Financial Section

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Management's Discussion & Analysis

Analysis of Business Results for the Fiscal Year

Overview

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 SBIH Group provides risk capital to portfolio companies, mainly through investment funds managed by group companies. The SBIH 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 SBIH Group assists portfolio companies in forming 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 SBIH 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 SBIH 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 SBIH 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 SBIH Group will 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.

In the current fiscal year, amidst an extremely difficult business environment under which stock markets have cooled down and the number of new listings has drastically declined, there were no IPOs or M&As for the SBIH Group portfolio companies. Nevertheless, the New Horizon Fund, which entered its period of returns, contributed to earnings and the total investment amount moved up to the high level of ¥95.1 billion.

Brokerage & Investment Banking Business

Domestic stock markets during the current fiscal year witnessed a drastic fall of the Nikkei Stock Average in October due to the significant deterioration of the economy in the wake of global financial uncertainties. Despite showing signs of a recovery by posting figures in the ¥9,000 range as 2009 began, the Nikkei turned back down again in March. Foreign exchange markets saw an overall increase in the value of the yen as pressure to sell off dollars, euros and other currencies mounted resulting in postings of ¥80-range and ¥110-range trading of the yen against the dollar and euro, respectively. Such deflated stocks and high yen exchange rates greatly affected Japanese corporate earnings leading to the further deterioration of business confidence. Policy rates set by governments worldwide were lowered and a significant number of measures were implemented to stimulate the economy causing the yen to decline from around February down to the upper ¥90 range against the dollar and exceeding ¥125 against the euro. Further, domestic stock markets showed signs of a recovery from mid-March as the Nikkei moved back to the ¥8,000 range posting ¥8,109 on March 31, 2009, ending market trading approximately 35% lower compared with the previous fiscal year.

Under these circumstances, the SBIH Group made efforts to provide appealing products, services and fee structures based on its "Customer-centric principle" and, as a result, acquired 204,457 new customer accounts during the current fiscal year bringing the total at March 31, 2009 to 1,866,508, with the number of loan accounts at 192,015 and deposit assets of ¥2,979.8 billion.

* Number of accounts and deposit assets are of SBI SECURITIES Co., Ltd. on a non-consolidated basis.

Financial Services Business

In the marketplace business, the number of auto insurance estimates received by our insurance portal, "InsWeb" increased 12.3% year-on-year and the number of users of financial service websites grew 4.6% to 929,000.

In the financial products business, SBI Lease Co., Ltd. had leases outstanding of more than ¥74.8 billion at the end of March 2009, 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.

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. This company recorded a 37.7% increase in the number of transactions to more than 51.6 million. SBI Holdings, Inc. provides MoneyLook® technology to six companies. At the end of March 2009, there were more than 650,000 users of this software, which facilitates centralized management of transactions using accounts at two or more financial institutions.

In other businesses, Morningstar Japan K.K., which provides evaluations of financial products, particularly investment trusts, is seeing increases in its sales of IR data, investment trust data and stock price data, while Gomez Consulting Co., Ltd., which provides website evaluation and ranking services and business support services, strives to create demand by strengthening its proposals in new areas such as consulting for accelerating website display speed.

Operating Revenues by Segment

	Year ended 31st March, 2008		**Year ended 31st March, 2009**	
	Millions of Yen	%	Millions of Yen	%
Asset Management Business	¥ 58,008	26.1	**¥ 15,982**	**12.2**
Investment in Securities	54,670		**12,924**	
Revenue from Operational Investment Securities	53,446		**11,804**	
Fees from Funds	1,223		**1,120**	
Investment Advisory Services Fees and Others	3,338		**3,057**	
Brokerage & Investment Banking Business	68,532	30.8	**49,182**	**37.6**
Revenue from Securities Transactions	67,625		**48,613**	
Revenue from Commodity Futures Transactions	905		**568**	
Financial Services	22,496	10.1	**22,617**	**17.3**
Marketplace Business	4,255		**4,737**	
Financial Products Business	9,748		**8,015**	
Financial Solutions Business	4,094		**4,516**	
Other Businesses	4,080		**4,338**	
New Businesses	316		**1,008**	
Housing and Real Estate Business	75,071	33.7	**40,907**	**31.2**
Real Estate Business	55,125		**18,353**	
Financial Real Estate Business	6,726		**7,892**	
Lifestyle Networks Business	13,218		**14,661**	
System Solution Business	322	0.1	**6,354**	**4.9**
Intersegment Revenue	(1,861)	(0.8)	**(4,119)**	**(3.2)**
Total Operating Revenue	¥222,568	100.0	**¥130,923**	**100.0**

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 47,000 (at the end of March 2009) after only 2 years and 4 months since starting operations. SBI Insurance Co., Ltd., which began operations in January 2008, is obtaining more auto insurance contracts owing to a decrease in premiums made in March of that year, a renewed website in August and an increase in new sales channels. SBI AXA Life Insurance Co., Ltd., which started in April 2008, is working to enhance services and increase the number of contracts by introducing a high premium policy discount program for term insurance starting in October of that year and commencing sales of income guarantee insurance, a new product, in March 2009.

