugawara expects its membership to include wealthy individuals who live in Japan's neighboring countries, such as China and Southeast Asia. There is growing interest among these individuals in undergoing treatments in Japan, where they can receive highly advanced medical care. SBI

Wellness Bank is planning a tour of the Atami facility and medical check-ups in the fall of 2008 for prospective members living in China. In addition, plans call for making a business conference part of the tour by using the network of the SBIH Group. Opening this clinic will allow SBI Wellness Bank to contribute to society by helping people lead healthy lives while establishing a source of earnings in a new business domain for the SBIH Group.



Rendering of the completed Clinique La Prairie Yugawara

Major SBIH Group CSR Activities Associated with Business Operations

Operation of the Environment and Energy Fund

The SBIH Group established an Environment and Energy Fund in September 2007 with commitments for contributions totaling about ¥7.5 billion. The fund invests in Japanese and foreign companies that are associated with environmental protection and energy. As Japan's leader in venture capital investments, the SBIH Group has much experience in investing in and nurturing small companies. Information technology and biotechnology currently account for a large share of these investments.

The SBIH Group plans to make environment and energy its third core investment sector, owing to its excellent prospects for future growth, and through these venture capital investments, the group plans to nurture the development of new industries and increase the value of portfolio companies.

The Morningstar Japan SRI Index

As of June 30, 2008, three SRI (socially responsible investing) funds utilizing Morningstar Japan data managed their funds whose net assets totaled approximately ¥6.7 billion. Morningstar Japan's SRI index encourages companies to increase their commitments to CSR activities. The index also creates an environment conducive to socially responsible investing by providing a benchmark for SRI funds and supplying information for investors.

CSR at SBI SECURITIES

① Customers of SBI SECURITIES may use the points they accumulate under its points program for donations to The SBI Children's Hope Foundation, which supports facilities for abused children, and the Green Fund of the National Land Afforestation Promotion Organization, which is used to plant trees. Offering these options for using points provides customers with further awareness of these two important social issues.

② In July 2008, SBI SECURITIES started selling Eco-Link Bonds, which are linked to the price of emission futures. The bonds give individuals an indirect means of participating in the emissions trading market, since direct participation is usually not practical. This provides another way for individuals to protect the environment. By introducing Eco-Link Bonds, SBI SECURITIES became the first Internet securities company to sell an investment linked to emission futures that is accessible to individual investors, and is sold in relatively small amounts.

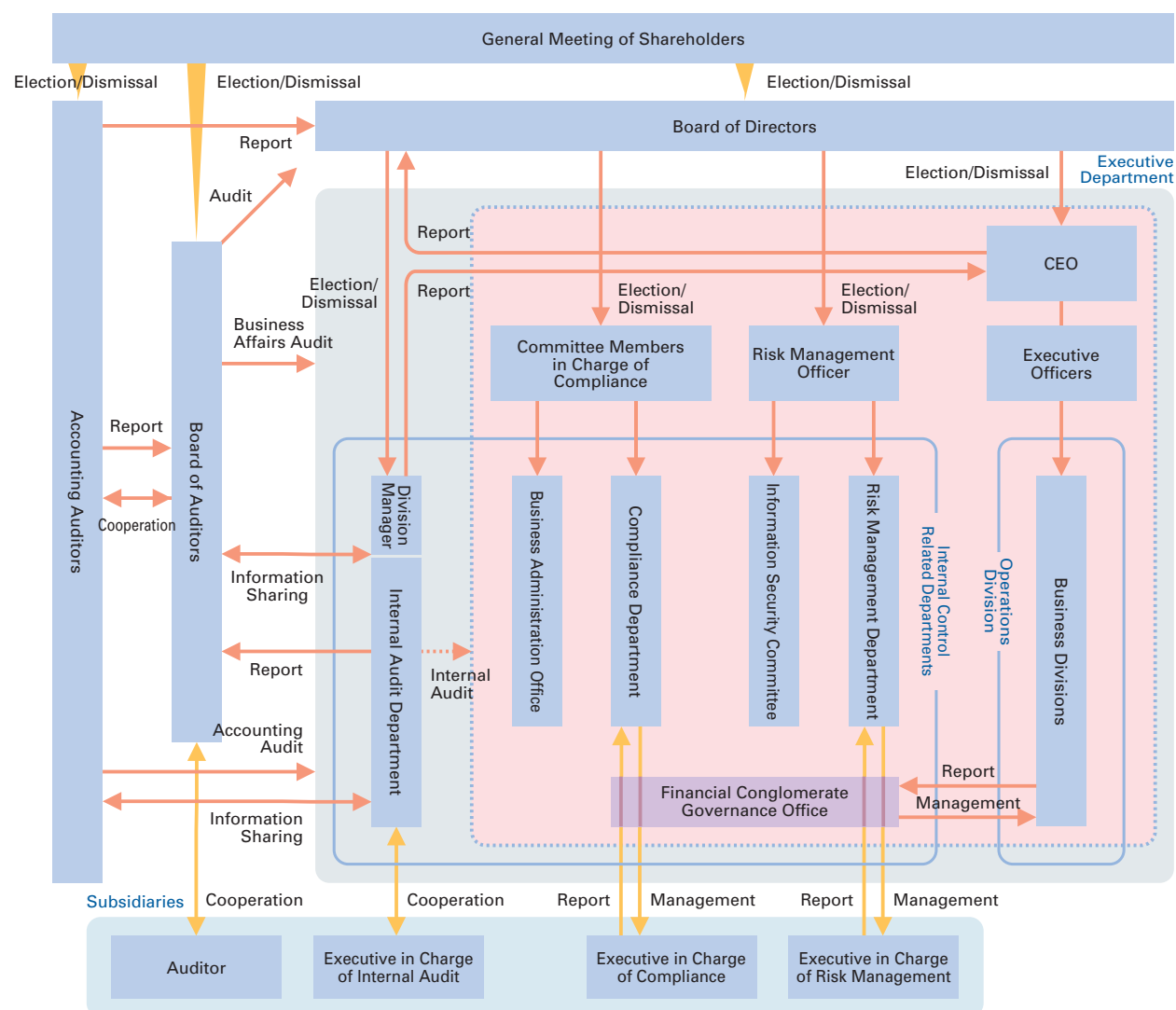
To enhance management transparency and corporate governance, SBI Holdings recognizes that one of its most crucial management tasks is to build and maintain an organizational structure capable of responding quickly to changes in the business environment, as well as maintaining a fair management system that emphasizes the interests of shareholders.

Basic Framework for Corporate Governance

SBI Holdings' Board of Directors consists of 13 directors (as of June 27, 2008), and the Company has adopted the Executive Officer System to clarify the functions and responsibilities of directors and the Board of Directors. Currently, 11 executive officers manage the execution of business affairs. These officers include the CEO and COO/CFO as well as nine executive officers who manage each business division. By differentiating in this manner, SBI Holdings has built a flexible structure for executing business affairs that also facilitates quick responses to changes in

the business environment.

As a general rule, the Board of Directors convenes once per month to decide on relevant matters, and to monitor the status and progress regarding the execution of business operations. With four corporate auditors, the company strives to further reinforce the effectiveness of its corporate governance through systematically combining various types of audits by the accounting auditors, corporate auditors and the Internal Audit Department.



Initiatives for Strengthening Corporate Governance

Internal Controls

SBI Holdings recognizes the importance of conducting business activities in conjunction with a sound internal control system. The company has an internal control structure that preserves the transparency of management and enhances corporate governance. The representative director of the company is responsible for making all managers and employees aware of the importance of compliance with laws and regulations, as well as ethical standards. Compliance and ethics are both vital aspects of operating within the SBIH Group's Management Philosophy and Corporate Vision. In accordance with regulations for the Board of Directors, the board holds regular monthly meetings, and convenes for other meetings as required. This facilitates close communications among the directors and permits supervision of the performance of the representative director. A director has been appointed to be responsible for compliance matters, and SBI Holdings has a Compliance Department that directly manages compliance activities.

SBI Holdings has established a system for submitting reports involving compliance matters directly to the Internal Audit Department and the corporate auditors. This reporting system allows directors and employees to provide information concerning violations of laws, regulations and the Articles of Incorporation, as well as other matters involving compliance.

Compliance conferences are held to provide an opportunity to exchange information about compliance issues for the entire SBIH Group. These gatherings identify compliance issues and problems, and confirm that business operations are conducted properly. The director in charge of compliance and the Compliance Department hold these conferences along with the compliance officers of the group companies.

Risk Management

SBI Holdings manages risks that may impede the execution of business operations, or prevent the company from operating in line with its Management Philosophy and Corporate Vision. The Board of Directors appoints a director to be in charge of risk management in accordance with crisis management, risk management and group risk management regulations. In addition, the Risk Management Department monitors, properly evaluates and manages risk for the entire SBIH Group.

In the event of any potential or actual management crisis threatening the company's existence, the director in charge of risk management, as the person with overall responsibility, will gather pertinent information and consider and implement countermeasures and measures to prevent reoccurrences, while reporting on the situation and disclosing information to relevant institutions.

SBI Holdings has established a structure for the overall management of information, including customer information, and has been strengthening its information management functions. As a part of these efforts, the company has established the Information Security Committee composed of members appointed from each division, with the director in charge of risk management as the chairman. The company is also responding to computer system risk

by building a structure, including redundant systems and backup structures at multiple locations, which allows the company to respond to any type of contingency.

Audits by the Corporate Auditors, Internal Audits and Accounting Audits

The Board of Corporate Auditors receives explanations from the accounting auditors on the annual auditing plan and other matters based on the Audit Report, when financial statements for the first half and full fiscal year are prepared. When necessary, the Board of Corporate Auditors also shares information and engages in discussions with the accounting auditor and the Internal Audit Department.

The Internal Audit Department audits the execution of duties by the directors and employees, working to prevent any violation of laws, ordinances or the Articles of Incorporation, if necessary in cooperation with external specialists. The results of internal audits are reported to the Board of Directors through the representative director once every six months. Also, when required, the Internal Audit Department shares information with the corporate auditors and the accounting auditors regarding management-related issues or problems.

Initiatives During the Past Year to Upgrade Corporate Governance

The Board of Directors continued to fulfill its responsibilities of reaching necessary decisions and supervising management activities during the fiscal year by holding at least one meeting each month.

In addition, to reinforce management oversight functions, corporate auditors performed audits covering many items during the fiscal year based on an auditing plan. Furthermore, the Internal Audit Department, in conjunction with external specialists, conducted comprehensive internal audits that included group companies. Through these activities, the company worked to further improve its operating efficiency and to prevent the occurrence of improper activities and errors.

SBI Holdings is dedicated to supplying its varied investor base with accurate information concerning its business operations. The company holds quarterly information meetings to announce earnings, and provides a report on operations following the annual shareholders meeting. In addition, information meetings are held for individual investors in major Japanese cities, where the CEO of SBI Holdings discusses the company's operations and strategies. Our disclosure activities also include attendance at many investor relations conferences in Japan and other countries.

Earnings releases, press releases, along with streaming videos of quarterly earnings announcements and information meetings, as well as other relevant materials are quickly posted on the SBI Holdings website. The SBI Channel is another example of the company's firm commitment to the disclosure of information. This channel, found on the SBI Holdings website, gives investors the opportunity to view streaming videos where the CEO discusses the group's performance and recent events.

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Consolidated Financial Indices

	Millions of Yen Years ended 31st March			Thousands of U.S. Dollars Year ended 31st March *1
	2006	2007	2008	2008
Operating Revenues	¥ 137,247	¥ 144,581	¥ 222,568	\$ 2,221,233
Operating Income	49,595	23,095	42,607	425,219
Net Income	45,884	46,441	4,229	42,205
Total Equity *2	268,123	346,641	387,766	3,869,925
Total Assets	1,331,644	1,367,222	1,219,247	12,168,136
Equity Ratio (%)	20.1	18.1	19.8	
Net Cash used in Operating Activities	(132,740)	(67,409)	50,074	499,738
Net Cash provided by (used in) Investing Activities	(33,137)	86,014	(20,610)	(205,690)
Net Cash provided by (used in) Financing Activities	200,746	(58,176)	(9,957)	(99,374)
Cash and Cash Equivalents, end of Year	132,545	115,092	159,007	1,586,901
BPS (Yen, US\$)	22,016.22	22,018.24	21,438.08	213.95
EPS (Yen, US\$)	4,957.08	4,040.51	376.63	3.76
Cash Dividends Applicable to the Year (Yen, US\$)	600	1,200	1,200	11.98

*1. U.S. Dollar figures are for reference only, and calculated at ¥100.20 to U.S. \$1.00, the exchange rate on 31st March 2008.

*2. Due to the new accounting standard for presentation of equity, the Total Equity at 31st March 2007 and 31st March 2008 includes stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting standard. These items are not included in the Total Equity numbers for 31st March 2006.

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.

Consolidated Balance Sheets

SBI Holdings, Inc.

SBI Holdings, Inc. and Consolidated Subsidiaries
31st March, 2007 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	31st March		31st March
	2007	2008	2008
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 15)	¥ 115,092	¥ 159,007	\$ 1,586,901
Time deposits	616	1,518	15,152
Cash required to be segregated under regulations (Note 4)	340,090	313,817	3,131,909
Notes and accounts receivable—trade (Note 15)	7,537	10,985	109,627
Operational investment securities (Note 6)	100,603	115,717	1,154,861
Valuation allowance for operational investment securities	(18,603)	(4,967)	(49,568)
Operational loans receivable (Note 15)	46,828	66,261	661,284
Real estate inventory (Notes 5 and 15)	35,872	32,895	328,289
Trading assets (Note 7)	4,329	1,728	17,249
Margin transaction assets:			
Receivables from customers	489,269	274,887	2,743,385
Cash deposits as collateral for securities borrowed	11,303	17,995	179,593
Loans secured by securities on non-resale agreement transactions	102		
Short-term guarantee deposits	24,354	13,414	133,868
Deferred tax assets—current (Note 25)	2,271	1,053	10,513
Prepaid expenses and other current assets (Note 9)	40,324	66,723	665,897
Allowance for doubtful accounts	(1,070)	(1,762)	(17,589)
Total current assets	1,198,917	1,069,271	10,671,371
PROPERTY AND EQUIPMENT—Net (Notes 10 and 11)	4,602	5,728	57,161
LEASED ASSETS—Net (Note 12)	10,036	7,877	78,610
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 6)	25,399	15,972	159,404
Investments in unconsolidated subsidiaries and affiliated companies (Note 13)	54,411	25,923	258,716
Software, net of accumulated amortisation of ¥4,824 million and ¥7,649 million (\$76,333 thousand) at 31st March, 2007 and 2008, respectively	6,559	8,816	87,980
Rental deposits	4,726	6,801	67,875
Goodwill	53,513	60,874	607,528
Long-term trade receivables	1,536	50	496
Deferred tax assets—non-current (Note 25)	1,915	10,595	105,737
Other assets	7,763	12,109	120,853
Allowance for doubtful accounts	(2,155)	(4,769)	(47,595)
Total investments and other assets	153,667	136,371	1,360,994
TOTAL	¥ 1,367,222	¥ 1,219,247	\$ 12,168,136

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	31st March		31st March
	2007	2008	2008
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term borrowings (Notes 14 and 15)	¥ 56,142	¥ 53,832	\$ 537,245
Current portion of long-term debt (Notes 14 and 15)	25,172	112,743	1,125,179
Income taxes payable	15,755	9,352	93,330
Margin transaction liabilities:			
Payables to financial institutions (Notes 14 and 15)	231,211	81,583	814,206
Proceeds of securities sold for customers' accounts	62,961	62,531	624,060
Loans secured by securities on repurchase agreement transactions (Note 14)	55,825	35,441	353,700
Consignment guarantee money received for margin transactions	297,448	272,006	2,714,631
Customers' deposits as collateral for commodity futures (Note 9)	45,356	39,574	394,949
Customers' deposits for securities transactions	16,234	20,147	201,072
Unearned income (Note 16)	3,030	1,893	18,893
Accrued expenses	3,189	3,280	32,732
Contingent reserve		22	221
Deferred tax liabilities—current (Note 25)	7,201	8,867	88,495
Other current liabilities (Notes 7, 14 and 28)	30,549	39,363	392,842
Total current liabilities	850,073	740,634	7,391,555
LONG-TERM LIABILITIES:			
Long-term debt, less current portion (Notes 14 and 15)	159,603	77,149	769,950
Deferred tax liabilities—non-current (Note 25)	748	300	2,990
Other long-term liabilities (Notes 17 and 18)	3,633	5,431	54,202
Total long-term liabilities	163,984	82,880	827,142
STATUTORY RESERVES (Note 19):			
Reserve for liability for securities transactions	6,314	7,925	79,096
Reserve for liability for commodity transactions	210	42	418
Total statutory reserves	6,524	7,967	79,514
FORWARD	¥ 1,020,581	¥ 831,481	\$ 8,298,211

Consolidated Statements of Income

SBI Holdings, Inc.

SBI Holdings, Inc. and Consolidated Subsidiaries
Years Ended 31st March, 2007 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	31st March		31st March
	2007	2008	2008
LIABILITIES AND EQUITY			
FORWARD	¥ 1,020,581	¥ 831,481	\$ 8,298,211
EQUITY (Notes 20 and 21):			
Common stock—authorised, 34,169,000 shares; issued, 12,399,171 shares in 2007 and 12,435,284 shares in 2008	54,914	55,158	550,477
Capital surplus	116,519	116,762	1,165,287
Stock acquisition rights	42	4	42
Retained earnings	122,167	112,339	1,121,148
Unrealised gain on available-for-sale securities	5,436	10,134	101,137
Deferred gain on derivatives under hedge accounting	2	9	86
Foreign currency translation adjustments	974	(122)	(1,217)
Treasury stock—at cost, 1,183,488 shares in 2007 and 1,183,541 shares in 2008	(53,062)	(53,064)	(529,575)
Total	246,992	241,220	2,407,385
Minority interests	99,649	146,546	1,462,540
Total equity	346,641	387,766	3,869,925
TOTAL	¥ 1,367,222	¥ 1,219,247	\$ 12,168,136

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Year Ended 31st March		Year Ended 31st March
	2007	2008	2008
OPERATING REVENUES (Notes 22 and 31)	¥ 144,581	¥ 222,568	\$ 2,221,233
OPERATING COSTS (Note 23)	68,745	115,344	1,151,137
Gross profit	75,836	107,224	1,070,096
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 24)	52,741	64,617	644,877
Operating income	23,095	42,607	425,219
OTHER INCOME (EXPENSES):			
Interest and dividends income	644	648	6,466
Interest expense	(1,278)	(1,785)	(17,813)
Foreign exchange gain (loss)—net	14	(726)	(7,241)
(Loss) gain on sale of investment securities—net	(23,575)	6,780	67,667
Amortisation of negative goodwill	69,094		
Provision for statutory reserves (Note 19)	(1,599)	(1,611)	(16,080)
Impairment loss (Note 11)	(53)		
Equity in losses of subsidiaries and associated companies	(710)	(4,615)	(46,055)
Goodwill amortisation for the equity method affiliates with significant losses	(1,977)	(6,794)	(67,806)
Other—net	(1,613)	(5,685)	(56,738)
Other income (expenses)—net	38,947	(13,788)	(137,600)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	62,042	28,819	287,619
INCOME TAXES (Note 25):			
Current	38,855	19,311	192,728
Reversal of the prior year's income taxes	(583)		
Deferred	(23,447)	(2,038)	(20,342)
Total income taxes	14,825	17,273	172,386
MINORITY INTERESTS IN NET INCOME	(776)	(7,317)	(73,028)
NET INCOME	¥ 46,441	¥ 4,229	\$ 42,205
PER SHARE OF COMMON STOCK (Notes 2.aa and 30):	Yen		U.S. Dollars
Basic net income	¥ 4,040.51	¥ 376.63	\$ 3.76
Diluted net income	3,845.82	344.65	3.44
Cash dividends applicable to the year	1,200	1,200	11.98

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

SBI Holdings, Inc.