Housing and Real Estate Business

The real estate business, plagued by a deteriorating financial environment, a constricting real estate market and other factors, recorded significantly lower operating revenues and operating income due to unfavorable transactions with real estate funds, which are principal purchasers. It 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 ¥463.9 billion at the end of March 2009.

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 33.4% to more than 380,000.

System Solution Business

In the System Solution Business, the SBIH Group, as an internet-based financial conglomerate, is strengthening its system formulation and maintenance to serve as a base for providing various types of financial services, all the while working to integrate financial services with the internet. During the fiscal year under review, SBI Net Systems Co., Ltd., which provides information security services and solutions for financial institutions, saw increased operating revenues and a reduced operating loss compared to the previous fiscal year owing to favorable results from its contract development efforts and operation and maintenance services, among others.

Operating Revenues

Asset Management Business

(Investment in Securities Business)

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, Inc. 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 decreased by 77.9% to ¥11,804 million. This was mainly attributable to revenue from consolidated funds, and the inclusion of New Horizon Fund, L.P. results. Revenue from funds was down 8.4% to ¥1,120 million. This primarily represents management fees from the SBI Broadband Capital Fund and the SBI BB Media Fund.

(Investment Advisory Services and Other Businesses)
Operating revenues from investment advisory services and other businesses decreased 8.4% to ¥3,057 million primarily owing to the growth of income from investment trusts and in interest income from loans receivable.

Brokerage & Investment Banking Business

(Securities Business)
Operating revenues in this business are 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.

Operating revenues decreased by 28.1% to ¥48,613 million. This revenue represents the operations of SBI SECURITIES Co., Ltd. (formerly SBI E*TRADE SECURITIES Co., Ltd.) and SBI Liquidity Market Co., Ltd.

(Commodity Futures Business)
Operating revenues in this business consists of fees received from commodity futures transactions.

Revenue decreased by 37.2% to ¥568 million, all of which represents the operations of SBI Futures Co., Ltd.

Financial Services Business

There are five components of revenue in this business. The 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 nonlife insurance business, and the life insurance business, which started operations on April 7, 2008.

Marketplace business revenue increased 11.3% to ¥4,737 million, financial products business revenue decreased 17.8% to ¥8,015 million, financial solutions business revenue increased 10.3% to ¥4,516 million, other businesses revenue increased 6.3% to ¥4,338 million, and new businesses revenue increased 219.1% to ¥1,008 million.

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.

Real estate business revenue decreased 66.7% to ¥18,353 million, financial real estate business revenue increased 17.3% to ¥7,892 million, and lifestyle networks business revenue increased 10.9% to ¥14,661 million.

System Solution Business

Operating revenues in the System Solution Business over the fiscal year under review amounted to ¥6,354 million (¥322 million in the previous fiscal year), mainly consisting of contributions from SBI Net Systems Co., Ltd. (formerly C4 Technology, Inc.) and SBI Robo Corp.

* Note that operating revenues by segment is represented prior to deducting inter-segment, internal operating revenues.

Operating Costs

Asset Management Business

The operating costs in the Asset Management Business during the fiscal year under review amounted to ¥10,333 million (down 73.0% year-on-year), mainly consisting of cost of operational investment securities including a valuation loss on operational investment securities.

Brokerage & Investment Banking Business

The operating costs in the Brokerage & Investment Banking Business during the fiscal year under review amounted to ¥5,452 million (down 17.6% year-on-year), mainly consisting of financial costs such as interest expenses and rental fees incurred in loan and leasing transactions.

Financial Services Business

The operating costs in the Financial Services Business during the fiscal year under review amounted to ¥14,276 million (up 8.5% year-on-year), mainly consisting of leasing costs.

Housing and Real Estate Business

The operating costs in the Housing and Real Estate Business during the fiscal year under review amounted to ¥29,074 million (down 49.7% year-on-year), mainly consisting of cost of sales of real estate developed for sale.

System Solution Business

The operating costs in the System Solution Business during the fiscal year under review amounted to ¥5,083 million (¥249 million in the previous fiscal year), mainly consisting of contributions from SBI Net Systems Co., Ltd. (formerly C4 Technology, Inc.) and SBI Robo Corp.

* Note that operating revenues by segment is represented prior to deducting inter-segment, internal net sales.

Selling, General and Administrative Expenses

During the fiscal year under review, selling, general and administrative expenses amounted to ¥62,885 million (down 2.7% year-on-year), mainly comprising of personnel costs and securities system consignment costs.

Other Income (Expenses)

Net other loss was ¥20,536 million (net other loss of ¥13,788 million in the previous fiscal year) mainly owing to impairment losses of investment securities of ¥7,548 million, equity in loss of unconsolidated subsidiaries and affiliated companies of ¥2,508 million and interest expense of ¥2,450 million.

Cash Flows

Cash and cash equivalents totaled ¥126,313 million at the end of March 2009, a net decrease of ¥32,694 million compared with the balance of ¥159,007 million at the end of March 2008. The equity ratio increased by 13.0 points to 32.8% compared with 19.8% in the previous fiscal year.

The following is a summary of cash flows.

Operating Activities

Net cash provided by operating activities amounted to ¥103,035 million (net cash provided in the previous fiscal year amounted to ¥50,074 million). This is mainly due to ¥108,341 million in net changes in margin transaction assets and liabilities despite decreasing factors such as a ¥16,132 million loss before income taxes and minority interests and changes in operational investment securities resulting in a ¥20,646 million expense.

Investing Activities

Net cash used by investing activities amounted to ¥1,104 million (net cash used in the previous fiscal year amounted to ¥20,610 million). This is mainly due to ¥7,345 million in purchases of investment securities, ¥5,621 million in investments in subsidiaries and ¥4,636 million in net changes in loans receivable despite increasing factors such as ¥19,341 million in proceeds from sales of subsidiaries' stock associated with a change in the scope of consolidation as a result of the sale of E*TRADE Korea Co., Ltd. stock.

Financing Activities

Net cash used by financing activities amounted to ¥137,515 million (net cash used in the previous fiscal year amounted to ¥9,957 million). This is mainly due to factors such as ¥108,366 million in bond redemptions.

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 SBIH Group will work to avoid any such risks and take appropriate measures in the event that any such risk arises.

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 instrument 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, foreign exchange market and real estate markets as well as political, economic and industry trends may have a significant impact on the SBIH Group. Therefore, such external factors over which the SBIH 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 SBIH 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 SBIH Group's business results.

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 SBIH 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.

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 SBIH Group recognizes that ensuring the stability of its system for online transactions is the most crucial management issue. The SBIH 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.

The businesses in which the SBIH Group is engaged involve various intellectual property rights such as patent rights and copyrights. The inadequate safeguarding of the SBIH Group's intellectual property rights or the lack of proper licensing for the use of intellectual property rights owned by a third party may complicate technological development efforts or the provision of services.

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 SBIH 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 SBIH Group's business results.

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 SBIH Group obtains and uses information on numerous customers. The SBIH 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 SBIH Group thus recognizes that information security is its most crucial issue for ensuring that customers may use its services with confidence.

The SBIH 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 SBIH Group, or an information leak, the resulting loss of trust among customers and other consequences may have an impact on the SBIH Group's business results.

Business Reorganization

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

During the fiscal year under review, SBI E*TRADE SECURITIES Co., Ltd. changed its trade name to SBI SECURITIES Co., Ltd. in July 2008 and became a wholly owned subsidiary of the SBIH Group through a stock swap in August of that year.

Further, SBI Futures Co., Ltd. abolished its commodities transactions brokerage business in July 2009 and became a wholly owned subsidiary of the SBIH Group through a stock swap in August of that year.

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 SBIH 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 SBIH Group began treating as consolidated subsidiaries several funds that the SBIH Group manages.

Therefore, all assets, liabilities and other items at these funds are now included in the consolidated balance sheets 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.

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 SBIH Group is entering a broad spectrum of new businesses. 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.

Status as a Financial Conglomerate

The SBIH Group is classified as a financial conglomerate as defined by regulations of the Financial Services Agency. As a result, the SBIH 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 SBIH Group is subject to an administrative action or other punishment by the Financial Services Agency, for whatever reason, the SBIH Group may have difficulty conducting its business operations.

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 SBIH 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.

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 SBIH Group's business activities, there could be an adverse impact on the SBIH Group's business results.

Employees

The SBIH Group has always hired talented personnel under its management, which possesses strong leadership capabilities, however, its results may be negatively impacted should the continuous hiring of such personnel be rendered impossible.

Consolidated Financial Statements

Consolidated Balance Sheets

SBI Holdings, Inc. and Consolidated Subsidiaries
March 31, 2008 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	2008	2009	2009
CURRENT ASSETS:			
Cash and cash equivalents (Note 14)	¥ 159,007	¥ 126,313	$ 1,285,496
Time deposits	1,518	1,140	11,608
Cash required to be segregated under regulations (Note 4)	313,817	266,267	2,709,818
Notes and accounts receivable—trade (Note 14)	10,985	7,915	80,550
Operational investment securities (Note 6)	115,717	105,236	1,070,999
Valuation allowance for operational investment securities	(4,967)	(6,207)	(63,166)
Lease receivables and lease investment assets (Notes 2.k and 25)		18,820	191,529
Operational loans receivable (Note 14)	66,261	47,868	487,159
Real estate inventory (Notes 5 and 14)	32,895	36,515	371,616
Trading assets (Note 7)	1,728	7,725	78,616
Margin transaction assets:			
Receivables from customers	274,887	134,792	1,371,790
Cash deposits as collateral for securities borrowed	17,995	46,009	468,235
Loans secured by securities on non-resale agreement transactions		1	7
Short-term guarantee deposits	13,414	8,846	90,023
Deferred tax assets—current (Note 24)	1,053	5,921	60,256
Prepaid expenses and other current assets (Notes 9 and 14)	66,723	46,951	477,829
Allowance for doubtful accounts	(1,762)	(2,703)	(27,510)
Total current assets	1,069,271	851,409	8,664,855
PROPERTY AND EQUIPMENT—Net (Notes 10 and 12)	5,728	8,578	87,297
LEASED ASSETS—Net (Note 2.k)	7,877		
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 6)	15,972	10,088	102,664
Investments in unconsolidated subsidiaries and affiliated companies (Note 11)	25,923	23,781	242,023
Software, net of accumulated amortization of ¥7,649 million and ¥8,222 million ($83,674 thousand) at March 31, 2008 and 2009, respectively	8,816	9,370	95,357
Rental deposits	6,801	7,375	75,055
Goodwill (Note 3)	60,874	136,354	1,387,690
Long-term trade receivables	50	47	483
Deferred tax assets—non-current (Note 24)	10,595	10,602	107,895
Other assets	12,109	28,274	287,746
Allowance for doubtful accounts	(4,769)	(6,644)	(67,618)
Total investments and other assets	136,371	219,247	2,231,295
TOTAL	¥1,219,247	¥1,079,234	$10,983,447