SBI Holdings, Inc. and Consolidated Subsidiaries
Years Ended 31st March, 2007 and 2008

	Millions of Yen					
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealised Gain on Available-for-sale Securities
BALANCE, 1ST APRIL, 2006	12,155,028	¥ 54,229	¥ 115,692		¥ 90,345	¥ 12,830
Reclassified balance as at 31st March, 2006 (Note 2.s)				¥ 6		
Exercise of warrants (Note 20)	108,479	685	687			
Cash dividends, ¥1,200 per share (Note 20)					(14,078)	
Bonuses to directors					(541)	
Net income					46,441	
Purchase of treasury stock	(1,051,604)					
Reissuance of treasury stock	3,614		140			
Treasury stocks held by affiliated company accounted for by the equity method	166					
Net change in the year				36		(7,394)
BALANCE, 31ST MARCH, 2007	11,215,683	54,914	116,519	42	122,167	5,436
Exercise of warrants (Note 20)	36,113	244	244			
Cash dividends, ¥1,200 per share (Note 20)					(13,558)	
Net income					4,229	
Adjustment of retained earnings for newly consolidated subsidiaries					(790)	
Adjustment of retained earnings for subsidiaries excluded from consolidation					(16)	
Adjustment of retained earnings for affiliated companies excluded from the equity method accounting					307	
Purchase of treasury stock	(83)					
Reissuance of treasury stock	26		(1)			
Treasury stocks held by affiliated company accounted for by the equity method	4					
Net change in the year				(38)		4,698
BALANCE, 31ST MARCH, 2008	11,251,743	¥ 55,158	¥ 116,762	¥ 4	¥ 112,339	¥ 10,134

	Millions of Yen					
	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, 1ST APRIL, 2006		¥ 935	¥ (5,908)	¥ 268,123		¥ 268,123
Reclassified balance as at 31st March, 2006 (Note 2.s)				6	¥ 55,094	55,100
Exercise of warrants (Note 20)				1,372		1,372
Cash dividends, ¥1,200 per share (Note 20)				(14,078)		(14,078)
Bonuses to directors				(541)		(541)
Net income				46,441		46,441
Purchase of treasury stock			(47,246)	(47,246)		(47,246)
Reissuance of treasury stock			86	226		226
Treasury stocks held by affiliated company accounted for by the equity method			6	6		6
Net change in the year	¥ 2	39		(7,317)	44,555	37,238
BALANCE, 31ST MARCH, 2007	2	974	(53,062)	246,992	99,649	346,641
Exercise of warrants (Note 20)				488		488
Cash dividends, ¥1,200 per share (Note 20)				(13,558)		(13,558)
Net income				4,229		4,229
Adjustment of retained earnings for newly consolidated subsidiaries				(790)		(790)
Adjustment of retained earnings for subsidiaries excluded from consolidation				(16)		(16)
Adjustment of retained earnings for affiliated companies excluded from the equity method accounting				307		307
Purchase of treasury stock			(3)	(3)		(3)
Reissuance of treasury stock			1			
Treasury stocks held by affiliated company accounted for by the equity method						
Net change in the year	7	(1,096)		3,571	46,897	50,468
BALANCE, 31ST MARCH, 2008	¥ 9	¥ (122)	¥ (53,064)	¥ 241,220	¥ 146,546	¥ 387,766

	Thousands of U.S. Dollars (Note 1)				
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealised Gain on Available-for-sale Securities
BALANCE, 31ST MARCH, 2007	\$ 548,046	\$ 1,162,857	\$ 419	\$ 1,219,232	\$ 54,253
Exercise of warrants (Note 20)	2,431	2,435			
Cash dividends, \$11.98 per share (Note 20)				(135,307)	
Net income				42,205	
Adjustment of retained earnings for newly consolidated subsidiaries				(7,887)	
Adjustment of retained earnings for subsidiaries excluded from consolidation				(160)	
Adjustment of retained earnings for affiliated companies excluded from the equity method accounting				3,065	
Purchase of treasury stock					
Reissuance of treasury stock		(5)			
Treasury stocks held by affiliated company accounted for by the equity method					
Net change in the year			(377)		46,884
BALANCE, 31ST MARCH, 2008	\$ 550,477	\$ 1,165,287	\$ 42	\$ 1,121,148	\$ 101,137

	Thousands of U.S. Dollars (Note 1)					
	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, 31ST MARCH, 2007	\$ 24	\$ 9,715	\$ (529,559)	\$ 2,464,987	\$ 994,499	\$ 3,459,486
Exercise of warrants (Note 20)				4,866		4,866
Cash dividends, \$11.98 per share (Note 20)				(135,307)		(135,307)
Net income				42,205		42,205
Adjustment of retained earnings for newly consolidated subsidiaries				(7,887)		(7,887)
Adjustment of retained earnings for subsidiaries excluded from consolidation				(160)		(160)
Adjustment of retained earnings for affiliated companies excluded from the equity method accounting				3,065		3,065
Purchase of treasury stock			(29)	(29)		(29)
Reissuance of treasury stock			12	7		7
Treasury stocks held by affiliated company accounted for by the equity method			1	1		1
Net change in the year	62	(10,932)		35,637	468,041	503,678
BALANCE, 31ST MARCH, 2008	\$ 86	\$ (1,217)	\$ (529,575)	\$ 2,407,385	\$ 1,462,540	\$ 3,869,925

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

SBI Holdings, Inc.

SBI Holdings, Inc. and Consolidated Subsidiaries
Years Ended 31st March, 2007 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Year Ended 31st March		Year Ended 31st March
	2007	2008	2008
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 62,042	¥ 28,819	\$ 287,619
Adjustments for:			
Income taxes paid	(43,132)	(30,542)	(304,814)
Amortisation and depreciation	(58,122)	11,477	114,542
Provision for valuation allowance for operational investment securities	3,043	1,365	13,623
Provision for allowance for doubtful accounts	977	2,811	28,051
Impairment loss	53		
Write-down of operational investment securities	8,813	1,962	19,579
Equity earnings in funds	(3,518)	(3,101)	(30,949)
(Gain) loss on sales of investment securities—net	23,575	(6,780)	(67,667)
Changes in assets and liabilities:			
Increase in operational investment securities and operational investments in funds	(10,539)	(5,597)	(55,857)
Increase in operational loans receivable	(8,417)	(16,109)	(160,768)
(Increase) decrease in real estate inventory	(26,531)	9,191	91,726
(Increase) decrease in segregated assets for customers	(5,797)	18,901	188,636
(Increase) decrease in trading assets	(1,080)	387	3,861
Increase in leased assets	(4,264)	(1,042)	(10,397)
Net changes in margin transaction assets and liabilities	7,518	55,173	550,623
Increase (decrease) in customers' deposits for securities transactions	(4,697)	3,822	38,142
Decrease in consignment guarantee money received for margin transactions	(5,937)	(25,442)	(253,916)
Net changes in loans receivable and payable secured by securities	234	(20,291)	(202,500)
Increase in unearned income	2,648	1,292	12,899
Other—net	(4,278)	23,778	237,305
Net cash (used in) provided by operating activities—(Forward)	¥ (67,409)	¥ 50,074	\$ 499,738

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Year Ended 31st March		Year Ended 31st March
	2007	2008	2008
Net cash (used in) provided by operating activities—(Forward)	¥ (67,409)	¥ 50,074	\$ 499,738
INVESTING ACTIVITIES:			
Purchases of intangible assets	(3,096)	(3,457)	(34,506)
Purchases of investment securities	(28,659)	(8,310)	(82,932)
Proceeds from sales of investment securities	3,804	3,579	35,723
Proceeds from sales of subsidiaries' stock	129,831	7,190	71,758
Cash paid in business acquisitions, net of cash acquired	(8,208)	(3,861)	(38,539)
Cash received in sales of subsidiaries, net of cash relinquished	5,831		
Investments in subsidiaries	(7,125)	(4,443)	(44,338)
Investments in loans receivable	(54,217)	(200,953)	(2,005,518)
Collections of loans receivable	48,823	191,927	1,915,440
Payments for security deposits	(2,258)	(2,855)	(28,494)
Collection of security deposits	1,952	1,378	13,748
Other—net	(664)	(805)	(8,032)
Net cash provided by (used in) investing activities	86,014	(20,610)	(205,690)
FINANCING ACTIVITIES:			
Increase (decrease) in short-term borrowings—net	34,180	(8,330)	(83,138)
Proceeds from long-term debt	39,521	46,513	464,207
Repayment of long-term debt	(4,265)	(39,972)	(398,919)
Dividends paid	(13,985)	(13,451)	(134,243)
Dividends paid to minority shareholders	(2,584)	(2,554)	(25,489)
Distribution to minority investors in investment funds	(75,280)	(25,265)	(252,148)
Proceeds from issuance of common stock	1,329	414	4,127
Proceeds from issuance of common stock to minority shareholders	9,570	2,851	28,452
Proceeds from minority investors in investment funds	522	29,859	297,992
Reissuance of treasury stock	5	1	9
Purchase of treasury stock	(47,165)	(3)	(29)
Other—net	(24)	(20)	(195)
Net cash used in financing activities	(58,176)	(9,957)	(99,374)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(57)	(933)	(9,301)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS—(Forward)	¥ (39,628)	¥ 18,574	\$ 185,373

SBI Holdings, Inc. and Consolidated Subsidiaries
Years Ended 31st March, 2007 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Year Ended 31st March		Year Ended 31st March
	2007	2008	2008
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS—(Forward)			
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES	¥ (39,628)	¥ 18,574	\$ 185,373
CASH AND CASH EQUIVALENTS DECREASED DUE TO EXCLUSION FROM CONSOLIDATION			
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	22,175	25,365	253,141
CASH AND CASH EQUIVALENTS, END OF YEAR		(24)	(239)
	132,545	115,092	1,148,626
	¥ 115,092	¥ 159,007	\$ 1,586,901
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION (Note 2.a):			
Fair value of assets acquired	¥ (30,515)	¥ (14,115)	\$ (140,870)
Liabilities assumed	24,287	9,707	96,880
Goodwill	(6,911)	(5,094)	(50,836)
Minority interest	909	1,175	11,724
Acquisition costs	(12,230)	(8,327)	(83,102)
Cash acquired	4,022	4,124	41,155
Transfer from stock of affiliated company		353	3,525
Other		(11)	(117)
Cash paid in business acquisitions, net of cash acquired	¥ (8,208)	¥ (3,861)	\$ (38,539)
Fair value of assets sold	¥ 18,356		
Liabilities relinquished	(12,000)		
Sale value	3		
Cash relinquished	(528)		
Cash received in sales of subsidiaries, net of cash relinquished	¥ 5,831		

See notes to consolidated financial statements.

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

SBI Holdings, Inc. (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 currently engaged in the provision of a wide range of financial services and are primarily active in five core businesses of asset management, brokerage and investment banking, financial services, housing and real estate business, and system solution business.

SBI's asset management business is principally carried out by the Company, SBI Investment Co., Ltd. and SBI CAPITAL Co., Ltd., and involves the management of venture capital investment funds, corporate restructuring funds and broadband media 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 subsidiary, SBI 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. 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, Morningstar Japan K.K. and SBI VeriTrans Co., Ltd. Financial services include activities services such as a leasing and loans for individual and business owners, and credit cards; payment settlement services; development of financial software; investment trust evaluations; operation of insurance and loan products comparison websites and many others.

SBI's housing and real estate business is principally executed by the Company, SBI Planners Co., Ltd., SBI Mortgage Co., Ltd. and HOMEOSTYLE Inc. Housing real estate business is consisted of housing loan brokerage; real estate investments and property development; establishment and operation of fund, mainly to invest in real estate; venture capital investments in companies associated with real estate, and network operation to meet lifestyle needs of individuals.

System solution business is principally executed by the Company, SBI Robo Corp. ("Robo") and C4 Technology, Inc. ("C4T" a subsidiary newly acquired in February, 2008). System solution business involves widely system related business such as system planning, system operation and system development in the area of encryption.

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law (formerly, the Japanese Securities and Exchange Law) and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), 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 2007 financial statements to conform to the classifications used in 2008.

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 ¥100.20 to \$1, the approximate rate of exchange at 31st March, 2008. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation — The consolidated financial statements as at 31st March, 2008 include the accounts of the Company and its 74 significant (48 in 2007) 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 (5 in 2007) unconsolidated subsidiary and 7 (8 in 2007) affiliated companies are accounted for by the equity method. Investments in the remaining unconsolidated subsidiaries and affiliated companies 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 being amortised by the straight-line method over the appropriate period which fit reality of acquisition. 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.

On 8th September, 2006, the Accounting Standards Board of Japan (the "ASBJ") issued Practical Issues Task Force ("PITF") No. 20, "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations" which is effective for fiscal years ending on or after 8th September, 2006. The practical solution clarifies how the control and influence concept should be practically applied to the consolidation scope of collective investment vehicles, such as limited partnerships, dormant partnerships and other entities with similar characteristics. The Company applied this task force in the year ended 31st March, 2007.

Investments in 47 (33 in 2007) companies and 1 (1 in 2007) corporate type investment trust with over 20 percent ownership are included in operational investment securities as the investments in these companies were made as part of the Company's operating activities.

The operating investments in funds that are classified as subsidiaries under PITF No. 20, but are not consolidated are included in investments in unconsolidated subsidiaries and affiliated companies on the consolidated balance sheet. Those that are not classified as subsidiaries under PITF No. 20 are included in operating investment securities. In either case, they are accounted for by using the equity method based on SBI's percentage share in the contributed capital, while SBI consolidates the revenue and expenses of these funds in the consolidated statement of income. Revenue and expenses stated on the profit and loss statement of the funds are recorded in SBI's consolidated statement of income based on SBI's percentage share in each partnership's contributed capital.

Non-operational investments in funds included in investment securities on the consolidated balance sheet are accounted for using the equity method based on SBI's percentage share in the contributed capital as these funds are investment partnerships. Upon the adoption of PITF No. 20, some of the non-operational investments in funds are classified as subsidiaries and decided to be consolidated.

Upon resolution and approval of the Board of Directors on 12th May, 2006, the Company accepted new shares of NEXUS CO., LTD. ("NEXUS") and acquired 30,500 shares of common stock in the aggregate amount of ¥3,498 million. As a result, NEXUS became an affiliated company accounted for by the equity method from June 2006. Then, upon resolution and approval of the Board of Directors on 12th November, 2007, NEXUS resolved to allot 55,865 new shares to a third party on 27th November, 2007. As a result, the Company's equity interests in NEXUS were down to 16.1 percent. Accordingly, NEXUS was no longer an affiliated company of the Company subject to equity method accounting and was eliminated from its consolidated accounts from December 2007.

Upon resolution and approval of the Board of Directors on 30th January, 2007, the Company acquired 505 shares of common stock of CEM Corporation ("CEM") in the aggregate amount of ¥2,967 million on 16th February, 2007. In addition, the Company's consolidated subsidiary, SBI Value Up Fund No. 1 Limited partnership acquired 1,276 shares of common stock of CEM in the aggregate amount of ¥7,498 million on the same day. As a result, CEM became a consolidated subsidiary of the Company from February 2007.

The Company acquired common stock of LIVING Corporation, Inc. ("LIVING") through a Take Over Bid ("TOB"). The TOB was officially approved by the Company's Board of Directors on 31st July, 2007 and was executed from 1st August, 2007 through 3rd September, 2007. The number of shares acquired through TOB was 8,700, and the aggregate investment amount was ¥2,784 million (\$27,784 thousand). As a result, the equity interest of LIVING held by the Company became 54.4 percent and LIVING was consolidated from September 2007.

Upon resolution and approval of the Board of Directors on 15th February, 2008, the Company accepted new shares of C4T and acquired 105,200 shares of common stock for the aggregate amount of ¥1,368 million (\$13,649 thousand), while ETS accepted new shares of C4T and acquired 26,300 shares of common stock for the aggregate amount of ¥342 million (\$3,412 thousand). As a result, C4T became a consolidated subsidiary of the Company from March 2008.

b. Business Combination — In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations," and on 27th December, 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Separations" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Separations." These new accounting pronouncements were effective for fiscal years beginning on or after 1st April, 2006.

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

c. 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 and call deposits, all of which mature or become due within three months of the date of acquisition.

d. 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, with 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 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 PITF No. 20, investments in funds which are determined to be subsidiaries under PITF No. 20 but are not consolidated are accounted for as investments in unconsolidated subsidiaries and affiliated companies on the consolidated balance sheet. Those not classified as subsidiaries under PITF No. 20 are accounted for as either operational investment securities or investment securities on the consolidated balance sheet according to SBI's percentage shares in the contributed capital.

In accordance with the Commodities Exchange Law, securities in custody for commodity futures related businesses are reported at a price determined by the 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

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

f. Real Estate Inventory — Real estate inventory is stated at cost, determined 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 by 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 3 to 50 years for buildings and leasehold improvements and from 2 to 20 years for furniture and equipment.

i. Long-lived Assets — The Company and its domestic subsidiaries (together, the "Group") review their long-lived assets for impairment whenever events or changes in circumstance indicate 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.

j. 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.