LIABILITIES AND EQUITY	Millions of Yen 2008	Millions of Yen 2009	Thousands of U.S. Dollars (Note 1) 2009
CURRENT LIABILITIES:			
Short-term borrowings (Notes 13 and 14)	¥ 53,832	¥ 54,658	$ 556,264
Current portion of long-term debt (Notes 13 and 14)	112,743	63,033	641,493
Income taxes payable	9,352	2,625	26,711
Margin transaction liabilities:			
Payables to financial institutions (Notes 13 and 14)	81,583	56,726	577,309
Proceeds of securities sold for customers' accounts	62,531	89,545	911,303
Loans secured by securities on repurchase agreement transactions	35,441	46,588	474,125
Consignment guarantee money received for margin transactions (Note 9)	272,006	229,184	2,332,421
Customers' deposits as collateral for commodity futures (Note 9)	39,574	28,885	293,966
Customers' deposits for securities transactions	20,147	23,488	239,040
Unearned income (Note 15)	1,893	2,085	21,221
Accrued expenses	3,280	3,035	30,885
Contingent reserve	22		
Deferred tax liabilities—current (Note 24)	8,867	6	57
Other current liabilities (Notes 7, 13 and 27)	39,363	23,591	240,089
Total current liabilities	740,634	623,449	6,344,884
LONG-TERM LIABILITIES:			
Long-term debt, less current portion (Notes 13 and 14)	77,149	13,584	138,243
Deferred tax liabilities—non-current (Note 24)	300	566	5,763
Other long-term liabilities (Notes 16 and 17)	5,431	15,043	153,097
Total long-term liabilities	82,880	29,193	297,103
STATUTORY RESERVES (Note 18)**:**			
Reserve for liability for securities transactions	7,925		
Reserve for financial products transaction liabilities		7,219	73,470
Reserve for liability for commodity transactions	42	33	339
Reserve for price fluctuation		1	6
Total statutory reserves	7,967	7,253	73,815
EQUITY (Notes 19 and 20)**:**			
Common stock—authorized, 34,169,000 shares; issued, 12,435,284 shares in 2008 and 16,768,733 shares in 2009	55,158	55,215	561,925
Capital surplus	116,762	219,012	2,228,903
Stock acquisition rights	4	12	121
Retained earnings	112,339	86,866	884,041
Unrealized gain (loss) on available-for-sale securities	10,134	(5,946)	(60,514)
Deferred gain (loss) on derivatives under hedge accounting	9	(26)	(262)
Foreign currency translation adjustments	(122)	(966)	(9,832)
Treasury stock—at cost, 1,183,541 shares in 2008 and 37,661 shares in 2009	(53,064)	(636)	(6,473)
Total	241,220	353,531	3,597,909
Minority interests	146,546	65,808	669,736
Total equity	387,766	419,339	4,267,645
TOTAL	¥1,219,247	¥1,079,234	$10,983,447

See notes to consolidated financial statements.

Consolidated Statements of Operations

SBI Holdings, Inc. and Consolidated Subsidiaries
Years Ended March 31, 2007, 2008 and 2009

			Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2007	2008	2009	2009
OPERATING REVENUES (Notes 21 and 30)	¥144,581	¥222,568	**¥130,923**	**$1,332,412**
OPERATING COSTS (Note 22)	68,745	115,344	**63,634**	**647,606**
Gross profit	75,836	107,224	**67,289**	**684,806**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 23)	52,741	64,617	**62,885**	**639,988**
Operating income	23,095	42,607	**4,404**	**44,818**
OTHER INCOME (EXPENSES):				
Interest and dividends income	644	648	**1,434**	**14,598**
Interest expense	(1,278)	(1,785)	**(2,450)**	**(24,938)**
Foreign exchange gain (loss)—net	14	(726)	**(621)**	**(6,325)**
(Loss) gain on sale of investment securities—net	(23,575)	6,780	**(1,517)**	**(15,444)**
Amortization of negative goodwill	69,094			
Impairment loss of investment securities	(751)	(677)	**(7,548)**	**(76,812)**
Provision for statutory reserves (Note 18)	(1,599)	(1,611)	**(1)**	**(6)**
Equity in loss of unconsolidated subsidiaries and affiliated companies	(710)	(4,615)	**(2,508)**	**(25,527)**
Goodwill amortization for equity method affiliates with significant losses	(1,977)	(6,794)	**(1,354)**	**(13,776)**
Allowance for doubtful accounts	(101)	34	**(2,379)**	**(24,207)**
Other—net	(814)	(5,042)	**(3,592)**	**(36,559)**
Other income (expenses)—net	38,947	(13,788)	**(20,536)**	**(208,996)**
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	62,042	28,819	**(16,132)**	**(164,178)**
INCOME TAXES (Note 24)**:**				
Current	38,272	19,311	**11,829**	**120,387**
Deferred	(23,447)	(2,038)	**(5,680)**	**(57,810)**
Total income taxes	14,825	17,273	**6,149**	**62,577**
MINORITY INTERESTS IN NET (INCOME) LOSS	(776)	(7,317)	**3,906**	**39,748**
NET INCOME (LOSS)	¥ 46,441	¥ 4,229	**¥ (18,375)**	**$ (187,007)**

			Yen	U.S. Dollars
	2007	2008	2009	2009
PER SHARE OF COMMON STOCK (Notes 2.ab and 29)**:**				
Basic net income (loss)	¥4,040.51	¥ 376.63	**¥(1,232.48)**	**$(12.54)**
Diluted net income	3,845.82	344.65		
Cash dividends applicable to the year	1,200	1,200	**100**	**1.02**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

SBI Holdings, Inc. and Consolidated Subsidiaries
Years Ended March 31, 2007, 2008 and 2009

Millions of Yen

	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealized Gain (Loss) on Available-for-sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2006	12,155,028	¥54,229	¥115,692		¥ 90,345	¥ 12,830		¥ 935	¥ (5,908)	¥268,123		¥268,123
Reclassified balance as of March 31, 2006				¥ 6						6	¥ 55,094	55,100
Exercise of warrants (Note 19)	108,479	685	687							1,372		1,372
Cash dividends, ¥1,200 per share (Note 19)					(14,078)					(14,078)		(14,078)
Bonuses to directors					(541)					(541)		(541)
Net income					46,441					46,441		46,441
Purchase of treasury stock	(1,051,604)								(47,246)	(47,246)		(47,246)
Reissuance of treasury stock	3,614		140						86	226		226
Treasury stock held by affiliated company accounted for by the equity method	166								6	6		6
Net change in the year				36		(7,394)	¥ 2	39		(7,317)	44,555	37,238
BALANCE, MARCH 31, 2007	11,215,683	54,914	116,519	42	122,167	5,436	2	974	(53,062)	246,992	99,649	346,641
Exercise of warrants (Note 19)	36,113	244	244							488		488
Cash dividends, ¥1,200 per share (Note 19)					(13,558)					(13,558)		(13,558)
Net income					4,229					4,229		4,229
Adjustment of retained earnings for newly consolidated subsidiaries					(790)					(790)		(790)
Adjustment of retained earnings for subsidiaries excluded from consolidation					(16)					(16)		(16)
Adjustment of retained earnings for affiliated companies excluded from the equity method of accounting					307					307		307
Purchase of treasury stock	(83)								(3)	(3)		(3)
Reissuance of treasury stock	26		(1)						1			
Treasury stock held by affiliated company accounted for by the equity method	4											
Net change in the year				(38)		4,698	7	(1,096)		3,571	46,897	50,468
BALANCE, MARCH 31, 2008	11,251,743	55,158	116,762	4	112,339	10,134	9	(122)	(53,064)	241,220	146,546	387,766
Exercise of warrants (Note 19)	14,237	57	57							114		114
Stock swap	5,427,601		102,205							102,205		102,205
Net loss					(18,375)					(18,375)		(18,375)
Cash dividends, ¥600 per share (Note 19)					(6,796)					(6,796)		(6,796)
Adjustment of retained earnings for newly consolidated subsidiaries					(73)					(73)		(73)
Adjustment of retained earnings for subsidiaries excluded from consolidation					(30)					(30)		(30)
Adjustment of retained earnings for affiliated companies excluded from the equity method of accounting			844		(199)					645		645
Purchase of treasury stock	(37,531)								(644)	(644)		(644)
Reissuance of treasury stock	75,022		(856)						53,072	52,216		52,216
Net change in the year				8		(16,080)	(35)	(844)		(16,951)	(80,738)	(97,689)
BALANCE, MARCH 31, 2009	16,731,072	¥55,215	¥219,012	¥ 12	¥ 86,866	¥ (5,946)	¥(26)	¥ (966)	¥ (636)	¥353,531	¥ 65,808	¥419,339

Thousands of U.S. Dollars (Note 1)