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

Intangible leased assets are stated at cost less accumulated amortisation as lessor accounting treatment. Amortisation is computed by using the straight-line method over the lease term.

k. Software — Software is recorded at cost, less accumulated amortisation. Amortisation of software used for internal purposes is computed by using the straight-line method over 5 years, the estimated useful life of the software. On the other hand, amortisation of software for sale to the market is computed by using the straight-line method over 3 years or less, the estimated salable period of the software.

l. Other Assets — Stock issuance costs are amortised by the straight-line method over 3 years. Bond issuance costs which were incurred prior to 1st May, 2006 are amortised by the straight-line method over 3 years. Bond issuance costs which were incurred on or after 1st May, 2006 are amortised by the straight-line method over the bond term in accordance with ASBJ PITF No. 19, "Tentative Solution on Accounting for Deferred Assets," which was issued by the ASBJ on 11th August, 2006 and is effective for fiscal years ending on or after 1st May, 2006. Intangible assets are amortised by using straight-line method. Amortisation of deferred assets under Section 113 of the Insurance Business Law is calculated in accordance with the article of a certain subsidiary which manages insurance business.

m. Contingent Reserve — Contingent reserve is provided at an estimated amount of possible losses arising from contentious cases.

n. Statutory Reserve for Liability for Securities Transaction — Pursuant to Article 51 of the former Securities and Exchange Law, statutory reserve is provided against possible losses resulting from execution errors. The amount is calculated in accordance with Article 35 of the "Cabinet Office Ordinance concerning Securities Companies."

o. Statutory Reserve for Liability for Commodity Transaction — Statutory reserve is provided against the possible losses resulting from commodity future transaction accidents in accordance with Article 221 of the Commodity Exchange Law.

p. Employees' Retirement Benefits — The liability for employees' retirement benefits is accounted for based on projected benefit obligations and plan assets at the balance sheet date.

q. Retirement Allowance for Directors — Retirement allowance for directors of a consolidated subsidiary is recorded to state the liability at the amount that would be required if all directors retired at each balance sheet date.

r. Stock Options — On 27th December, 2005, the ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance. The new standard and guidance were applicable to stock options newly granted on and after 1st May, 2006. This standard requires companies to recognise compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value. The Company applied this accounting standard for stock options to those granted on and after 1st May, 2006.

s. Presentation of Equity — On 9th December, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities or assets, as the case may be, are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard was effective for fiscal years ending on or after 1st May, 2006. The balances of such items as at 31st March, 2006 were reclassified as separate components of equity as at 1st April, 2006 in the consolidated statement of changes in equity.

t. Revenue and Cost Recognition — SBI's revenues principally consist of revenue from operational investment securities, fees from funds and revenues from real estate related transactions, securities transactions and commodity futures transactions, while its costs principally consist of the cost of operational investment securities or real estate sold and a provision for valuation allowance for operational investment securities.

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, write-downs of operational investment securities and securities held by funds, and fees related to securities transactions. Write-downs of operational investment securities and securities held by funds are recognised at the balance sheet date for quoted and unquoted securities if impairment of value has occurred and been deemed other than temporary, and operational investment securities are reduced to their net realisable value by a charge to income. Fees related to securities transactions are recorded when incurred.

Fees from fund — 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 construction projects — Revenue from long-term construction projects whose contract amounts are not less than ¥300 million (\$2,994 thousand) and whose contract periods are beyond 1 year are recorded on the percentage-of-completion method while all other construction projects other than aforementioned are recorded on the completed-contract method.

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. Commissions charged for executing brokerage transactions are accrued on a trade date basis and are included in current period earnings. Underwriting fees are recorded when services for underwriting are completed. All other fees are recognised when related services are rendered.

Revenue from commodity futures transactions — Revenue from commodity futures transactions is recognised on the trading date.

Financial charges and cost of funding — Financial charges mainly related to brokerage and investment banking businesses such as interest expense from margin transactions and costs from repurchase agreement transactions are accounted for as operating costs. Interest expense other than financial charges is categorised into either interests related to operating assets such as operational investment securities or leased assets or interests related to non-operating assets. Cost of funding related to operating assets is accounted for as operating costs while interest expense related to non-operating assets is recorded as non-operating expenses. During the development project, interest expense related to long-term and large-scale real estate developments are included in the acquisition cost of the real estate inventory.

u. Bonuses to Directors and Corporate Auditors — Bonuses to directors and corporate auditors at the year end to which such bonuses are attributable.

v. Income Taxes — The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. 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.

w. 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 income. 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.

x. 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 statements of income to the extent that they are not hedged by forward exchange contracts.

y. 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 equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of equity, except for the portion pertaining to minority shareholders, which is included in "Minority interests." Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

z. Derivatives and Hedging Activities — SBI primarily uses foreign currency forward contracts and interest rate swaps as a means of hedging exposures to foreign currency and interest rate risks. 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, with gains or losses recognised in the consolidated statements of income; 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 are deferred until maturity of the hedged transactions.

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.

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognised and included in interest expense or income.

aa. 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 income are dividends applicable to the respective years including dividends to be paid after the end of the year, retroactively adjusted for stock splits.

ab. New Accounting Pronouncements

Measurement of Inventories — Under Japanese GAAP, inventories are currently measured either by the cost method, or at the lower of cost or market. On 5th July, 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories," which is effective for fiscal years beginning on or after 1st April, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

Lease Accounting — On 30th March, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the existing accounting standard for lease transactions issued on 17th June, 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after 1st April, 2008 with early adoption permitted for fiscal years beginning on or after 1st April, 2007.

Lessee

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalised, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalised" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions shall be capitalised recognising lease assets and lease obligations in the balance sheet.

Lessor

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalised, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalised" information is disclosed in the note to the lessor's financial statements. The revised accounting standard requires that all finance leases that deem to transfer ownership of the leased property to the lessee shall be recognised as lease receivables, and all finance leases that deem not to transfer ownership of the leased property to the lessee shall be recognised as investments in lease.

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements — Under Japanese GAAP, a company currently can use the financial statements of its foreign

subsidiaries which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On 17th May, 2006, the ASBJ issued ASBJ PITF No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." The new standard prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material;

(1) Amortisation of goodwill

(2) Actuarial gains and losses of defined benefit plans recognised outside profit or loss

(3) Capitalisation of intangible assets arising from development phases

(4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets

(5) Retrospective application when accounting policies are changed

(6) Accounting for net income attributable to a minority interest

The new task force is effective for fiscal years beginning on or after 1st April, 2008 with early adoption permitted.

Construction Contracts—Under the current Japanese GAAP, either the completed-contract method or the percentage-of-completion method is permitted to account for construction contracts. On 27th December, 2007, the ASBJ published a new accounting standard for construction contracts. Under this accounting standard, the construction revenue and construction costs should be recognised by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method shall be applied. When it is probable that total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognised by providing for loss on construction contracts. This standard is applicable to construction contracts and software development contracts and effective for fiscal years beginning on or after 1st April, 2009 with early adoption permitted for fiscal years beginning on or before 31st March, 2009 but after 27th December, 2007.

(1) Application of Purchase Method LIVING Corporation, Inc.

On 10th September, 2007, the Company acquired 54.4 percent shares of LIVING through a TOB. LIVING provides design and construction services to real estate and commercial sectors and offers planning and design services regarding the investment in real estate properties. This acquisition was made to advance the strategy of real estate business by sharing technology and information of investment in real estate properties. The operating results of LIVING are included in the Company's consolidated financial statement of income for the period from 1st October, 2007 to 31st March, 2008.

The Company accounted for this business combination by the purchase method of accounting.

The total acquisition cost was ¥2,849 million (\$28,441 thousand) which consists of ¥2,784 million (\$27,784 thousand) for the common stock of LIVING and ¥65 million (\$656 thousand) of related expenses such as brokerage commissions. The difference between the acquisition cost and fair value of net assets of LIVING at the acquisition date was recognised as goodwill. Goodwill recorded in connection with the acquisition totalled ¥2,140 million (\$21,366 thousand) and is amortised by the straight-line method over 20 years.

3. BUSINESS COMBINATION

The amounts of the assets acquired and the liabilities assumed at the acquisition date are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 7,055	\$ 70,409
Non-current assets	90	900
Total assets acquired	¥ 7,145	\$ 71,309
Current liabilities	¥ 5,795	\$ 57,836
Non-current liabilities	24	245
Total liabilities assumed	¥ 5,819	\$ 58,081

C4 Technology, Inc.

On 3rd March, 2008, the Company acquired 69.2 percent of equity interest in C4T through the new common share allotment. C4T is in the business of the development and license supply of proprietary C4 cipher, secret sharing scheme and digital watermarking, sale of information security products, and the distribution of information security solution services. This acquisition was made to strengthen the software system infrastructure in order to support the financial services that SBI provides through Internet.

The Company accounted for this business combination by the purchase method of accounting. SBI consolidated only the balance sheet of C4T as the acquisition was in March 2008.

The total acquisition cost was ¥1,714 million (\$17,106 thousand) which consists of ¥1,709 million (\$17,061 thousand) of consideration for the common stock of C4T and ¥5 million (\$45 thousand) of related expenses such as research expenses. The difference between the acquisition cost and fair value of net assets of C4T at the acquisition date is recognised as goodwill. Goodwill recorded in connection with the acquisition totalled ¥1,619 million (\$16,164 thousand) and is amortised by the straight-line method over 20 years.

The amount of the assets acquired and the liabilities assumed at the acquisition date are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 2,683	\$ 26,779
Non-current assets	1,217	12,153
Total assets acquired	¥ 3,900	\$ 38,932
Current liabilities	¥ 669	\$ 6,684
Non-current liabilities	3,088	30,820
Total liabilities assumed	¥ 3,757	\$ 37,504

(2) Transaction under Common Control

On 1st October, 2007, SBI Securities Co., Ltd. ("SBI-SEC"), the Company's consolidated subsidiary in traditional security brokerage business, merged into ETS, another financial service subsidiary specialised in online security brokerage business, with ETS being the surviving corporation. This merger was made to achieve its further growth as a comprehensive online securities company.

This merger is treated as a transaction with minority shareholders in accordance with "Accounting for Business Combinations" issued by the BAC on 31st October, 2003, and "Guidance for Accounting Standard for Business Combinations and Business Separations" (ASBJ Guidance No. 10 updated on 22nd December, 2006).

4. SEGREGATED ASSETS

At 31st March, 2007 and 2008, assets required to be segregated in certain financial institutions according to the Commodities Exchange Law were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March, 2008
	2007	2008	
Cash required to be segregated under regulations	¥ 200	¥ 200	\$ 1,996

At 31st March, 2007 and 2008, assets which belonged to assignors of customers' deposits as collateral for commodity futures and were segregated in conformity with the Commodities Exchange Law in 2007 and the Financial Instruments and Exchange Law in 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March, 2008
	2007	2008	
Cash required to be segregated under regulations	¥ 7,518	¥ 27	\$ 270

5. REAL ESTATE INVENTORY

Real estate inventory at 31st March, 2007 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March, 2008
	2007	2008	
Real estate for sale	¥ 7,151	¥ 7,372	\$ 73,567
Real estate for sale in progress	4,532	15,940	159,082
Real estate for development	17,572	8,071	80,547
Beneficial interest in real estate investment trust	6,617	1,512	15,093
Total	¥ 35,872	¥ 32,895	\$ 328,289

6. OPERATIONAL INVESTMENT SECURITIES AND INVESTMENT SECURITIES

Operational investment securities and investment securities at 31st March, 2007 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March, 2008
	2007	2008	
Current (operational investment securities):			
Marketable equity securities	¥ 8,460	¥ 6,225	\$ 62,125
Non-marketable equity securities	77,647	69,321	691,826
Corporate bonds		2,471	24,667
Investment in funds	13,807	37,139	370,648
Others	689	561	5,595
Total	¥ 100,603	¥ 115,717	\$ 1,154,861
Non-current (investment securities):			
Marketable equity securities	¥ 14,832	¥ 6,982	\$ 69,687
Non-marketable equity securities	1,785	1,786	17,823
Investment in funds	6,009	6,059	60,467
Government bonds	15	4	38
Corporate bonds	2,000	510	5,090
Trust fund investment	622	571	5,700
Others	136	60	599
Total	¥ 25,399	¥ 15,972	\$ 159,404

The carrying amounts and aggregate fair values of operational investment securities and investment securities at 31st March, 2007 and 2008 were as follows:

	Millions of Yen			
	Cost	Unrealised Gains	Unrealised Losses	Fair Value
31st March, 2007				
Securities classified as available-for-sale:				
Equity securities	¥ 16,678	¥ 7,246	¥ 632	¥ 23,292
Government bonds	10			10
Trust funds investments	606	22	6	622
Others	1,317	28	555	790
31st March, 2008				
Securities classified as available-for-sale:				
Equity securities	¥ 19,608	¥ 183	¥ 6,584	¥ 13,207
Trust funds investments	607		36	571
Others	435		13	422
	Thousands of U.S. Dollars			
	Cost	Unrealised Gains	Unrealised Losses	Fair Value
31st March, 2008				
Securities classified as available-for-sale:				
Equity securities	\$ 195,687	\$ 1,834	\$ 65,709	\$ 131,812
Government bonds	6,059		359	5,700
Others	4,344		132	4,212

Available-for-sale securities whose fair value is not readily determinable as at 31st March, 2007 and 2008 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	31st March 2007	31st March 2008	31st March, 2008
Available-for-sale:			
Equity securities	¥ 79,432	¥ 71,107	\$ 709,649
Investment in funds	19,816	43,198	431,115
Debt securities and other	2,040	3,184	31,777
Total	¥ 101,288	¥ 117,489	\$ 1,172,541

Proceeds from sales of available-for-sale securities for the years ended 31st March, 2007 and 2008 were ¥24,747 million and ¥51,063 million (\$509,606 thousand), respectively. Gross realised gains and losses on these sales, computed on the moving average cost basis, were ¥8,024 million and ¥6,358 million, respectively, for the year ended 31st March, 2007 and ¥19,002 million (\$189,639 thousand) and ¥1,451 million (\$14,479 thousand), respectively, for the year ended 31st March, 2008.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at 31st March, 2008 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	¥ 701	\$ 6,993
Due after one year through five years	2,005	20,008
Due after five years through ten years	30	303

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 possibility of market value recovery or other factors. For the years ended 31st March, 2007 and 2008, impairment losses were recorded in the aggregate amount of ¥8,812 million and ¥2,626 million (\$26,203 thousand), respectively. The impairment losses for operating investments are included in operating costs. Please refer to Note 23, "Operating Costs" of these consolidated financial statements.

At 31st March, 2007 and 2008, investments in funds consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March, 2008
	2007	2008	
SOFTBANK INTERNET TECHNOLOGY FUND No. 3	¥ 747		
SBI BB Media Fund	1,855	¥ 1,719	\$ 17,149
NEW HORIZON FUND, L.P.	8,771	31,306	312,434
Other funds	8,443	10,173	101,532
Total	¥ 19,816	¥ 43,198	\$ 431,115

7. TRADING ASSETS AND LIABILITIES

At 31st March, 2007 and 2008, trading assets and liabilities consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March, 2008
	2007	2008	
Trading assets:			
Equity securities	¥ 30	¥ 15	\$ 148
Debt securities	4,167	1,598	15,953
Derivatives	27	6	62
Others	105	109	1,086
Total	¥ 4,329	¥ 1,728	\$ 17,249
Trading liabilities—Derivatives	¥ 3	¥ 2	\$ 20

8. SECURITIES DEPOSITED AND RECEIVED

Fair values of the securities deposited by SBI in securities-related businesses at 31st March, 2007 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March, 2008
	2007	2008	
Securities loaned on margin transactions	¥ 65,389	¥ 62,849	\$ 627,238
Securities pledged for loans payable for margin transactions	229,877	79,920	797,603
Substitute securities for guarantee money paid	101,018	72,810	726,649
Securities loaned under agreement	54,747	33,019	329,530
Others	1,681	1,516	15,129

Fair values of the securities received by SBI in securities-related businesses at 31st March, 2007 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March, 2008
	2007	2008	
Securities pledged for loans receivable for margin transactions	¥ 458,785	¥ 221,469	\$ 2,210,270
Securities borrowed on margin transactions	11,250	17,919	178,831
Securities purchased on repurchase agreement transactions	15,976		
Substitute securities for guarantee money received, which were agreed on using as collateral for other transactions	278,205	221,047	2,206,062
Substitute securities for guarantee money received on futures	360	3,244	32,378
Others	39		

9. DEPOSITARY ASSETS

In substitution for transactional margin deposits, SBI sets aside to Japan Commodity Clearing House Co., Ltd. in custody securities in the aggregate amount of ¥448 million and ¥259 million (\$2,586 thousand) as at 31st March, 2007 and 2008, respectively, and to fiduciary agents securities in custody in the aggregate amount of ¥4 million and nil as at 31st March, 2007 and 2008, respectively, which were recorded as securities in custody included in other current assets or as customers' deposits as collateral for commodity futures on the consolidated balance sheets.

10. PROPERTY AND EQUIPMENT

Property and equipment at 31st March, 2007 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March, 2008
	2007	2008	
Land	¥ 887	¥ 887	\$ 8,850
Buildings and leasehold improvements	3,871	4,421	44,120
Furniture and equipment	4,716	6,404	63,919
Others	46	66	654
Total	9,520	11,778	117,543
Less accumulated depreciation	(4,918)	(6,050)	(60,382)
Property and equipment—net	¥ 4,602	¥ 5,728	\$ 57,161

11. LONG-LIVED ASSETS

SBI recognised an impairment loss of ¥53 million for the year ended 31st March, 2007 on certain assets held by ETS and its consolidated subsidiaries and those held by SBI-SEC.

ETS and its subsidiaries have identified five groups of assets for their periodic review purposes, which are (1) fixed assets owned for securities business run by the head office and Kumagaya branch, (2) lease properties in Hanyu city, (3) fixed assets held by ETS's consolidated subsidiaries for their operation of asset management service for corporate defined contribution pension plan for corporations, (4) fixed assets held by ETS's consolidated subsidiaries for their operation of asset management service for individual defined contribution pension plan, and (5) fixed assets owned for securities business run by ETS's subsidiaries in Korea.

The value of the aforementioned lease properties in Hanyu city was found to be significantly impaired reflecting the continuously falling land prices. Accordingly, the carrying amounts of these leased properties were reduced to recoverable amounts, which were determined based on the assessment value for property tax. As a result, ¥43 million was recorded as an impairment loss for the relevant land for the year ended 31st March, 2007.

SBI-SEC has grouped its long-lived assets depending on sales branches which are the minimum unit for management accounting with its head office, corporate dormitory and welfare facilities being classified as common use assets.

The carrying amounts of the sales branch assets in Itami city were reduced to recoverable amounts as a decision had been reached to be relocate the branch. The recoverable amounts were determined based on net realisable values, which were nil as the relevant assets were to be scrapped. As a result, the reduced amount of ¥7 million was recorded as an impairment loss for the year ended 31st March, 2007. The abovementioned impairment loss consisted of the following:

	Millions of Yen
Buildings	¥ 7

Similarly, the carrying amounts of sales branch in Tama city was reduced to recoverable amounts which were nil as the branch was to be relocated and the relevant assets were to be scrapped. As a result, ¥3 million was recorded as an impairment loss for the year ended 31st March, 2007. The abovementioned impairment loss consisted of the following:

	Millions of Yen
Buildings	¥ 2
Furniture and equipment	1
Total	¥ 3

No impairment loss was recognised in 2008.