	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealized Gain (Loss) on Available-for-sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2008	$561,346	$1,188,293	$43	$1,143,284	$ 103,133	$ 88	$ (1,241)	$(540,030)	$2,454,916	$1,491,415	$3,946,331
Exercise of warrants (Note 19)	579	581							1,160		1,160
Stock swap		1,040,147							1,040,147		1,040,147
Net loss				(187,007)					(187,007)		(187,007)
Cash dividends, $6.11 per share (Note 19)				(69,160)					(69,160)		(69,160)
Adjustment of retained earnings for newly consolidated subsidiaries				(749)					(749)		(749)
Adjustment of retained earnings for subsidiaries excluded from consolidation				(302)					(302)		(302)
Adjustment of retained earnings for affiliated companies excluded from the equity method of accounting		8,586		(2,025)					6,561		6,561
Purchase of treasury stock								(6,556)	(6,556)		(6,556)
Reissuance of treasury stock		(8,704)						540,113	531,409		531,409
Net change in the year			78		(163,647)	(350)	(8,591)		(172,510)	(821,679)	(994,189)
BALANCE, MARCH 31, 2009	$561,925	$2,228,903	$121	$ 884,041	$ (60,514)	$(262)	$ (9,832)	$ (6,473)	$3,597,909	$ 669,736	$4,267,645

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

SBI Holdings, Inc. and Consolidated Subsidiaries
Years Ended March 31, 2007, 2008 and 2009

			Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2007	2008	2009	2009
OPERATING ACTIVITIES:				
Income (loss) before income taxes and minority interests	¥ 62,042	¥ 28,819	¥ (16,132)	$ (164,178)
Adjustments for:				
Income taxes paid	(43,132)	(30,542)	(15,783)	(160,623)
Amortization and depreciation	(58,122)	11,477	11,961	121,730
Provision for valuation allowance for operational investment securities	3,043	1,365	1,888	19,214
Provision for allowance for doubtful accounts	977	2,811	5,648	57,481
Dilution gain from changes in equity interests	(650)	(598)	(341)	(3,469)
Write-down of operational investment securities	8,813	1,962	2,516	25,604
Equity earnings in funds	(3,518)	(3,101)	(2,880)	(29,312)
Loss (gain) on sales of investment securities—net	23,575	(6,780)	1,518	15,444
Changes in assets and liabilities:				
Increase in operational investment securities and operational investments in funds	(10,539)	(5,597)	(20,646)	(210,114)
(Increase) decrease in operational loans receivable	(8,417)	(16,109)	7,358	74,880
(Increase) decrease in real estate inventory	(26,531)	9,191	(7,617)	(77,516)
(Increase) decrease in segregated assets for customers	(5,797)	18,901	32,380	329,530
(Increase) decrease in trading assets	(1,080)	387	(2,039)	(20,747)
Net changes in margin transaction assets and liabilities	7,518	55,173	108,341	1,102,597
(Decrease) increase in customers' deposits for securities transactions	(4,697)	3,822	2,615	26,614
Increase (decrease) in consignment guarantee money received for margin transactions	6,878	(5,491)	(29,706)	(302,328)
Net changes in loans receivable and payable secured by securities	234	(20,291)	11,105	113,019
Increase in unearned income	2,648	1,292	1,450	14,755
Other—net	(20,654)	3,383	11,399	116,012
Net cash (used in) provided by operating activities	(67,409)	50,074	103,035	1,048,593
INVESTING ACTIVITIES:				
Purchases of intangible assets	(3,096)	(3,457)	(3,914)	(39,833)
Purchases of investment securities	(28,659)	(8,310)	(7,345)	(74,749)
Proceeds from sales of investment securities	3,804	3,579	784	7,982
Proceeds from sales of subsidiaries' stock	129,831	7,190	130	1,323
Cash paid in business acquisitions, net of cash acquired	(8,208)	(3,861)	(1,086)	(11,053)
Cash received in sales of subsidiaries, net of cash relinquished	5,831		19,341	196,836
Investments in subsidiaries	(7,125)	(4,443)	(5,621)	(57,208)
Investments in loans receivable	(54,217)	(200,953)	(42,156)	(429,026)
Collections of loans receivable	48,823	191,927	37,520	381,842
Payments for security deposits	(2,258)	(2,855)	(3,046)	(30,998)
Collection of security deposits	1,952	1,378	2,063	20,999
Other—net	(664)	(805)	2,226	22,648
Net cash provided by (used in) investing activities	86,014	(20,610)	(1,104)	(11,237)