12. LEASED ASSETS

Assets leased to others as at 31st March, 2007 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March, 2008
	2007	2008	
Furniture and equipment	¥ 22,494	¥ 21,738	\$ 216,948
Software	1,867	1,810	18,065
Total	24,361	23,548	235,013
Less accumulated depreciation	(14,325)	(15,671)	(156,403)
Leased assets—net	¥ 10,036	¥ 7,877	\$ 78,610

Rental income and depreciation expense were ¥4,698 million and ¥4,103 million, respectively, for the year ended 31st March, 2007 and ¥2,847 million (\$28,414 thousand) and ¥2,496 million (\$24,907 thousand), respectively, for the year ended 31st March, 2008.

The minimum future rentals on noncancellable operating lease contracts at 31st March, 2007 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March, 2008
	2007	2008	
Due within one year	¥ 82	¥ 27	\$ 270
Due after one year	79	52	518
Total	¥ 161	¥ 79	\$ 788

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 years ended 31st March, 2007 and 2008 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, 2008
	2007	2008	
Due within one year	¥ 3,313	¥ 2,925	\$ 29,190
Due after one year	15,198	12,617	125,915
Total	¥ 18,511	¥ 15,542	\$ 155,105

Interest income under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March, 2008
	2007	2008	
Interest income	¥ 517	¥ 391	\$ 3,904

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

13. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATED COMPANIES

Investments in unconsolidated subsidiaries and affiliated companies consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March, 2008
	2007	2008	
Common stock of unconsolidated subsidiaries	¥ 10,230	¥ 7,471	\$ 74,562
Common stock of affiliated companies	23,919	18,387	183,501
Unconsolidated investments in fund	20,262	65	653
Total	¥ 54,411	¥ 25,923	\$ 258,716

14. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at 31st March, 2007 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March, 2008
	2007	2008	
Short-term borrowings:			
From banks, 1.38 to 2.21 percent in 2007 and 1.38 to 2.88 percent in 2008	¥ 51,580	¥ 41,534	\$ 414,514
From other, 0.80 to 5.70 percent in 2007 and 1.98 to 6.26 percent in 2008	4,562	12,298	122,731
Total	¥ 56,142	¥ 53,832	\$ 537,245

Weighted average interest rates of loan payable for margin transactions for the years ended 31st March, 2007 and 2008 were 1.03 percent and 1.10 percent, respectively.

Long-term debt at 31st March, 2007 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March, 2008
	2007	2008	
Zero coupon unsecured Japanese yen convertible bonds with warrants due November 2008	¥ 5,940	¥ 5,940	\$ 59,281
Zero coupon unsecured Japanese yen convertible bonds with warrants due April 2009	12,770	12,770	127,445
Unsecured Japanese yen bonds with a fixed interest rate of 0.29 percent		20	200
Unsecured Japanese yen bonds with a fixed interest rate of 0.72 percent		200	1,996
Secured Japanese yen bonds with a fixed interest rate of 0.91 percent	300	300	2,994
Unsecured Japanese yen bonds with a fixed interest rate of 1.23 percent	50,000	50,000	499,002
Unsecured Japanese yen bonds with a fixed interest rate of 1.24 percent	50,000	50,000	499,002
Unsecured Japanese yen bonds with a fixed interest rate of 1.70 percent		300	2,994
Unsecured Japanese yen bonds with a fixed interest rate of 2 percent	1,400		
Unsecured Japanese yen bonds with a fixed interest rate of 2.08 percent	30,000	30,000	299,401
Unsecured Japanese yen convertible bonds with warrants due September 2009		500	4,990
Unsecured loans from financial institutions, due serially through March 2012 with a weighted average floating interest rate of 1.28 percent in 2007 and 1.43 percent in 2008 and a weighted average fixed interest rate of 2.15 percent in 2007 and 2.19 percent in 2008	34,365	39,862	397,824
Total	184,775	189,892	1,895,129
Less current portion	(25,172)	(112,743)	(1,125,179)
Long-term debt, less current portion	¥ 159,603	¥ 77,149	\$ 769,950

Annual maturities of long-term debt as at 31st March, 2008 for the next five years were as follows:

Year Ending 31st March	Millions of Yen	Thousands of U.S. Dollars
2009	¥ 112,743	\$ 1,125,179
2010	64,333	642,043
2011	12,246	122,218
2012	570	5,689
Total	¥ 189,892	\$ 1,895,129

On 25th November, 2003, the Company issued ¥13,000 million 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 at ¥38,486.10 (\$384.09) per share as at 31st March, 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 remaining number of the warrants and number of shares to be issued upon exercise of the warrants are 594 warrants and 154,350 shares, respectively, as at 31st March, 2008.

On 8th April, 2004, the Company issued ¥20,000 million of zero coupon unsecured Japanese yen convertible bonds with warrants mainly in the Euro market. The bonds are due 8th April, 2009, and the warrants are exercisable at ¥39,438.50 (\$393.60) per share as at 31st March, 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 remaining number of the warrants and number of shares to be issued upon exercise of the warrants are 1,277 warrants and 323,803 shares, respectively, as at 31st March, 2008.

On 13th September, 2005, the Company issued ¥42,000 million of unsecured Japanese yen straight bonds with a fixed rate of 1.23 percent. The bonds are due 29th September, 2008.

On 11th October, 2005, the Company issued ¥8,000 million of unsecured Japanese yen straight bonds with a fixed rate of 1.23 percent. The bonds are due 29th September, 2008.

On 10th March, 2006, ETS, the Company's subsidiary, issued ¥50,000 million of unsecured Japanese yen straight bonds with a fixed rate of 1.24 percent. The bonds are due 10th March, 2009.

On 25th September, 2006, the Company issued ¥30,000 million of unsecured Japanese yen straight bonds with a fixed rate of 2.08 percent. The bonds are due 25th September, 2009.

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, 2008, these warrants were included in other current liabilities.

Exercise prices and exercise periods of warrants outstanding at 31st March, 2008 were as follows:

Exercise Period		Per Share Exercise Price		Number of Common Stock to Purchase
From	To	Yen	U.S. Dollars	
1st October, 2003	30th September, 2008	¥ 25,464.90	\$ 254.14	581.10

The Company took over the warrants issued by FINANCE ALL CORPORATION due to the merger on 1st March, 2006. Exercise prices and exercise periods of these warrants outstanding at 31st March, 2008 were as follows:

Exercise Period		Per Share Exercise Price		Number of Common Stock to Purchase
From	To	Yen	U.S. Dollars	
1st April, 2002	28th March, 2009	¥ 4,464.00	\$ 44.55	5,783

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 ¥137,476 million (\$1,372,015 thousand) available for working capital use, ¥106,491 million (\$1,062,785 thousand) of which was unused at 31st March, 2008.

15. PLEDGED ASSETS

The carrying amounts of assets pledged as collateral for short-term borrowings of ¥10,827 million and ¥22,495 million (\$224,506 thousand) at 31st March, 2007 and 2008, current portion of long-term debt of nil and ¥4,132 million (\$41,239 thousand) at 31st March, 2007 and 2008 and for long-term debt, including bonds of ¥9,385 million and ¥3,366 million (\$33,592 thousand) at 31st March, 2007 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March, 2008
	2007	2008	
Cash and cash equivalents	¥ 94	¥ 111	\$ 1,110
Real estate inventory	8,504	12,463	124,381
Operational loans receivable	15,326	21,214	211,713
Notes and accounts receivable—trade	1,581	439	4,386
Total	¥ 25,505	¥ 34,227	\$ 341,590

Securities received as collateral for financing from broker's own capital of ¥792 million and nil were pledged as collateral for short-term bank loans at 31st March, 2007 and 2008, respectively.

Securities received as collateral for financing from broker's own capital of ¥19,709 million and ¥8,474 million (\$84,571 thousand) were pledged as collateral for loans payable for margin transactions at 31st March, 2007 and 2008, respectively. Substitute securities for guarantee money received from customers of ¥12,019 million and nil were also pledged as collateral for loans payable for margin transactions at 31st March, 2007 and 2008, respectively.

Substitute securities for guarantee money received from customers of ¥360 million and nil and securities received as collateral for financing from broker's own capital of ¥21 million and nil were pledged as collateral for substitute securities for trade margin on futures at 31st March, 2007 and 2008, respectively.

16. UNEARNED INCOME

Unearned income at 31st March, 2007 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March, 2008
	2007	2008	
SOFTBANK INTERNET TECHNOLOGY FUND No. 3	¥ 14		
SBI BB Media Fund	473	¥ 472	\$ 4,716
SBI Broadband Fund No. 1	258		
BIOVISION Life Science Fund I	88		
SBI BB Mobile Fund	759		
SBI Bio Life Science Investment LPS.	133		
SBI BROADBAND CAPITAL K.K.	247	240	2,394
Others	1,058	1,181	11,783
Total	¥ 3,030	¥ 1,893	\$ 18,893

17. LIABILITY FOR EMPLOYEES' RETIREMENT BENEFITS

The Company and certain domestic consolidated subsidiaries have a contributory funded defined benefit pension plan and a defined contribution pension plan. The Company's certain domestic consolidated subsidiaries have a non-contributory funded defined benefit pension plan and either of a contributory funded defined benefit pension plan, a defined contribution pension plan or an advance payment system for the employees' retirement plan, or more, while certain foreign consolidated subsidiaries have a termination allowance plan according to their own retirement benefit policies.

Under the contributory or non-contributory funded defined benefit pension plan, employees terminating their employment are, in most circumstances, entitled to pension payments based on their rate of pay at the time of termination, years of service and certain other factors. Under the defined contribution pension plans, 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, 2007, fair value of plan assets under the contributory funded defined benefit pension plan managed by Kanto IT Software Health Insurance Society was ¥1,038 million, which was calculated, based on a ratio of the number of plan beneficiaries from the Company and its subsidiaries to the total number of plan beneficiaries.

As at 31st March, 2007, 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 ¥381 million, which was calculated, based on a ratio of the contribution amount made by the Company's subsidiary to the total contribution amount.

As at 31st March, 2008, fair value of plan assets and plan's actuarial pension liabilities under the contributory funded defined benefit pension plan managed by Kanto IT Software Health Insurance Society were ¥146,083 million (\$1,457,915 thousand) and ¥112,700 million (\$1,124,754 thousand), respectively.

As at 31st March, 2008, fair value of plan assets and plan's actuarial pension liabilities under the contributory funded defined benefit pension plan managed by Association of Welfare Pension Fund in the Commodity Futures Industry were ¥81,621 million (\$814,583 thousand) and ¥61,610 million (\$614,871 thousand), respectively.

As at 31st March, 2008, fair value of plan assets and plan's actuarial pension liabilities under the contributory funded defined benefit pension plan managed by Tokyo Media Industry Pension Fund were ¥92,772 million (\$925,866 thousand) and ¥93,592 million (\$934,055 thousand), respectively.

The liability for employees' retirement benefits included in other long-term liabilities at 31st March, 2007 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March, 2008
	2007	2008	
Projected benefit obligation	¥ 150	¥ 285	\$ 2,843
Fair value of plan assets	(135)	(183)	(1,824)
Net liability	¥ 15	¥ 102	\$1,019

The components of net periodic benefit costs for the years ended 31st March, 2007 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended 31st March		Year Ended 31st March, 2008
	2007	2008	
Service cost	¥ 155	¥ 193	\$ 1,922
Net periodic benefit costs	155	193	1,922
Contributions to the defined contribution pension plan and advance retirement payments	208	228	2,280
Total	¥ 363	¥ 421	\$ 4,202

The service cost mentioned above included contributions to the contributory funded defined benefit pension plan managed by Kanto IT Software Health Insurance Society in the aggregate amount of ¥90 million for the year ended 31st March, 2007, 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 ¥8 million for the year ended 31st March, 2007.

Certain domestic consolidated subsidiaries have applied the simplified method for computation of projected benefit obligation. Under the simplified method, the liability for employees' retirement benefits is recorded to state the liability at the amount that would be required if all employees voluntarily terminate at each balance sheet date. Net periodic benefit costs of consolidated domestic subsidiaries which applied the simplified method for computation of projected benefit obligation were included in service cost.

18. RETIREMENT ALLOWANCE FOR DIRECTORS

Retirement allowance for directors is paid subject to approval of the shareholders in accordance with the corporate law of Japan (the "Corporate Law").

A certain subsidiary recorded liabilities of ¥0 million and ¥3 million (\$30 thousand) for its unfunded retirement allowance plan covering all of their directors at 31st March, 2007 and 2008, respectively, which was included in other long-term liabilities.

19. STATUTORY RESERVES

According to the Financial Instruments 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.

20. EQUITY

Since 1st May, 2006, Japanese companies have been subject to the Corporate Law, which reformed and replaced the Commercial Code of Japan. The significant provisions in the Corporate Law that affect financial and accounting matters are summarised below:

a. Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as: (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semi-annual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Corporate Law requires that an amount equal to 10 percent of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25 percent of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

During the year ended 31st March, 2007, the Company issued 108,479 shares of its common stock pursuant to the exercise of warrants attached to various unsecured corporate bonds already redeemed and options granted based on the stock option plans. As a result, the Company's common stock and capital surplus increased by ¥685 million and ¥687 million, respectively.

During the year ended 31st March, 2008, the Company issued 36,113 shares of its common stock pursuant to the exercise of warrants attached to various unsecured corporate bonds already redeemed and options granted based on the stock option plans. As a result, the Company's common stock and capital surplus increased by ¥244 million (\$2,431 thousand) and ¥244 million (\$2,435 thousand), respectively.

Stock options outstanding as of 31st March, 2007 are as follows:

21. STOCK OPTION PLAN**The Company**

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2001 Warrant	118 employees	24,120 shares	2002.2.1	¥ 20,796 (\$207.54)	From 20th December, 2003 to 19th December, 2011
2002 Stock Option (1)	9 directors 109 employees	200,025 shares	2002.12.20	¥ 5,984 (\$59.72)	From 20th December, 2004 to 19th December, 2012
2003 Stock Option (1)	2 directors 4 employees 3 directors of subsidiary	69,975 shares	2003.9.25	¥ 17,879 (\$178.43)	From 20th December, 2004 to 19th December, 2012
2003 Stock Option (2)	2 directors 110 employees 6 directors of subsidiary 86 employees of subsidiary	312,750 shares	2003.9.25	¥ 17,879 (\$178.43)	From 24th June, 2005 to 23rd June, 2013
2003 Stock Option (3)	17 directors of subsidiary	61,650 shares	2003.10.23	¥ 27,655 (\$276.00)	From 24th June, 2005 to 23rd June, 2013
2005 Stock Option (1)	7 directors 89 employees 14 directors of subsidiary 36 employees of subsidiary	40,000 shares	2005.7.28	¥ 35,078 (\$350.08)	From 28th July, 2005 to 29th June, 2013

The Stock Option Which Was Taken Over by the Company Due to the M&A

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
E*TRADE Japan K.K. Stock Option	3 directors 20 employees 11 directors of its subsidiary 64 employees of its subsidiary	172,481.40 shares	2002.7.1	¥ 12,079 (\$120.55)	From 21st June, 2004 to 20th June, 2012
Digit Brain, Inc. Stock Option	5 directors 55 employees	8,968 shares	2003.7.8	¥ 13,000 (\$129.74)	From 1st January, 2004 to 31st December, 2006
SBI HOME Planner Co., LTD. 2003 Stock Option	76 employees 1 employee of its subsidiary	1,130 shares	2004.4.15	¥ 23,200 (\$231.54)	From 28th June, 2005 to 27th June, 2013
SBI HOME Planner Co., LTD. 2004 Stock Option	7 directors 2 employees	1,000 shares	2004.9.27	¥ 25,600 (\$255.49)	From 1st April, 2005 to 30th March, 2007
SBI HOME Planner Co., LTD. 2004 Stock Option	61 employees 2 employees of its subsidiary	950 shares	2004.9.29	¥ 25,600 (\$255.49)	From 2nd October, 2006 to 30th September, 2010
SBI HOME Planner Co., LTD. 2004 Stock Option	2 employees	60 shares	2004.10.29	¥ 25,600 (\$255.49)	From 2nd October, 2006 to 30th September, 2010
SBI Partners Co., Inc. 2005 Stock Option	5 directors 23 employees	2,320 shares	2005.11.29	¥ 37,060 (\$369.86)	From 1st December, 2005 to 31st October, 2013
FINANCE ALL CORPORATION 2002 Stock Option	4 directors 6 employees 5 directors of its subsidiary 31 employees of its subsidiary	44,880 shares	2002.9.25	¥ 4,465 (\$44.56)	From 25th September, 2004 to 24th September, 2012
FINANCE ALL CORPORATION 2003 Stock Option	4 directors 24 employees 4 directors of its subsidiary 18 employees of its subsidiary	55,040 shares	2003.8.2	¥ 4,465 (\$44.56)	From 2nd August, 2005 to 1st August, 2013
SOFTBANK FRONTIER SECURITIES CO., LTD. 2002 Stock Option	4 directors 10 employees	8,216.00 shares	2003.1.29	¥ 7,740 (\$77.25)	From 19th June, 2004 to 18th June, 2008
WORLD NICHIEI Securities Co., LTD. 2003 Stock Option	5 directors 6 employees	4,933.50 shares	2003.7.15	¥ 17,392 (\$173.57)	From 1st July, 2005 to 26th June, 2013
WORLD NICHIEI FRONTIER Securities Co., LTD. 2004 Stock Option	7 directors 350 employees	34,105.55 shares	2004.6.29	¥ 50,174 (\$500.74)	From 30th June, 2006 to 29th June, 2014
WORLD NICHIEI FRONTIER Securities Co., LTD. 2004 Stock Option	25 employees	143.75 shares	2004.12.22	¥ 31,914 (\$318.50)	From 30th June, 2006 to 29th June, 2014

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
SBI Securities Co., Ltd. 2005 Stock Option	6 directors 340 employees	39,817.60 shares	2005.7.4	¥ 46,957 (\$468.63)	From 30th June, 2007 to 29th June, 2015
SOFTBANK INVESTMENT CORPORATION Warrant (3)	8 directors 3 employees 7 directors of its subsidiary 2 employees of its subsidiary	56,808.90 shares	2000.3.7	¥ 2,083.30 (\$20.79)	From 1st April, 2002 to 31st March, 2007
SOFTBANK INVESTMENT CORPORATION Warrant (4)	8 directors 19 employees 8 directors of its subsidiary 6 employees of its subsidiary	62,857.00 shares	2000.3.7	¥ 2,083.30 (\$20.79)	From 1st April, 2003 to 31st March, 2008
SOFTBANK INVESTMENT CORPORATION Warrant (7)	2 directors 30 employees 1 director of its subsidiary	6,916.18 shares	2000.9.4	¥ 25,464.90 (\$254.14)	From 1st April, 2002 to 31st March, 2007
SOFTBANK INVESTMENT CORPORATION Warrant (8)	2 directors 42 employees 1 director of its subsidiary	7,206.78 shares	2000.9.4	¥ 25,464.90 (\$254.14)	From 1st April, 2003 to 31st March, 2008
SOFTBANK INVESTMENT CORPORATION Warrant (9)	21 employees	1,220.50 shares	2000.9.4	¥ 25,464.90 (\$254.14)	From 1st October, 2003 to 30th September, 2008
E*TRADE Japan K.K. Warrant (7)-(9)	5 directors 19 employees 6 directors of its subsidiary 103 employees of its subsidiary	51,640.75 shares	2000.3.30	¥ 1,910.70 (\$19.07)	From 1st April, 2002 to 28th March, 2007
E*TRADE Japan K.K. Warrant (10)-(12)	5 directors 20 employees 6 directors of its subsidiary 109 employees of its subsidiary	53,511.79 shares	2000.3.30	¥ 1,910.70 (\$19.07)	From 1st April, 2003 to 28th March, 2008
E*TRADE Japan K.K. Warrant (15)	1 director 6 employees 1 director of its subsidiary 16 employees of its subsidiary	4,014.36 shares	2000.6.8	¥ 2,116.40 (\$21.12)	From 12th June, 2002 to 28th March, 2007
E*TRADE Japan K.K. Warrant (16)	1 director 7 employees 1 director of its subsidiary 16 employees of its subsidiary	4,014.36 shares	2000.6.8	¥ 2,116.40 (\$21.12)	From 12th June, 2003 to 28th March, 2008
FINANCE ALL CORPORATION Warrant (1)-(6)	5 directors 4 employees 9 directors of its subsidiary 20 employees of its subsidiary	114,012 shares	2002.3.28	¥ 4,464 (\$44.55)	From 1st April, 2002 to 28th March, 2009

Consolidated Subsidiaries

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
SBI CAPITAL Co., Ltd. 2006 Stock Option (3)	3 employees	188 shares	2006.9.26	¥ 67,000 (\$668.66)	From 1st October, 2008 to 25th September, 2016
SBI Planners Co., Ltd. Stock Option (5)	7 directors 81 employees 1 director of its subsidiary 1 employee of its subsidiary	4,000,000 shares	2007.3.30	¥ 65 (\$0.65)	From 2nd April, 2007 to 31st March, 2013
SBI Mortgage Co., Ltd. Stock Option (1)	23 employees	65 shares	2005.5.25	¥ 750,000 (\$7,485.03)	From 26th May, 2007 to 25th May, 2015
SBI E*TRADE SECURITIES Co., Ltd. Stock Option (1)	7 directors 88 employees 6 employees of the Company	116,190 shares	2004.7.8	¥ 44,290 (\$442.02)	From 22nd December, 2004 to 21st June, 2010
Stock Option (2)	1 director	4,500 shares	2004.7.21	¥ 44,290 (\$442.02)	From 22nd December, 2004 to 21st June, 2010
Stock Option (3)	2 employees	90 shares	2004.8.3	¥ 44,290 (\$442.02)	From 22nd December, 2004 to 21st June, 2010
Stock Option (4)	40 employees	5,610 shares	2005.11.29	¥ 171,417 (\$1,710.75)	From 1st January, 2006 to 23rd June, 2013
Stock Option (5)	12 employees	750 shares	2005.12.30	¥ 200,638 (\$2,002.38)	From 1st January, 2006 to 23rd June, 2013
E*TRADE Korea Co., Ltd. Stock Option (1)	3 directors 63 employees	121,500 shares	2000.9.15	KRW 5,000 (\$5.04)	From 16th September, 2003 to 15th September, 2010
Stock Option (2)	9 employees	10,500 shares	2001.5.11	KRW 5,000 (\$5.04)	From 12th May, 2004 to 11th May, 2011
Stock Option (3)	5 directors 55 employees	236,500 shares	2004.10.5	KRW 5,000 (\$5.04)	From 6th October, 2007 to 5th October, 2014
Stock Option (4)	5 directors 10 employees	228,000 shares	2006.3.3	KRW 7,000 (\$7.06)	From 4th March, 2008 to 3rd March, 2015
SBI Futures Co., Ltd. Warrant (1)	3 directors 21 employees	466 shares	2001.8.15	¥ 64,516 (\$643.87)	From 1st September, 2001 to 15th August, 2007

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
Warrant (2)	3 directors 11 employees	346 shares	2001.8.15	¥ 64,516 (\$643.87)	From 1st September, 2001 to 15th August, 2008
Warrant (3)	3 directors 21 employees	471 shares	2001.8.15	¥ 64,516 (\$643.87)	From 1st September, 2001 to 15th August, 2009
Warrant (4)	3 directors 11 employees	347 shares	2001.8.15	¥ 64,516 (\$643.87)	From 1st September, 2001 to 15th August, 2010
Stock Option (1)	8 directors 14 employees 1 corporate auditor	702 shares	2002.8.9	¥ 67,952 (\$678.16)	From 24th July, 2004 to 23rd July, 2008
Stock Option (2)	9 employees	145 shares	2003.3.31	¥ 69,641 (\$695.02)	From 1st April, 2005 to 23rd July, 2008
Stock Option (3)	3 directors 49 employees	1,158 shares	2005.7.6	¥ 98,598 (\$984.01)	From 17th June, 2007 to 17th June, 2011
SBI VeriTrans Co., Ltd.					
2001 Warrant	18 directors and employees	7,608 shares	2001.10.10	¥ 5,580.10 (\$55.69)	From 5th October, 2004 to 10th October, 2008
2004 Stock Option	20 directors and employees	9,462 shares	2004.2.13	¥ 5,741 (\$57.30)	From 13th February, 2006 to 12th February, 2014
Morningstar Japan K.K.					
2001 Warrant	1 director 1 corporate auditor	256 shares	2001.5.18	¥ 320,375 (\$3,197.36)	From 16th March, 2003 to 15th March, 2011
2003 Stock Option (1)	6 directors 6 employees 3 directors of its subsidiary 1 corporate auditor of its subsidiary 6 employees of its subsidiary 2 others	2,908 shares	2003.11.5	¥ 57,500 (\$573.85)	From 20th March, 2005 to 19th March, 2013
2006 Stock Option (2)	1 director 7 employees	510 shares	2006.4.21	¥ 133,500 (\$1,332.34)	From 24th March, 2008 to 23rd March, 2016
2000 Warrant (4)	3 others	336 shares	2000.3.7	¥ 6,250 (\$62.38)	From 1st April, 2002 to 31st March, 2007
2000 Warrant (5)	4 others	512 shares	2000.3.7	¥ 6,250 (\$62.38)	From 1st April, 2003 to 31st March, 2008
Gomez Consulting Co., Ltd.					
2003 Stock Option	5 directors 5 employees	400 shares	2003.3.15	¥ 88,500 (\$883.23)	From 15th March, 2005 to 14th March, 2013

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2005 Stock Option	3 directors 5 employees	220 shares	2005.6.15	¥ 200,000 (\$1,996.01)	From 3rd June, 2007 to 2nd June, 2015
E*GOLF CORPORATION					
Warrant (2)	2 directors 8 employees	45 shares	2001.10.4	¥ 100,000 (\$998.00)	From 4th October, 2001 to 3rd October, 2007
HOMEOSTYLE, Inc.					
Warrant (1)	6 directors 17 employees	7,091 shares	2002.4.5	¥ 9,636 (\$96.17)	From 1st June, 2002 to 30th March, 2007
Warrant (2)	7 directors 397 employees	5,477 shares	2002.4.5 2004.8.24	¥ 9,636 (\$96.17)	From 1st June, 2002 to 30th March, 2008
Stock Option (3)	25 employees	490 shares	2005.2.28	¥ 16,000 (\$159.68)	From 1st March, 2007 to 24th February, 2015
Stock Option (4)	8 directors 235 employees	9,057 shares	2006.3.31	¥ 19,000 (\$189.62)	From 1st April, 2008 to 25th March, 2016

The Stock Option Which Was Taken Over by HOMEOSTYLE, Inc. Due to the M&A

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
TK International Co., Ltd.	2 directors	4,081 shares	2004.7.1	¥ 11,903 (\$ 118.79)	From 6th July, 2006 to 30th June, 2014
Stock Option	1 employee				

Stock options outstanding as at 31st March, 2008, are as follows:

The Company

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2001 Warrant	118 employees	24,120 shares	2002.2.1	¥ 20,796 (\$207.54)	From 20th December, 2003 to 19th December, 2011
2002 Stock Option (1)	9 directors 109 employees	200,025 shares	2002.12.20	¥ 5,984 (\$59.72)	From 20th December, 2004 to 19th December, 2012
2003 Stock Option (1)	2 directors 4 employees 3 directors of subsidiary	69,975 shares	2003.9.25	¥ 17,879 (\$178.43)	From 20th December, 2004 to 19th December, 2012
2003 Stock Option (2)	2 directors 110 employees 6 directors of subsidiary 86 employees of subsidiary	312,750 shares	2003.9.25	¥ 17,879 (\$178.43)	From 24th June, 2005 to 23rd June, 2013
2003 Stock Option (3)	17 directors of subsidiary	61,650 shares	2003.10.23	¥ 27,655 (\$276.00)	From 24th June, 2005 to 23rd June, 2013
2005 Stock Option (1)	7 directors 89 employees 14 directors of subsidiary 36 employees of subsidiary	40,000 shares	2005.7.28	¥ 35,078 (\$350.08)	From 28th July, 2005 to 29th June, 2013

The Stock Option Which Was Taken Over by the Company Due to the M&A

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
E*TRADE Japan K.K. Stock Option	3 directors 20 employees 11 directors of its subsidiary 64 employees of its subsidiary	172,481.40 shares	2002.7.1	¥ 12,079 (\$120.55)	From 21st June, 2004 to 20th June, 2012
SBI HOME Planner Co., LTD. 2003 Stock Option	76 employees 1 employee of its subsidiary	1,130 shares	2004.4.15	¥ 23,200 (\$231.54)	From 28th June, 2005 to 27th June, 2013
SBI HOME Planner Co., LTD. 2004 Stock Option	61 employees 2 employees of its subsidiary	950 shares	2004.9.29	¥ 25,600 (\$255.49)	From 2nd October, 2006 to 30th September, 2010
SBI HOME Planner Co., LTD. 2004 Stock Option	2 employees	60 shares	2004.10.29	¥ 25,600 (\$255.49)	From 2nd October, 2006 to 30th September, 2010
SBI Partners Co., Inc. 2005 Stock Option	5 directors 23 employees	2,320 shares	2005.11.29	¥ 37,060 (\$369.86)	From 1st December, 2005 to 31st October, 2013
FINANCE ALL CORPORATION 2002 Stock Option	4 directors 6 employees 5 directors of its subsidiary 31 employees of its subsidiary	44,880 shares	2002.9.25	¥ 4,465 (\$44.56)	From 25th September, 2004 to 24th September, 2012
FINANCE ALL CORPORATION 2003 Stock Option	4 directors 24 employees 4 directors of its subsidiary 18 employees of its subsidiary	55,040 shares	2003.8.2	¥ 4,465 (\$44.56)	From 2nd August, 2005 to 1st August, 2013
SOFTBANK FRONTIER SECURITIES CO., LTD. 2002 Stock Option	4 directors 10 employees	8,216.00 shares	2003.1.29	¥ 7,740 (\$77.25)	From 19th June, 2004 to 18th June, 2008
WORLD NICHIEI Securities Co., LTD. 2003 Stock Option	5 directors 6 employees	4,933.50 shares	2003.7.15	¥ 17,392 (\$173.57)	From 1st July, 2005 to 26th June, 2013
WORLD NICHIEI FRONTIER Securities Co., LTD. 2004 Stock Option	7 directors 350 employees	34,105.55 shares	2004.6.29	¥ 50,174 (\$500.74)	From 30th June, 2006 to 29th June, 2014
WORLD NICHIEI FRONTIER Securities Co., LTD. 2004 Stock Option	25 employees	143.75 shares	2004.12.22	¥ 31,914 (\$318.50)	From 30th June, 2006 to 29th June, 2014
SBI Securities Co., Ltd. 2005 Stock Option	6 directors 340 employees	39,817.60 shares	2005.7.4	¥ 46,957 (\$468.63)	From 30th June, 2007 to 29th June, 2015

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
SOFTBANK INVESTMENT CORPORATION Warrant (4)	8 directors 19 employees 8 directors of its subsidiary 6 employees of its subsidiary	62,857.00 shares	2000.3.7	¥ 2,083.30 (\$20.79)	From 1st April, 2003 to 31st March, 2008
SOFTBANK INVESTMENT CORPORATION Warrant (8)	2 directors 42 employees 1 director of its subsidiary	7,206.78 shares	2000.9.4	¥ 25,464.90 (\$254.14)	From 1st April, 2003 to 31st March, 2008
SOFTBANK INVESTMENT CORPORATION Warrant (9)	21 employees	1,220.50 shares	2000.9.4	¥ 25,464.90 (\$254.14)	From 1st October, 2003 to 30th September, 2008
E*TRADE Japan K.K. Warrant (10)~(12)	5 directors 20 employees 6 directors of its subsidiary 109 employees of its subsidiary	53,511.79 shares	2000.3.30	¥ 1,910.70 (\$19.07)	From 1st April, 2003 to 28th March, 2008
E*TRADE Japan K.K. Warrant (16)	1 director 7 employees 1 director of its subsidiary 16 employees of its subsidiary	4,014.36 shares	2000.6.8	¥ 2,116.40 (\$21.12)	From 12th June, 2003 to 28th March, 2008
FINANCE ALL CORPORATION Warrant (1)~(6)	5 directors 4 employees 9 directors of its subsidiary 20 employees of its subsidiary	114,012 shares	2002.3.28	¥ 4,464 (\$44.55)	From 1st April, 2002 to 28th March, 2009

Consolidated Subsidiaries

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
SBI CAPITAL Co., Ltd. 2006 Stock Option (3)	3 employees	188 shares	2006.9.26	¥ 67,000 (\$668.66)	From 18th May, 2007 to 25th September, 2016
SBI Planners Co., Ltd. Stock Option (5)	7 directors 81 employees 1 director of its subsidiary 1 employee of its subsidiary	4,000,000 shares	2007.3.30	¥ 65 (\$0.65)	From 2nd April, 2007 to 31st March, 2013
SBI Mortgage Co., Ltd. Stock Option (1)	23 employees	65 shares	2005.5.25	¥ 750,000 (\$7,485.03)	From 26th May, 2007 to 25th May, 2015
SBI E*TRADE SECURITIES Co., Ltd. Stock Option (1)	7 directors 88 employees 6 employees of the Company	116,190 shares	2004.7.8	¥ 44,290 (\$442.02)	From 22nd December, 2004 to 21st June, 2010

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
Stock Option (2)	1 director	4,500 shares	2004.7.21	¥ 44,290 (\$442.02)	From 22nd December, 2004 to 21st June, 2010
Stock Option (4)	40 employees	5,610 shares	2005.11.29	¥ 171,417 (\$1,710.75)	From 1st January, 2006 to 23rd June, 2013
Stock Option (5)	12 employees	750 shares	2005.12.30	¥ 200,638 (\$2,002.38)	From 1st January, 2006 to 23rd June, 2013
E*TRADE Korea Co., Ltd.					
Stock Option (1)	3 directors 63 employees	121,500 shares	2000.9.15	KRW 5,000 (\$6.27)	From 16th September, 2003 to 15th September, 2010
Stock Option (2)	9 employees	10,500 shares	2001.5.11	KRW 5,000 (\$6.27)	From 12th May, 2004 to 11th May, 2011
Stock Option (3)	5 directors 55 employees	236,500 shares	2004.10.5	KRW 5,000 (\$6.27)	From 6th October, 2007 to 5th October, 2014
Stock Option (4)	5 directors 10 employees	228,000 shares	2006.3.3	KRW 7,000 (\$8.77)	From 4th March, 2008 to 3rd March, 2015
TradeWin Co., Ltd.					
Stock Option (2)	1 director 3 employees 1 adviser	1,000 shares	2000.10.25	¥ 50,000 (\$499.00)	From 1st January, 2001 to 16th April, 2012
Stock Option (3)	3 directors 5 employees	320 shares	2002.4.18	¥ 460,000 (\$4,590.82)	From 18th April, 2002 to 16th April, 2012
LIVING Corporation, Inc.					
Stock Option (2)	1 director 18 employees	700 shares	2005.8.29	¥ 100,000 (\$998.00)	From 30th August, 2007 to 29th August, 2015
SBI Biotech Co., Ltd.					
Stock Option (1)	7 other than employee	630 shares	2002.10.15	¥ 5,000 (\$49.90)	30 months after 6 months passed from the IPO
Stock Option (2)	2 directors 5 employees	780 shares	2002.10.15	¥ 5,000 (\$49.90)	From 15th October, 2004 to 31st August, 2012
Stock Option (4)	1 director	120 shares	2005.4.27	¥ 175,000 (\$1,746.51)	From 31st March, 2007 to 30th March, 2015
Stock Option (5)	1 other than employee	90 shares	2005.9.28	¥ 175,000 (\$1,746.51)	From 29th September, 2005 to 30th August, 2015
SBI Futures Co., Ltd.					
Warrant (1)	3 directors 21 employees	466 shares	2001.8.15	¥ 64,516 (\$643.87)	From 1st September, 2001 to 15th August, 2007