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2007	2008	2009	2009
FINANCING ACTIVITIES:				
Increase (decrease) in short-term borrowings—net	¥ 34,180	¥ (8,330)	¥ (8,959)	$ (91,178)
Proceeds from long-term debt	39,521	46,513	1,674	17,038
Repayment of long-term debt	(4,265)	(39,972)	(118,266)	(1,203,601)
Dividends paid	(13,985)	(13,451)	(6,796)	(69,160)
Dividends paid to minority shareholders	(2,584)	(2,554)	(2,746)	(27,950)
Distribution to minority investors in investment funds	(75,280)	(25,265)	(7,975)	(81,164)
Proceeds from issuance of common stock	1,329	414	134	1,367
Proceeds from issuance of common stock to minority shareholders	9,570	2,851	325	3,311
Proceeds from minority investors in investment funds	522	29,859	5,612	57,110
Reissuance of treasury stock	5	1	11	108
Purchase of treasury stock	(47,165)	(3)	(586)	(5,962)
Other—net	(24)	(20)	57	584
Net cash used in financing activities	(58,176)	(9,957)	(137,515)	(1,399,497)
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES	22,175	25,365	2,875	29,263
CASH AND CASH EQUIVALENTS DECREASED DUE TO EXCLUSION FROM CONSOLIDATION		(24)	(107)	(1,089)
CASH AND CASH EQUIVALENTS OF NEWLY MERGED COMPANIES			224	2,273
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(57)	(933)	(102)	(1,042)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(17,453)	43,915	(32,694)	(332,736)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	132,545	115,092	159,007	1,618,232
CASH AND CASH EQUIVALENTS, END OF YEAR	¥115,092	¥159,007	¥ 126,313	$ 1,285,496
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION (Note 2.a)**:**				
Fair value of assets acquired	¥ (30,515)	¥ (14,115)	¥ (1,082)	$ (11,012)
Liabilities assumed	24,287	9,707		
Goodwill	(6,911)	(5,094)		
Minority interest	909	1,175		
Acquisition costs	(12,230)	(8,327)	(1,082)	(11,012)
Cash acquired	4,022	4,124		
Transfer from stock of affiliated company		353		
Other		(11)	(4)	(41)
Cash paid in business acquisitions, net of cash acquired	¥ (8,208)	¥ (3,861)	¥ (1,086)	$ (11,053)
Fair value of assets sold	¥ 18,356		¥ 30,505	$ 310,449
Liabilities relinquished	(12,000)		(19,998)	(203,520)
Minority interest	3		(2,696)	(27,440)
Foreign currency translation adjustments			2,246	22,861
Gain on sale			10,056	102,338
Sale value	6,359		20,113	204,688
Cash relinquished	(528)		(772)	(7,852)
Cash received in sales of subsidiaries, net of cash relinquished	¥ 5,831		¥ 19,341	$ 196,836

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

SBI Holdings, Inc. and Consolidated Subsidiaries

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 businesses 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 & 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 & investment banking businesses are principally carried out by the Company's subsidiary, SBI SECURITIES Co., Ltd. (formerly known as SBI E*TRADE SECURITIES Co., Ltd.) ("SBISEC"), one of the largest online securities companies in Japan by number of accounts, deposits in customer accounts and daily average revenue from trades. Brokerage & investment banking businesses involve the provision of brokerage services as well as investment banking services such as underwriting, securitizations, 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 services such as leasing and loans for individuals and business owners; credit cards; payment settlement services; development of financial software; investment trust evaluations; operation of insurance and loan product comparison websites; and many others.

SBI's housing and real estate business is principally executed by the Company, Living Corporation ("LIVING"), SBI Mortgage Co., Ltd. and CEM Corporation ("CEM"). The housing and real estate business consists of housing loan brokerage; real estate investments and property development; establishment and operation of funds, mainly to invest in real estate; venture capital investments in companies associated with real estate; and Internet network operations to meet lifestyle needs of individuals.

SBI's system solution business is principally executed by the Company, SBI Net Systems Co., Ltd. (formerly known as C4 Technology, Inc. ("C4T")) ("SBINET") and SBI Robo Corp. The system solution business involves system related businesses 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 Act 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 from 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 and 2008 financial statements to conform to the classifications used in 2009.

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 ¥98.26 to $1, the approximate rate of exchange at March 31, 2009. 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 of March 31, 2009 include the accounts of the Company and its 82 significant (74 in 2008, 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 (1 in 2008, 5 in 2007) unconsolidated subsidiary and 7 (7 in 2008, 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 amortized by the straight-line method over the estimated useful life of goodwill, while goodwill is amortized 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 such subsidiaries, is being amortized by the straight-line method over periods appropriate to the circumstances of the respective acquisitions. Immaterial goodwill or negative goodwill is charged to income when incurred.

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

In 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." 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 March 31, 2007.

Investments in 51 (47 in 2008, 33 in 2007) companies and 1 (1 in 2008, 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 its consolidated statements of operations. Revenues and expenses stated on the profit and loss statements of the funds are recorded in SBI's consolidated statements of operations 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 by 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 consolidated.

Upon resolution and approval of the Board of Directors on May 12, 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 November 12, 2007, NEXUS resolved to allot 55,865 new shares to a third party on November 27, 2007. As a result, the Company's equity interest in NEXUS was reduced to 16.1 percent. Accordingly, NEXUS was no longer an affiliate of the Company subject to equity method accounting from December 2007.