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
Warrant (2)	3 directors 11 employees	346 shares	2001.8.15	¥ 64,516 (\$643.87)	From 1st September, 2001 to 15th August, 2008
Warrant (3)	3 directors 21 employees	471 shares	2001.8.15	¥ 64,516 (\$643.87)	From 1st September, 2001 to 15th August, 2009
Warrant (4)	3 directors 11 employees	347 shares	2001.8.15	¥ 64,516 (\$643.87)	From 1st September, 2001 to 15th August, 2010
Stock Option (1)	7 directors 14 employees 2 corporate auditors	702 shares	2002.8.9	¥ 67,952 (\$678.16)	From 24th July, 2004 to 23rd July, 2008
Stock Option (2)	9 employees	145 shares	2003.3.31	¥ 69,641 (\$695.02)	From 1st April, 2005 to 23rd July, 2008
Stock Option (3)	3 directors 49 employees	1,158 shares	2005.7.6	¥ 98,598 (\$984.01)	From 17th June, 2007 to 17th June, 2011
SBI VeriTrans Co., Ltd.					
2001 Warrant	18 directors and employees	7,608 shares	2001.10.10	¥ 5,580.10 (\$55.69)	From 5th October, 2004 to 10th October, 2008
2004 Stock Option	20 directors and employees	9,462 shares	2004.2.13	¥ 5,741 (\$57.30)	From 13th February, 2006 to 12th February, 2014
Morningstar Japan K.K.					
2001 Warrant	1 director 1 corporate auditor (as at 31st March, 2008)	256 shares (as at 31st March, 2008)	2001.5.18	¥ 320,375 (\$3,197.36)	From 16th March, 2003 to 15th March, 2011
2003 Stock Option (1)	6 directors 3 employees 3 directors of its subsidiary 1 corporate auditor of its subsidiary 3 employees of its subsidiary 2 others (as at 31st March, 2008)	2,588 shares (as at 31st March, 2008)	2003.11.5	¥ 57,500 (\$573.85)	From 20th March, 2005 to 19th March, 2013
2006 Stock Option (2)	1 director 2 employees (as at 31st March, 2008)	250 shares (as at 31st March, 2008)	2006.4.21	¥ 133,500 (\$1,332.34)	From 24th March, 2008 to 23rd March, 2016
2000 Warrant (5)	— (as at 31st March, 2008)	— (as at 31st March, 2008)	2000.3.7	¥ 6,250 (\$62.38)	From 1st April, 2003 to 31st March, 2008

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
Gomez Consulting Co., Ltd.					
(Number of options has been adjusted for the share split on 1st May, 2007.)					
2003 Stock Option	5 directors 5 employees	800 shares	2003.3.15	¥ 44,250 (\$441.62)	From 15th March, 2005 to 14th March, 2013
2005 Stock Option	3 directors 5 employees	440 shares	2005.6.15	¥ 100,000 (\$998.00)	From 3rd June, 2007 to 2nd June, 2015
E*GOLF CORPORATION					
Warrant (2)	2 directors 8 employees	45 shares	2001.10.4	¥ 100,000 (\$998.00)	From 4th October, 2001 to 3rd October, 2007
HOMEOSTYLE, Inc.					
Warrant (1)	8 directors 341 employees	5,672 shares	2002.4.5	¥ 9,636 (\$96.17)	From 1st June, 2002 to 12th March, 2012
Warrant (2)	4 directors 105 employees	1,004 shares	2004.8.24	¥ 9,636 (\$96.17)	From 1st June, 2002 to 12th March, 2012
Stock Option (3)	25 employees	490 shares	2005.2.28	¥ 16,000 (\$159.68)	From 1st March, 2007 to 24th February, 2015
Stock Option (4)	6 directors 246 employees	9,057 shares	2006.3.31	¥ 19,000 (\$189.62)	From 1st April, 2008 to 25th March, 2016

The Stock Option Which Was Taken Over by HOMEOSTYLE, Inc. Due to the M&A

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
TK International Co., Ltd.	2 directors	4,081 shares	2004.7.2	¥ 11,903	From 6th July, 2006
Stock Option	1 employee			(\$118.79)	to 30th June, 2014

Consolidated Subsidiaries

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
Auto-bytel Japan Co., Ltd.					
2006 Stock Option (1)	4 directors 2 directors of its subsidiary 16 employees 22 other than employee	15,365 shares	2002.12.27	¥ 10,000 (\$99.80)	From 1st November, 2004 to 30th September, 2012
Stock Option (2)	1 director 7 employees	875 shares	2003.10.20	¥ 10,000 (\$99.80)	From 1st November, 2005 to 30th September, 2012
Stock Option (3)	5 directors 6 employees 6 other than employee	2,050 shares	2004.10.29	¥ 50,000 (\$499.00)	From 1st August, 2006 to 31st May, 2014

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
Stock Option (4)	2 other than employee	200 shares	2005.2.25	¥ 50,000 (\$499.00)	From 1st August, 2006 to 31st May, 2014
Stock Option (5)	1 other than employee	100 shares	2005.4.20	¥ 50,000 (\$499.00)	From 1st August, 2006 to 31st May, 2014
Stock Option (6)	9 employees	250 shares	2005.4.20	¥ 50,000 (\$499.00)	From 1st August, 2006 to 31st May, 2014
Stock Option (7)	4 directors 2 directors of its subsidiary 17 employees 3 other than employee	2,000 shares	2006.4.20	¥ 50,000 (\$499.00)	From 28th June, 2007 to 27th June, 2015
Stock Option (8)	11 employees	240 shares	2008.3.28	¥ 60,000 (\$598.80)	From 29th June, 2009 to 28th June, 2017
C4 Technology, Inc.					
2002 Stock Option	7 directors 1 corporate auditor 14 employees	1,195 shares	2002.6.27	¥ 60,000 (\$598.80)	From 28th June, 2004 to 27th June, 2012

The stock option activity for the year ended 31st March, 2007 and 2008 is as follows:

The Company

	2001 Warrant	2002 Stock Option (1)	2003 Stock Option (1)	2003 Stock Option (2)	2003 Stock Option (3)	2005 Stock Option (1)
	(Shares)					
For the Year Ended 31st March, 2007						
Non-vested:						
31st March, 2006—outstanding						
Granted						
Cancelled						
Vested						
31st March, 2007—outstanding						
Vested:						
31st March, 2006—outstanding	12,382	53,748	22,428	191,646	25,227	35,057
Vested						
Exercised	600	7,569	1,152	37,863	4,203	2,490
Cancelled		29,151	1,800	76,869		3,749
31st March, 2007—outstanding	11,782	17,028	19,476	76,914	21,024	28,818

	2001 Warrant	2002 Stock Option (1)	2003 Stock Option (1)	2003 Stock Option (2)	2003 Stock Option (3)	2005 Stock Option (1)
	(Shares)					
For the Year Ended 31st March, 2008						
Non-vested:						
31st March, 2007—outstanding						
Granted						
Cancelled						
Vested						
31st March, 2008—outstanding						
Vested:						
31st March, 2007—outstanding	11,782	17,028	19,476	76,914	21,024	28,818
Vested						
Exercised	388	1,998	108	14,292	1,350	552
Cancelled				1,242	2,340	2,067
31st March, 2008—outstanding	11,394	15,030	19,368	61,380	17,334	26,199
Exercise price	¥ 20,796 (\$ 207.54)	¥ 5,984 (\$ 59.72)	¥ 17,879 (\$ 178.43)	¥ 17,879 (\$ 178.43)	¥ 27,655 (\$ 276.00)	¥ 35,078 (\$ 350.08)
Average stock price at exercise	¥ 30,550 (\$ 304.89)	¥ 29,640 (\$ 295.81)	¥ 25,610 (\$ 255.59)	¥ 31,142 (\$ 310.80)	¥ 37,116 (\$ 370.42)	¥ 38,667 (\$ 385.90)
Fair value price at grant date						

The Stock Option Which Was Taken Over by the Company Due to the M&A

	E*TRADE Japan K.K. Stock Option	Digit Brain, Inc Stock Option	SBI HOME Planner Co., LTD. 2003 Stock Option	SBI HOME Planner Co., LTD. 2004 Stock Option	SBI HOME Planner Co., LTD. 2004 Stock Option	SBI HOME Planner Co., LTD. 2004 Stock Option
	(Shares)					
For the Year Ended 31st March, 2007						
Non-vested:						
31st March, 2006—outstanding					934	60
Granted						
Cancelled					60	
Vested					874	60
31st March, 2007—outstanding						
Vested:						
31st March, 2006—outstanding	122,324.58	8,655	786	930		
Vested					874	60
Exercised	10,920.42		178	920	74	
Cancelled	42,876.54	8,655	96	10	76	
31st March, 2007—outstanding	68,527.62		512	724		60

	E*TRADE Japan K.K. Stock Option	Digit Brain, Inc Stock Option	SBI HOME Planner Co., LTD. 2003 Stock Option	SBI HOME Planner Co., LTD. 2004 Stock Option	SBI HOME Planner Co., LTD. 2004 Stock Option	SBI HOME Planner Co., LTD. 2004 Stock Option
	(Shares)					
For the Year Ended 31st March, 2008						
Non-vested:						
31st March, 2007—outstanding						
Granted						
Cancelled						
Vested						
31st March, 2008—outstanding						
Vested:						
31st March, 2007—outstanding	68,527.62		512		724	60
Vested						
Exercised	4,558.68		36		16	
Cancelled			2		12	
31st March, 2008—outstanding	63,968.94		474		696	60
Exercise price	¥ 12,079 (\$ 120.55)		¥ 23,200 (\$ 231.54)		¥ 25,600 (\$ 255.49)	¥ 25,600 (\$ 255.49)
Average stock price at exercise	¥ 33,039 (\$ 329.73)		¥ 38,856 (\$ 387.78)		¥ 37,166 (\$ 370.92)	
Fair value price at grant date						

	SBI Partners Co., Inc. 2005 Stock Option	FINANCE ALL CORPORATION 2002 Stock Option	FINANCE ALL CORPORATION 2003 Stock Option	SOFTBANK FRONTIER SECURITIES CO., LTD. 2002 Stock Option	WORLD NICHEI Securities Co., LTD. 2003 Stock Option	WORLD NICHEI FRONTIER Securities Co., LTD. 2004 Stock Option
	(Shares)					
For the Year Ended 31st March, 2007						
Non-vested:						
31st March, 2006—outstanding						32,058.55
Granted						
Cancelled						
Vested						32,058.55
31st March, 2007—outstanding						
Vested:						
31st March, 2006—outstanding	800	6,840	38,240	985.92	2,564.50	
Vested						32,058.55
Exercised	250	1,800	13,440	581.44	1,150.00	
Cancelled			3,480			3,305.10
31st March, 2007—outstanding	550	5,040	21,320	404.48	1,414.50	28,753.45

	SBI Partners Co., Inc. 2005 Stock Option	FINANCE ALL CORPORATION 2002 Stock Option	FINANCE ALL CORPORATION 2003 Stock Option	SOFTBANK FRONTIER SECURITIES CO., LTD. 2002 Stock Option	WORLD NICHIEI Securities Co., LTD. 2003 Stock Option	WORLD NICHIEI FRONTIER SECURITIES CO., LTD. 2004 Stock Option
	(Shares)					
For the Year Ended 31st March, 2008						
Non-vested:						
31st March, 2007—outstanding						
Granted						
Cancelled						
Vested						
31st March, 2008—outstanding						
Vested:						
31st March, 2007—outstanding	550	5,040	21,320	404.48	1,414.50	28,753.45
Vested						
Exercised		400	9,240	404.48	1,069.50	
Cancelled						7,356.55
31st March, 2008—outstanding	550	4,640	12,080		345	21,396.90
Exercise price						
	¥ 37,060 (\$ 369.86)	¥ 4,465 (\$ 44.56)	¥ 4,465 (\$ 44.56)	¥ 7,740 (\$ 77.25)	¥ 17,392 (\$ 173.57)	¥ 50,174 (\$ 500.74)
Average stock price at exercise						
		¥ 23,230 (\$ 231.84)	¥ 29,216 (\$ 291.58)	¥ 33,215 (\$ 331.49)	¥ 34,250 (\$ 341.82)	
Fair value price at grant date						

	WORLD NICHIEI FRONTIER SECURITIES CO., LTD. 2004 Stock Option	SBI Securities Co., Ltd. 2005 Stock Option	SOFTBANK INVESTMENT CORPORATION Warrant (3)	SOFTBANK INVESTMENT CORPORATION Warrant (4)	SOFTBANK INVESTMENT CORPORATION Warrant (7)	SOFTBANK INVESTMENT CORPORATION Warrant (8)
	(Shares)					
For the Year Ended 31st March, 2007						
Non-vested:						
31st March, 2006—outstanding	97.75	39,017.20				
Granted						
Cancelled		6,411.25				
Vested	97.75					
31st March, 2007—outstanding		32,605.95				
Vested:						
31st March, 2006—outstanding			2,592.02	18,792.25	3,952.04	4,010.13
Vested	97.75					
Exercised	34.50				1,336.73	58.11
Cancelled	17.25		2,592.02		2,615.31	
31st March, 2007—outstanding	46.00			18,792.25		3,952.02

	WORLD NICHIEI FRONTIER SECURITIES CO., LTD. 2004 Stock Option	SBI Securities Co., Ltd. 2005 Stock Option	SOFTBANK INVESTMENT CORPORATION Warrant (3)	SOFTBANK INVESTMENT CORPORATION Warrant (4)	SOFTBANK INVESTMENT CORPORATION Warrant (7)	SOFTBANK INVESTMENT CORPORATION Warrant (8)
	(Shares)					
For the Year Ended 31st March, 2008						
Non-vested:						
31st March, 2007—outstanding		32,605.95				
Granted						
Cancelled		112.70				
Vested		32,483.25				
31st March, 2008—outstanding						
Vested:						
31st March, 2007—outstanding				18,792.25		3,952.02
Vested	46.00	32,493.25				
Exercised						1,162.38
Cancelled	5.75	9,229.90		18,792.25		2,789.64
31st March, 2008—outstanding	40.25	23,263.35				
Exercise price						
	¥ 31,914 (\$ 318.50)	¥ 46,957 (\$ 468.63)		¥ 2,083.30 (\$ 20.79)		¥ 25,464.90 (\$ 254.14)
Average stock price at exercise						
						¥ 24,440 (\$ 243.91)
Fair value price at grant date						

	SOFTBANK INVESTMENT CORPORATION Warrant (9)	E*TRADE Japan K.K. Warrant (7)-(9)	E*TRADE Japan K.K. Warrant (10)-(12)	E*TRADE Japan K.K. Warrant (15)	E*TRADE Japan K.K. Warrant (16)	FINANCE ALL CORPORATION Warrant (1)-(6)
	(Shares)					
For the Year Ended 31st March, 2007						
Non-vested:						
31st March, 2006—outstanding						
Granted						
Cancelled						
Vested						
31st March, 2007—outstanding						
Vested:						
31st March, 2006—outstanding	581.10	7,960.19	10,953.82	1,496.88	2,959.74	30,216
Vested						
Exercised						23,885
Cancelled		7,960.19		1,496.88		
31st March, 2007—outstanding	581.10		10,953.82		2,959.74	6,331

	SOFTEBANK INVESTMENT CORPORATION Warrant (9)	E*TRADE Japan K.K. Warrant (7)-(9)	E*TRADE Japan K.K. Warrant (10)-(12)	E*TRADE Japan K.K. Warrant (15)	E*TRADE Japan K.K. Warrant (16)	FINANCE ALL CORPORATION Warrant (1)-(6)	2006 Stock Option (3) (Shares)
For the Year Ended 31st March, 2008							
Non-vested:							
31st March, 2007—outstanding							
Granted							
Cancelled							
Vested							
31st March, 2008—outstanding							
Vested:							
31st March, 2007—outstanding	581.10		10,953.82		2,959.74	6,331	
Vested							
Exercised						548	
Cancelled			10,953.82		2,959.74		
31st March, 2008—outstanding	581.10					5,783	
Exercise price	¥ 25,464.90 (\$ 254.14)		¥ 1,910.70 (\$ 19.07)		¥ 2,116.40 (\$ 21.12)	¥ 4,464 (\$ 44.55)	
Average stock price at exercise						¥ 23,230 (\$ 231.84)	
Fair value price at grant date							

Consolidated Subsidiaries**SBI CAPITAL Co., Ltd.**

	2006 Stock Option (3) (Shares)
For the Year Ended 31st March, 2007	
Non-vested:	
31st March, 2006—outstanding	
Granted	188
Cancelled	
Vested	
31st March, 2007—outstanding	188
Vested:	
31st March, 2006—outstanding	
Vested	
Exercised	
Cancelled	
31st March, 2007—outstanding	

For the Year Ended 31st March, 2008

Non-vested:	
31st March, 2007—outstanding	188
Granted	
Cancelled	
Vested	
31st March, 2008—outstanding	188
Vested:	
31st March, 2007—outstanding	188
Vested	
Exercised	188
Cancelled	
31st March, 2008—outstanding	
Exercise price	¥ 67,000 (\$ 668.66)
Average stock price at exercise	¥ 20,360 (\$ 203.19)
Fair value price at grant date	

SBI Planners Co., Ltd.

	Stock Option (5) (Shares)
For the Year Ended 31st March, 2007	
Non-vested:	
31st March, 2006—outstanding	
Granted	4,000,000
Cancelled	
Vested	
31st March, 2007—outstanding	4,000,000
Vested:	
31st March, 2006—outstanding	
Vested	
Exercised	
Cancelled	
31st March, 2007—outstanding	

	Stock Option (5) (Shares)
For the Year Ended 31st March, 2008	
Non-vested:	
31st March, 2007—outstanding	4,000,000
Granted	
Cancelled	
Vested	
31st March, 2008—outstanding	4,000,000
Vested:	
31st March, 2007—outstanding	
Vested	
Exercised	
Cancelled	
31st March, 2008—outstanding	
Exercise price	¥ 65 (\$ 0.65)
Average stock price at exercise	
Fair value price at grant date	

SBI Mortgage Co., Ltd.

	Stock Option (1) (Shares)
For the Year Ended 31st March, 2007	
Non-vested:	
31st March, 2006—outstanding	60
Granted	
Cancelled	11
Vested	
31st March, 2007—outstanding	49
Vested:	
31st March, 2006—outstanding	
Vested	
Exercised	
Cancelled	
31st March, 2007—outstanding	

For the Year Ended 31st March, 2008

	Stock Option (1) (Shares)
Non-vested:	
31st March, 2007—outstanding	49
Granted	
Cancelled	2
Vested	
31st March, 2008—outstanding	47
Vested:	
31st March, 2007—outstanding	
Vested	
Exercised	
Cancelled	
31st March, 2008—outstanding	
Exercise price	¥ 750,000 (\$ 7,485.03)
Average stock price at exercise	
Fair value price at grant date	

SBI E*TRADE SECURITIES Co., Ltd.

	Stock Option (1)	Stock Option (2)	Stock Option (3) (Shares)	Stock Option (4)	Stock Option (5)
For the Year Ended 31st March, 2007					
Non-vested:					
31st March, 2006—outstanding					
Granted					
Cancelled					
Vested					
31st March, 2007—outstanding					
Vested:					
31st March, 2006—outstanding	63,351	2,250	63	5,007	699
Vested					
Exercised	44,613		63		
Cancelled	747			960	
31st March, 2007—outstanding	17,991	2,250		4,047	699

	Stock Option (1)	Stock Option (2)	Stock Option (3) (Shares)	Stock Option (4)	Stock Option (5)
For the Year Ended 31st March, 2008					
Non-vested:					
31st March, 2007—outstanding					
Granted					
Cancelled					
Vested					
31st March, 2008—outstanding					
Vested:					
31st March, 2007—outstanding	17,991	2,250		4,047	699
Vested					
Exercised	2,565				
Cancelled				150	45
31st March, 2008—outstanding	15,426	2,250		3,897	654
Exercise price					
	¥ 44,290	¥ 44,290		¥ 171,417	¥ 200,638
	(\$ 442.02)	(\$ 442.02)		(\$ 1,710.75)	(\$ 2,002.38)
Average stock price at exercise					
	¥ 128,814				
	(\$ 1,285.57)				
Fair value price at grant date					

E*TRADE Korea Co., Ltd.