Upon resolution and approval of the Board of Directors on January 30, 2007, the Company acquired 505 shares of common stock of CEM in the aggregate amount of ¥2,967 million on February 16, 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 through a Take Over Bid ("TOB"). The TOB was officially approved by the Company's Board of Directors on July 31, 2007 and was executed from August 1, 2007 through September 3, 2007. The number of shares acquired through the TOB was 8,700, and the aggregate investment amount was ¥2,784 million. 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 February 15, 2008, the Company accepted new shares of SBINET and acquired 105,200 shares of common stock for the aggregate amount of ¥1,368 million, while SBISEC accepted new shares of SBINET and acquired 26,300 shares of common stock for the aggregate amount of ¥342 million. As a result, SBINET became a consolidated subsidiary of the Company from March 2008.

Upon approval of the Board of Directors on January 15, 2008 and general shareholders' meeting on June 27, 2008, the Company issued 4,319,212 new shares of its common stock and allotted 1,109,000 shares of treasury stock to SBISEC's shareholders at an exchange ratio of 3.55 shares for each outstanding share of SBISEC's common stock. As a result of this share exchange, SBISEC became wholly owned by the Company.

Upon resolution and approval of the Board of Directors on April 10, 2008, SBISEC sold all its shares of E*TRADE KOREA Co., Ltd. ("ETK") on September 29, 2008. Accordingly, ETK was no longer a consolidated subsidiary of SBISEC and was eliminated from its scope of consolidation from October 2008.

The Company sold all its shares of ZEPHYR CO., LTD. ("ZPYR"). Accordingly, ZPYR was no longer an affiliate of the Company subject to the equity method accounting from July 2008.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—In 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." PITF No. 18 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 generally accepted accounting principles in the United States of America 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: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of cost model accounting; (e) recording the prior years' effects of changes in accounting policies in the statements of operations where retrospective adjustments to financial statements have been incorporated; and (f) exclusion of minority interests from net income, if contained. PITF No. 18 was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The Company applied this accounting standard effective April 1, 2008. The effect of this change was not considered material to net income for the year ended March 31, 2009.

c. Business Combination—In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations," and on December 27, 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." 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.

d. 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.

e. 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 unrealized gains and losses included in earnings and (2) available-for-sale securities, which are not classified as trading securities, are reported at fair value, with unrealized 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 realizable 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 Act, 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
Listed corporate bonds:	65 percent of face value
Equity securities listed on the first section market:	70 percent of fair value
Warehouse certificates:	70 percent of fair value

f. Valuation Allowance for Operational Investment Securities, Investments in Unconsolidated Subsidiaries and Affiliated Companies and Investment Securities—Valuation allowance for operational investment securities, investments in unconsolidated subsidiaries and affiliated companies and investment securities is provided at an estimated amount for possible losses from investments based on the financial condition of investees.

g. Real Estate Inventory—Prior to April 1, 2008, inventories were stated at cost, determined by the specific identification method. In July 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories." 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 was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

SBI applied this new accounting standard for measurement of inventories effective April 1, 2008. For real estate inventory, the effect of this change was to decrease operating income by ¥409 million ($4,161 thousand) and increase loss before income taxes and minority interests by ¥1,393 million ($14,179 thousand).

h. 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 receivables outstanding.

i. 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 April 1, 1998 and the property and equipment of consolidated foreign subsidiaries. The range of useful lives is principally from 3 to 50 years in 2007 and 2008 and from 3 to 47 years in 2009 for buildings and leasehold improvements and from 2 to 20 years for furniture and equipment.

j. Long-lived Assets—The Company and its domestic subsidiaries 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 is recognized 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 is 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.

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

(1) *Lessee*—Under the previous accounting standard, finance leases that deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and did not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

SBI continued to account for leases which existed at the transition date and did not transfer ownership of the leased property to the lessee as operating lease transactions.

(2) *Lessor*—Under the previous accounting standard, finance leases that deemed to transfer ownership of the leased property to the lessee were treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information was 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 be recognized as lease receivables, and that all finance leases that deem not to transfer ownership of the leased property to the lessee be recognized as lease investment assets.

SBI applied the revised accounting standard effective April 1, 2008. The effect of this change was not considered material to net income for the year ended March 31, 2009.

Tangible and intangible lease receivables and lease investment assets are stated at cost less accumulated depreciation. Depreciation is computed by using the straight-line method over the lease term with residual value of zero.

l. Software—Software is recorded at cost, less accumulated amortization. Amortization 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, amortization 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.

m. Other Assets—Stock issuance costs are amortized by the straight-line method over 3 years. Bond issuance costs are amortized by the straight-line method over the bond term. Intangible assets are amortized by using the straight-line method. Amortization of deferred assets under Section 113 of the Insurance Business Act is calculated in accordance with the articles of incorporation of a certain subsidiary which manages insurance business.

n. Statutory Reserve for Financial Products Transaction Liabilities and Liability for Securities Transactions—Pursuant to Article 51 of the former Securities and Exchange Law, a 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" for the year ended March 31, 2008.

Applying the Japanese Financial Instruments and Exchange Act enacted September 30, 2007, which reformed and replaced the Japanese Securities and Exchange Law, "Reserve for liability for securities transactions" in accordance with Article 51 of the former Japanese Securities and Exchange Law was replaced and recorded as "Reserve for financial products transaction liabilities" pursuant to