	Stock Option (1)	Stock Option (2)	Stock Option (3) (Shares)	Stock Option (4)
For the Year Ended 31st March, 2007				
Non-vested:				
31st March, 2006—outstanding			224,500	228,000
Granted				
Cancelled			67,500	3,000
Vested				
31st March, 2007—outstanding			157,000	225,000
Vested:				
31st March, 2006—outstanding		89,000	4,000	
Vested				
Exercised		39,000		
Cancelled		7,500	2,000	
31st March, 2007—outstanding		42,500	2,000	

	Stock Option (1)	Stock Option (2)	Stock Option (3) (Shares)	Stock Option (4)
For the Year Ended 31st March, 2008				
Non-vested:				
31st March, 2007—outstanding			157,000	225,000
Granted				
Cancelled			7,500	
Vested			149,500	225,000
31st March, 2008—outstanding				
Vested:				
31st March, 2007—outstanding	42,500	2,000		
Vested			149,500	225,000
Exercised	42,500	2,000	147,500	225,000
Cancelled			2,000	
31st March, 2008—outstanding				
Exercise price				
	KRW 5,000	KRW 5,000	KRW 5,000	KRW 7,000
	(\$ 6.27)	(\$ 6.27)	(\$ 6.27)	(\$ 8.77)
Average stock price at exercise				
	KRW 15,531	KRW 16,100	KRW 11,847	KRW 18,950
	(\$ 15.66)	(\$ 16.23)	(\$ 11.94)	(\$ 19.10)
Fair value price at grant date				

Trade Win Co., Ltd.

	Warrant (2)	Warrant (3) (Shares)
For the Year Ended 31st March, 2008		
Non-vested:		
31st March, 2007—outstanding	1,000	320
Granted		
Cancelled		
Vested		
31st March, 2008—outstanding	1,000	320
Vested:		
31st March, 2007—outstanding		
Vested		
Exercised		
Cancelled		
31st March, 2008—outstanding		
Exercise price		
	¥ 50,000	¥ 460,000
	(\$ 499.00)	(\$ 4,590.82)
Average stock price at exercise		
Fair value price at grant date		

LIVING Corporation, Inc.

	Stock Option (2) (Shares)
For the Year Ended 31st March, 2008	
Non-vested:	
31st March, 2007—outstanding	696
Granted	
Cancelled	5
Vested	691
31st March, 2008—outstanding	
Vested:	
31st March, 2007—outstanding	
Vested	691
Exercised	632
Cancelled	25
31st March, 2008—outstanding	34
Exercise price	¥ 100,000
Average stock price at exercise	(\$ 998.00)
	¥ 158,233
Fair value price at grant date	(\$ 1,579.17)

SBI Biotech Co., Ltd.

	Stock Option (1)	Stock Option (2)	Stock Option (3)	Stock Option (4)
	(Shares)			
For the Year Ended 31st March, 2008				
Non-vested:				
31st March, 2007—outstanding	630	626	120	90
Granted				
Cancelled		90		
Vested				
31st March, 2008—outstanding	630	536	120	90
Vested:				
31st March, 2007—outstanding				
Vested				
Exercised				
Cancelled				
31st March, 2008—outstanding				
Exercise price	¥ 5,000	¥ 5,000	¥ 175,000	¥ 175,000
Average stock price at exercise	(\$ 49.90)	(\$ 49.90)	(\$ 1,746.51)	(\$ 1,746.51)
Fair value price at grant date				

SBI Futures Co., Ltd.

	Warrant (1)	Warrant (2)	Warrant (3)	Warrant (4)	Stock Option (1)	Stock Option (2)	Stock Option (3)
	(Shares)						
For the Year Ended 31st March, 2007							
Non-vested:							
31st March, 2006—outstanding	397	149	401	150	92	40	1,093
Granted							
Cancelled						7	107
Vested	397	149	401	150	92	19	
31st March, 2007—outstanding						14	986
Vested:							
31st March, 2006—outstanding					296	40	
Vested	397	149	401	150	92	19	
Exercised	239	70	59	35	127	33	
Cancelled		1	6				
31st March, 2007—outstanding	158	78	336	115	261	26	

	Warrant (1)	Warrant (2)	Warrant (3)	Warrant (4)	Stock Option (1)	Stock Option (2)	Stock Option (3)
	(Shares)						
For the Year Ended 31st March, 2008							
Non-vested:							
31st March, 2007—outstanding						14	986
Granted							
Cancelled							13
Vested						14	500
31st March, 2008—outstanding							473
Vested:							
31st March, 2007—outstanding	158	78	336	115	261	26	
Vested						14	500
Exercised	149		10				
Cancelled	9		10				9
31st March, 2008—outstanding		78	316	115	261	40	491
Exercise price	¥ 64,516	¥ 64,516	¥ 64,516	¥ 64,516	¥ 67,952	¥ 69,641	¥ 98,598
	(\$ 643.87)	(\$ 643.87)	(\$ 643.87)	(\$ 643.87)	(\$ 678.16)	(\$ 695.02)	(\$ 984.01)
Average stock price at exercise	¥ 71,816		¥ 84,000				
	(\$ 716.73)		(\$ 838.32)				
Fair value price at grant date							

SBI VeriTrans Co., Ltd.

	2001 Warrant	2004 Stock Option
	(Shares)	
For the Year Ended 31st March, 2007		
Non-vested:		
31st March, 2006—outstanding	2,868	6,780
Granted		
Cancelled	118	612
Vested	1,404	2,160
31st March, 2007—outstanding	1,346	4,008
Vested:		
31st March, 2006—outstanding	345	864
Vested	1,404	2,160
Exercised	702	1,092
Cancelled		
31st March, 2007—outstanding	1,047	1,932

	2001 Warrant	2004 Stock Option
	(Shares)	
For the Year Ended 31st March, 2008		
Non-vested:		
31st March, 2007—outstanding	1,346	4,008
Granted		
Cancelled		
Vested	1,346	1,944
31st March, 2008—outstanding		2,064
Vested:		
31st March, 2007—outstanding	1,047	1,932
Vested	1,346	1,944
Exercised	750	1,788
Cancelled		
31st March, 2008—outstanding	1,643	2,088
Exercise price	¥ 5,580.10 (\$ 55.69)	¥ 5,741 (\$ 57.30)
Average stock price at exercise	¥ 50,901 (\$ 507.99)	¥ 53,360 (\$ 532.53)
Fair value price at grant date		

Morningstar Japan K.K.

	2001 Warrant	2003 Stock Option (1)	2006 Stock Option (2)	2000 Warrant (4)	2000 Warrant (5)
	(Shares)				
For the Year Ended 31st March, 2007					
Non-vested:					
31st March, 2006—outstanding			510		
Granted					
Cancelled					
Vested					
31st March, 2007—outstanding			510		
Vested:					
31st March, 2006—outstanding	256	3,792		336	512
Vested					
Exercised		696			
Cancelled		188		336	
31st March, 2007—outstanding	256	2,908			512

	2001 Warrant	2003 Stock Option (1)	2006 Stock Option (2)	2000 Warrant (4)	2000 Warrant (5)
	(Shares)				
For the Year Ended 31st March, 2008					
Non-vested:					
31st March, 2007—outstanding			510		
Granted					
Cancelled			260		
Vested			250		
31st March, 2008—outstanding					
outstanding					
Vested:					
31st March, 2007—outstanding	256	2,908			512
Vested			250		
Exercised		68			
Cancelled		252			512
31st March, 2008—outstanding	256	2,588	250		
Exercise price	¥ 320,375 (\$ 3,197.36)	¥ 57,500 (\$ 573.85)	¥ 133,500 (\$ 1,332.34)		¥ 6,250 (\$ 62.38)
Average stock price at exercise		¥ 96,457 (\$ 962.64)			
Fair value price at grant date					

Gomez Consulting Co., Ltd.

	2003 Stock Option	2005 Stock Option
	(Shares)	
For the Year Ended 31st March, 2007		
Non-vested:		
31st March, 2006—outstanding	760	440
Granted		
Cancelled		60
Vested	760	
31st March, 2007—outstanding		380
Vested:		
31st March, 2006—outstanding		
Vested	760	
Exercised	100	
Cancelled		
31st March, 2007—outstanding	660	

	2003 Stock Option	2005 Stock Option
	(Shares)	
For the Year Ended 31st March, 2008		
Non-vested:		
31st March, 2007—outstanding		380
Granted		
Cancelled		
Vested		380
31st March, 2008—outstanding		
Vested:		
31st March, 2007—outstanding	660	
Vested		380
Exercised	120	6
Cancelled	40	
31st March, 2008—outstanding	500	374
Exercise price	¥ 44,250	¥ 100,000
Average stock price at exercise	(\$ 441.62)	(\$998.00)
	¥ 222,917	¥ 218,000
Fair value price at grant date	(\$ 2,224.72)	(\$ 2,175.65)

* On 1st May, 2007, the Company made a stock split by way of a free share distribution at the rate of two shares for each outstanding share. The movement has been adjusted retroactively.

E*GOLF CORPORATION

	Warrant (2)
	(Shares)
For the Year Ended 31st March, 2007	
Non-vested:	
31st March, 2006—outstanding	
Granted	
Cancelled	
Vested	
31st March, 2007—outstanding	
Vested:	
31st March, 2006—outstanding	12
Vested	
Exercised	
Cancelled	
31st March, 2007—outstanding	12

	Warrant (2)
	(Shares)
For the Year Ended 31st March, 2008	
Non-vested:	
31st March, 2007—outstanding	12
Granted	
Cancelled	12
Vested	
31st March, 2008—outstanding	
Vested:	
31st March, 2007—outstanding	
Vested	
Exercised	
Cancelled	
31st March, 2008—outstanding	
Exercise price	¥ 100,000
	(\$ 998.00)
Average stock price at exercise	
Fair value price at grant date	

HOMEOSTYLE, Inc.

	Warrant (1)	Warrant (2)	Stock Option (3)	Stock Option (4)
	(Shares)			
For the Year Ended 31st March, 2007				
Non-vested:				
31st March, 2006—outstanding	2,929	3,355	477	9,052
Granted				
Cancelled	2,929	76	43	184
Vested				
31st March, 2007—outstanding		3,279	434	8,868
Vested:				
31st March, 2006—outstanding				
Vested				
Exercised				
Cancelled				
31st March, 2007—outstanding				

	Warrant (1)	Warrant (2)	Stock Option (3)	Stock Option (4)
	(Shares)			
For the Year Ended 31st March, 2008				
Non-vested:				
31st March, 2007—outstanding	5,154	1,029	434	8,868
Granted				
Cancelled	140	33		218
Vested				
31st March, 2008—outstanding	5,014	996	434	8,650
Vested:				
31st March, 2007—outstanding				
Vested				
Exercised				
Cancelled				
31st March, 2008—outstanding				
Exercise price	¥ 9,636 (\$ 96.17)	¥ 9,636 (\$ 96.17)	¥ 16,000 (\$ 159.68)	¥ 19,000 (\$ 189.62)
Average stock price at exercise				
Fair value price at grant date				

The Stock Option Which Was Taken Over by HOMEOSTYLE, Inc. Due to the M&A

	TK International Co., Ltd Stock Option (Shares)
For the Year Ended 31st March, 2007	
Non-vested:	
31st March, 2006—outstanding	4,081
Granted	
Cancelled	
Vested	
31st March, 2007—outstanding	4,081
Vested:	
31st March, 2006—outstanding	
Vested	
Exercised	
Cancelled	
31st March, 2007—outstanding	

	TK International Co., Ltd Stock Option (Shares)
For the Year Ended 31st March, 2008	
Non-vested:	
31st March, 2007—outstanding	4,081
Granted	
Cancelled	
Vested	
31st March, 2008—outstanding	4,081
Vested:	
31st March, 2007—outstanding	
Vested	
Exercised	
Cancelled	
31st March, 2008—outstanding	
Exercise price	¥ 11,903 (\$ 118.79)
Average stock price at exercise	
Fair value price at grant date	

Auto-bytel Japan Co., Ltd.

	Stock	Stock	Stock	Stock	Stock	Stock	Stock	Stock
	Option (1)	Option (2)	Option (3)	Option (4)	Option (5)	Option (6)	Option (7)	Option (8)
	(Shares)							
For the Year Ended 31st March, 2008								
Non-vested:								
31st March, 2007—outstanding	6,400	450	1,850	200	100	180	1,970	
Granted								240
Cancelled	100		50			20	310	
Vested								
31st March, 2008—outstanding	6,300	450	1,800	200	100	160	1,660	240
Vested:								
31st March, 2007—outstanding								
Vested								
Exercised								
Cancelled								
31st March, 2008—outstanding								
Exercise price	¥ 10,000 (\$ 99.80)	¥ 10,000 (\$ 99.80)	¥ 50,000 (\$ 499.00)	¥ 50,000 (\$ 499.00)	¥ 50,000 (\$ 499.00)	¥ 50,000 (\$ 499.00)	¥ 50,000 (\$ 499.00)	¥ 60,000 (\$ 598.80)
Average stock price at exercise								
Fair value price at grant date								

C4 Technology, Inc.

	2002 Stock
	Option
	(Shares)
For the Year Ended 31st March, 2008	
Non-vested:	
31st March, 2007—outstanding	
Granted	
Cancelled	
Vested	
31st March, 2008—outstanding	
Vested:	
31st March, 2007—outstanding	645
Vested	
Exercised	
Cancelled	125
31st March, 2008—outstanding	520
Exercise price	¥ 60,000 (\$ 598.80)
Average stock price at exercise	
Fair value price at grant date	

Instead of using the fair value, Auto-bytel Japan Co., Ltd. applies the intrinsic value method. Auto-bytel Japan Co., Ltd. also uses the discounted cash flow method for the valuation of stocks. The intrinsic value as at 31st March, 2008 was nil.

22. REVENUE FROM TRADING

Gain (loss) on trading included in operating revenues for the years ended 31st March, 2007 and 2008 consisted of the following:

	Millions of Yen						Thousands of U.S. Dollars		
	2007			2008			2008		
	Realised Gain	Unrealised Gain (Loss)	Total	Realised Gain	Unrealised Gain (Loss)	Total	Realised Gain	Unrealised Gain (Loss)	Total
Equity securities	¥ 428	¥ (2)	¥ 426	¥ 360	¥ (5)	¥ 355	\$ 3,594	\$ (45)	\$ 3,549
Debt securities	1,462	1	1,463	1,512	5	1,517	15,084	48	15,132
Others	1,248	34	1,282	1,475	(17)	1,458	14,720	(168)	14,552
Total	¥ 3,138	¥ 33	¥ 3,171	¥ 3,347	¥ (17)	¥ 3,330	\$ 33,398	\$ (165)	\$ 33,233

Gains on certain businesses other than securities-related business of ¥50 million and ¥43 million (\$430 thousand) were included in the gain on trading for the years ended 31st March, 2007 and 2008, respectively.

23. OPERATING COSTS

Operating costs for the years ended 31st March, 2007 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended 31st March		Year Ended 31st March, 2008
	2007	2008	
Cost of operational investment securities	¥ 33,807	¥ 34,310	\$ 342,419
Provision for valuation allowance for operational investment securities		3,142	1,125
Financial charges	4,254	5,882	58,704
Rental and lease costs	6,230	5,069	50,592
Cost of sales arising from real-estate business		41,163	410,804
Others, including administrative expenses	21,312	27,795	277,390
Total	¥ 68,745	¥ 115,344	\$ 1,151,137

The above cost of operational investment securities for the years ended 31st March, 2007 and 2008 included a write-down of operational investment securities and securities held by funds of ¥8,943 million and ¥2,041 million (\$20,365 thousand), respectively.

24. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended 31st March, 2006 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended 31st March		Year Ended 31st March, 2008
	2007	2008	
Compensation for directors	¥ 1,285	¥ 1,796	\$ 17,922
Provision for allowance for doubtful accounts	881	2,768	27,627
Payroll and bonuses	7,089	8,812	87,943
Provision for retirement allowances for directors	30	24	235
Retirement benefit costs	56	61	610
Provision for accrued bonuses	233	495	4,939
Subcontracting fees	8,072	9,265	92,460
Research and development costs		1,106	11,038
Others	35,095	40,290	402,103
Total	¥ 52,741	¥ 64,617	\$ 644,877

25. 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 40.69 percent for the years ended 31st March, 2007 and 2008.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at 31st March, 2007 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	31st March 2007	2008	31st March, 2008
Deferred tax assets:			
Current:			
Write-down of operational investment securities	¥ 1,090	¥ 71	\$ 712
Valuation allowance for operational investment securities	739	843	8,415
Allowance for doubtful accounts	217	466	4,653
Accrued bonuses	120	118	1,171
Tax loss carryforwards	363	299	2,979
Accrued enterprise taxes	2,265	79	789
Other	529	438	4,367
Less valuation allowance	(475)	(201)	(2,003)
Total	4,848	2,113	21,083
Non-current:			
Tax loss carryforwards	2,564	5,668	56,573
Allowance for doubtful accounts	501	769	7,677
Write-down of investment securities	1,554	2,821	28,159
Reserve for liability for securities transactions	2,655	3,242	32,354
Loss of equity method investments		3,064	30,576
Unrealised gain on available-for-sale securities		1,335	13,320
Other	973	898	8,963
Less valuation allowance	(4,796)	(6,629)	(66,161)
Total	3,451	11,168	111,461
Total	¥ 8,299	¥ 13,281	\$ 132,544
Deferred tax liabilities:			
Current:			
Unrealised gain on available-for-sale securities	¥ 2,918	¥ 8,422	\$ 84,055
Transfer of investment portion within SBI	6,860	1,504	15,009
Total	9,778	9,926	99,064
Non-current:			
Unrealised gain on available-for-sale securities	2,094	682	6,809
Other	190	191	1,905
Total	2,284	873	8,714
Total	¥ 12,062	¥ 10,799	\$ 107,778

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended 31st March, 2007 and 2008 was as follows:

	Year Ended 31st March
	2007
Normal effective tax rate	40.69%
Permanent differences	0.72
Amortisation of goodwill	(43.00)
Minority interest in fund, etc.	24.4
Investment loss on the equity method	0.47
Other—net	0.62
Actual effective tax rate	23.90%

26. LEASES

	Year Ended 31st March
	2008
Normal effective tax rate	40.69%
Permanent differences	1.11
Amortisation of goodwill	6.47
Investment loss on the equity method	6.52
Undistributed earnings of subsidiaries	7.44
Other—net	(2.29)
Actual effective tax rate	59.94%

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

Total rental expenses for the years ended 31st March, 2007 and 2008 were ¥5,605 million and ¥6,648 million (\$66,355 thousand), respectively, including ¥2,033 million and ¥2,265 million (\$22,600 thousand) of lease payments under finance leases.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense, 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 years ended 31st March, 2007 and 2008 was as follows:

	Millions of Yen			Thousands of U.S. Dollars					
	2007		2008	2008		Total			
	Furniture and Equipment	Software	Total	Furniture and Equipment	Software	Total			
Acquisition cost	¥ 9,375	¥ 1,538	¥ 10,913	¥ 9,359	¥ 1,382	¥ 10,741	\$ 93,400	\$ 13,798	\$ 107,198
Accumulated depreciation	3,338	797	4,135	4,874	885	5,759	48,638	8,837	57,475
Net leased property	¥ 6,037	¥ 741	¥ 6,778	¥ 4,485	¥ 497	¥ 4,982	\$ 44,762	\$ 4,961	\$ 49,723

Obligations under finance leases including interest portion as at 31st March, 2007 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March, 2008
	2007	2008	
Due within one year	¥ 2,952	¥ 2,856	\$ 28,506
Due after one year	12,228	9,671	96,515
Total	¥ 15,180	¥ 12,527	\$ 125,021

Depreciation expense and interest expense under finance leases for the years ended 31st March, 2007 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended 31st March		Year Ended 31st March, 2008
	2007	2008	
Depreciation expense	¥ 1,932	¥ 2,149	\$ 21,444
Interest expense	131	111	1,110
Total	¥ 2,063	¥ 2,260	\$ 22,554

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, were computed by the straight-line method and the interest method, respectively.

The future minimum lease payments under noncancellable operating leases at 31st March, 2007 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	31st March		31st March, 2008
	2007	2008	
Due within one year	¥ 15	¥ 14	\$ 133
Due after one year	23	14	142
Total	¥ 38	¥ 28	\$ 275

27. RELATED PARTY TRANSACTIONS

Transactions of SBI with Representative Director and CEO for the years ended 31st March, 2007 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended 31st March		Year Ended 31st March, 2008
	2007	2008	
Sales of common stock	¥ 104	¥ 350	\$ 3,494

28. DERIVATIVES

SBI enters into foreign currency forward contracts and interest swap transactions primarily to hedge foreign exchange risk associated with receivables, payables and securities denominated in foreign currencies and to manage its interest rate exposures on borrowings and does not hold or issue them for speculative purpose. Stock-index futures, bond futures and a portion of foreign currency forward contracts are used for increasing underlying assets, and commodity futures are used for supplementing revenue. SBI enters into stock-index futures and commodity futures for the purpose of day trading or capping of the 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 in 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 counterparty's failure to perform according to the terms and conditions of the contract. Because the counterparties to foreign currency forward contracts and interest rate swap agreements 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 subject to 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 the nature of derivatives, credit limit amounts and administrative structure, which is monitored by the administrative headquarters department on a daily basis.

Fair Value of Derivatives

The fair values of SBI's derivatives at 31st March, 2007 and 2008 were as follows:

	Millions of Yen			
	2007			
	Assets		Liabilities	
	Contract Amount	Fair Value	Contract Amount	Fair Value
Foreign currency forward contracts	¥ 1,369	¥ 27	¥ 281	¥ 3
Bond futures			134	
Total	¥ 1,369	¥ 27	¥ 415	¥ 3

	Millions of Yen			
	2008			
	Assets		Liabilities	
	Contract Amount	Fair Value	Contract Amount	Fair Value
Foreign currency forward contracts	¥ 5		¥ 233	¥ 2
Nikkei average futures transactions	81	¥ 6	11	
Interest swap transactions			200	4
Total	¥ 86	¥ 6	¥ 444	¥ 6

	Thousands of U.S. Dollars			
	2008			
	Assets		Liabilities	
	Contract Amount	Fair Value	Contract Amount	Fair Value
Foreign currency forward contracts	\$ 43		\$ 2,322	\$ 20
Nikkei average futures transactions	811	\$ 63	113	
Interest swap transactions			1,996	36
Total	\$ 854	\$ 63	\$ 4,431	\$ 56

Gains or losses on deemed settlements are recorded in the "Fair value" above. In addition, the fair value of foreign currency forward contracts, interest swap transactions, Nikkei average futures transactions and bond futures were stated at the market values using forward exchange rates, interest swap rates, Nikkei average future rates and bond future rates, respectively, on the balance sheet date.

Derivative liabilities for trading purposes are included in other current liabilities while derivatives used for the hedging purpose are excluded from the above table.

29. CONTINGENT LIABILITIES

Contingent liabilities as at 31st March, 2008 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Guarantee of bank loans of:		
SBI Systems Co., Ltd.	¥ 200	\$ 1,996
Maruiso Corporation	320	3,192
Total	¥ 520	\$ 5,188

30. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended 31st March, 2007 and 2008 was as follows:

	Millions of Yen	Shares	Yen
	Net Income	Weighted-average Shares	EPS
Year Ended 31st March, 2007			
Basic EPS—Net income available to common shareholders	¥ 46,441	11,493,950	¥ 4,040.51
Effect of dilutive securities—Warrants	(642)	414,868	
Diluted EPS—Net income for computation	¥ 45,799	11,908,818	¥ 3,845.82

	Millions of Yen	Shares	Yen	U.S. Dollars
	Net Income	Weighted-average Shares	EPS	
Year Ended 31st March, 2008				
Basic EPS—Net income available to common shareholders	¥ 4,229	11,228,402	¥ 376.63	\$ 3.76
Effect of dilutive securities—Warrants	(303)	162,495		
Diluted EPS—Net income for computation	¥ 3,926	11,390,897	¥ 344.65	\$ 3.44

31. SEGMENT INFORMATION

SBI operates in the following business segments:

"Asset Management Business" primarily consists of fund management and investment in Internet technology, broadband, bio and restructuring companies.

"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 financial-related business and the provision of information regarding financial products, and leasing business.

"Housing and Real Estate Business" primarily consists of investment, development, financing and information providing service regarding housing and real estate.

"System Solution Business" primarily consists of maintenance and development for system-related business.

Information about business segments, geographical segments and revenue from foreign customers of SBI for the years ended 31st March, 2007 and 2008 was as follows:

Effective 1st April, 2007, SBI changed its business segmentation from asset management, brokerage and investment banking and financial services to asset management, brokerage and investment banking, financial services, housing and real estate and system solution.

Due to increasing importance of revenue and operating profit, housing and real estate business was separated from asset management business and financial services business.

Due to adding ROBO to the consolidation scope, system solution business became newly independent.

If the segment information for the year ended 31st March, 2007 were prepared using the new segmentation, such information would be as follows:

(1) Business Segments

Millions of Yen										
2007										
	Asset Management Business	Brokerage and Investment Banking Businesses	Financial Services Business	Housing and Real Estate Business	System Solution Business	Total	Eliminations/Corporate	Consolidated		
a. Revenue and Operating Income (Loss)										
Revenue from customers	¥ 37,162	¥ 65,426	¥ 18,168	¥ 23,825		¥ 144,581		¥ 144,581		
Intersegment revenue	202	993	666	185		2,046	¥ (2,046)			
Total revenue	37,364	66,419	18,834	24,010		146,627	(2,046)	144,581		
Operating expenses	40,550	42,045	15,550	22,826		120,971	515	121,486		
Operating income	¥ (3,186)	¥ 24,374	¥ 3,284	¥ 1,184		¥ 25,656	¥ (2,561)	¥ 23,095		
b. Total Assets, Depreciation and Capital Expenditures										
Total assets	¥ 149,350	¥ 999,375	¥ 67,891	¥ 136,553		¥ 1,353,169	¥ 14,053	¥ 1,367,222		
Depreciation	266	1,712	4,584	335		6,897	(79)	6,818		
Capital expenditures	439	2,623	3,836	1,010		7,908	(1)	7,907		

Millions of Yen										
2008										
	Asset Management Business	Brokerage and Investment Banking Businesses	Financial Services Business	Housing and Real Estate Business	System Solution Business	Total	Eliminations/Corporate	Consolidated		
a. Revenue and Operating Income (Loss)										
Revenue from customers	¥ 58,008	¥ 67,677	¥ 21,601	¥ 74,960	¥ 322	¥ 222,568		¥ 222,568		
Intersegment revenue		855	895	111		1,861	¥ (1,861)			
Total revenue	58,008	68,532	22,496	75,071	322	224,429	(1,861)	222,568		
Operating expenses	41,526	48,020	21,646	66,977	796	178,965	996	179,961		
Operating income	¥ 16,482	¥ 20,512	¥ 850	¥ 8,094	¥ (474)	¥ 45,464	¥ (2,857)	¥ 42,607		
b. Total Assets, Depreciation and Capital Expenditures										
Total assets	¥ 187,335	¥ 807,666	¥ 82,623	¥ 152,156	¥ 6,130	¥ 1,235,910	¥ (16,663)	¥ 1,219,247		
Depreciation	358	2,128	3,309	478	150	6,423	(61)	6,362		
Capital expenditures	860	2,033	2,109	535	63	5,600		5,600		

Thousands of U.S. Dollars								
2008								
	Asset Management Business	Brokerage and Investment Banking Businesses	Financial Services Business	Housing and Real Estate Business	System Solution Business	Total	Eliminations/Corporate	Consolidated
a. Revenue and Operating Income (Loss)								
Revenue from customers	\$ 578,923	\$ 675,409	\$ 215,574	\$ 748,106	\$ 3,221	\$ 2,221,233		\$ 2,221,233
Intersegment revenue		8,536	8,932	1,101		18,569	\$ (18,569)	
Total revenue	578,923	683,945	224,506	749,207	3,221	2,238,802	(18,569)	2,221,233
Operating expenses	414,434	479,239	216,024	668,430	7,949	1,786,076	9,938	1,796,014
Operating income	\$ 164,489	\$ 204,706	\$ 8,482	\$ 80,777	\$ (4,728)	\$ 453,726	\$ (28,507)	\$ 425,219
b. Total Assets, Depreciation and Capital Expenditures								
Total assets	\$ 1,869,608	\$ 8,060,544	\$ 824,581	\$ 1,518,525	\$ 61,177	\$ 12,334,435	\$ (166,299)	\$ 12,168,136
Depreciation	3,577	21,233	33,020	4,772	1,498	64,100	(610)	63,490
Capital expenditures	8,584	20,291	21,048	5,335	633	55,891	(2)	55,889

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 ¥2,435 million and ¥3,730 million (\$37,226 thousand) for the years ended 31st March, 2007 and 2008, respectively.

2. Total corporate assets of ¥37,263 million and ¥12,108 million (\$120,835 thousand) included in "Eliminations/corporate" of total assets as at 31st March, 2007 and 2008, respectively, mainly consisted of surplus funds (cash, bank deposits and cash in trust).

(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

Millions of Yen			
2008			
	North America	Others	Total
Sales to foreign customers (A)	¥ 22,944	¥ 16,978	¥ 39,922
Consolidated sales (B)			222,568
(A)/(B)	10.3%	7.7%	18.0%

Thousands of U.S. Dollars			
2008			
	North America	Others	Total
Sales to foreign customers (A)	\$ 228,980	\$ 169,445	\$ 398,425
Consolidated sales (B)			2,221,233
(A)/(B)	10.3%	7.7%	18.0%

Note: North America and others primarily consisted of the United States of America, and Europe, the People's Republic of China, Hong Kong, Macao and Korea, respectively.

Operating revenue from foreign customers for the year ended 31st March, 2007 is not significant; therefore, foreign revenue information is not presented herein.

32. SUBSEQUENT EVENTS

a. Appropriations of Retained Earnings

At the Board of Directors meeting held on 26th May, 2008, the following appropriation of retained earnings was approved:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥600 (\$5.99) per share	¥ 6,796	\$ 67,821

b. Exercise of Stock Options

Due to the exercise of stock options (see Note 21), 3,363 shares of the Company's common stock were issued during the period from 1st April to 31st May, 2008. The Company's common stock and capital surplus increased by ¥20 million (\$199 thousand) and ¥20 million (\$200 thousand), respectively.

c. Sales of Subsidiary Shares (E*TRADE Korea Co., Ltd.)

On 10th April, 2008, the board of directors of ETS—a consolidated subsidiary of the Company—resolved to sell shares of E*TRADE Korea Co., Ltd. (E*TRADE Korea)—a consolidated subsidiary of ETS in Korea, and entered into a legally binding letter of understanding ("LoU") with LS Networks Corporation Limited ("LS Networks"). All shares of E*TRADE Korea are to be sold to LS Networks and other entities designated by LS Networks.

This sale is subject to approval by the FINANCIAL SUPERVISORY SERVICE of KOREA ("FSS"). Therefore, the exact schedule of the transaction can only be determined after approval by FSS.

Pursuant to the LoU and the corporate resolution, 9,744,000 shares (100 percent of outstanding shares) will be sold to LS Networks and its designated entities for KRW 214,368 million (¥22,166 million). As a result, SBI will record a gain of approximately ¥13.9 billion (\$139 million) from the sales in fiscal 2009.

d. Sales of Affiliated Company Shares (ZEPHYR CO., LTD.)

On 18th July, 2008, SBI's affiliated company ZEPHYR CO., LTD. ("ZEPHYR") applied to the Tokyo District court for bankruptcy rehabilitation.

Subsequently, The Company sold all its equity shares of ZEPHYR on 24th July, 2008 and recorded a loss on the sale of such investments of ¥9,470 million (\$94,508 thousand).

Accordingly, ZEPHYR was no longer an affiliated company of the Company subject to the equity method accounting and was eliminated from its consolidated accounts from July 2008.

If the above mentioned event was adjusted, the pro-forma for the year ended 31st March, 2008 would be as follows:

	Millions of Yen	
	2008	2008 Pro-forma
Operating revenues	¥ 222,568	¥ 222,568
Gross profit	107,224	107,224
Operating income	42,607	42,607
Net income (loss)	4,229	(1,387)
Yen		
Per share of common stock:		
Basic net income (loss)	¥ 376.63	¥ (123.58)
Diluted net income	344.65	
Thousands of U.S. Dollars		
	2008	2008 Pro-forma
Operating revenues	\$ 2,221,233	\$ 2,221,233
Gross profit	1,070,096	1,070,096
Operating income	425,219	425,219
Net income (loss)	42,205	(13,848)
U.S. Dollars		
Per share of common stock:		
Basic net income (loss)	\$ 3.76	\$ (1.23)
Diluted net income	3.44	

e. Liquidation of Subsidiaries

On 8th August, 2008, SBI completed the liquidation procedures of SOFTBANK INTERNET TECHNOLOGY FUND No. 1 ("SITF1") and SOFTBANK INTERNET TECHNOLOGY FUND No. 2 ("SITF2"), both are consolidated subsidiaries of the Company in accordance with the PITF No. 20. The share percentages of SITF1 and SITF2 held by SBI at the liquidation date were 43.3% and 43.9%, respectively.

As a result, both SITF1 and SITF2 will be eliminated from the consolidation scope of the Company from August 2008. The effect of their liquidation to SBI's operation is immaterial.

Deloitte.

Deloitte Touche Tohmatsu
 M5 Shibaura Building
 4-13-23, Shibaura
 Minato-ku, Tokyo 108-8530
 Japan
 Tel: +81 (3) 3457 7321
 Fax: +81 (3) 3457 1694
 www.deloitte.com/jp

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
 SBI Holdings, Inc.:

We have audited the accompanying consolidated balance sheets of SBI Holdings, Inc. and consolidated subsidiaries as at 31st March, 2007 and 2008, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, 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 SBI Holdings, Inc. and consolidated subsidiaries as at 31st March, 2007 and 2008, and the consolidated results of their operations and their cash flows for the years then ended 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.

Deloitte Touche Tohmatsu

27th June, 2008 (11th August, 2008 as to Note 32.d)

The accompanying consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than Japan.

The standards to audit such financial statements are those which are generally accepted in Japan.

Member of
 Deloitte Touche Tohmatsu

Board of Directors (As of June 27, 2008)



Yoshitaka Kitao
Representative Director and CEO



Yasutaro Sawada
Director, COO and CFO



Kenji Hirai
Director and Senior Executive Officer



Shiho Aihara
Director and Senior Executive Officer



Takashi Nakagawa
Director and Senior Executive Officer



Reiko Kinoshita
Director and Executive Officer



Shinji Matsui
Director and Officer



Noriyuki Ishihara
Director and Officer



Tomoya Asakura
Director and Officer



Kazuyuki Matsui
Director and Officer



Takashi Okita
Director and Officer



Hiroshi Tasaka
Director



Takeshi Natsuno
Director



Susumu Watanabe
Standing Corporate Auditor



Kenichi Hirabayashi
Corporate Auditor



Ryujiro Shimamoto
Corporate Auditor



Atsushi Fujii
Corporate Auditor

Company Outline (As of March 31, 2008)

Company Name	SBI Holdings, Inc.
Date of Establishment	July 8, 1999
Head Office	Izumi Garden Tower 19F, 1-6-1, Roppongi, Minako-ku, Tokyo 106-6019, Japan Tel: +81(3)6229 0100 Fax: +81(3)3224 1970

Number of Employees	2,666 (consolidated)
Paid-in Capital	¥ 55,157 million
Fiscal Year	April 1 to March 31

Stock Information (As of March 31, 2008)

Shareholder Register	Mizuho Trust & Banking Co., Ltd.
Listings	First Section of the Tokyo Stock Exchange First Section of the Osaka Securities Exchange (Code: 8473)
Number of Shares	Shares Authorized 34,169,000 shares Shares Outstanding 12,435,284.01 shares
Number of Shareholders	156,403

Principal Shareholders	Name	Number of shares held (shares)	Percentage of total outstanding shares (%)
	SBI Holdings, Inc.	1,109,244	8.92
	The Master Trust Bank of Japan, Ltd. (Trust account)	776,493	6.24
	Japan Trustee Service Bank, Ltd. (Trust account)	738,997	5.94
	ZEPHYR Co., Ltd.	347,861	2.80
	Trustee of Individually Operated Designated Money Trusts (Shiteitan) Chuo Mitsui Asset Trust and Banking Company, Limited (Account 1)	241,947	1.95
	Bank of New York GCM Client Account JPRD ISG (FE-AC)	234,889	1.89
	Yoshitaka Kitao	204,925	1.65
	Morgan Stanley and Company, Inc.	160,258	1.29
	Goldman Sachs Japan Co. Ltd.	152,866	1.23
	The Chase Manhattan Bank GTS Clients Account Escrow	150,401	1.21

Distribution of Ownership among Shareholders (%)

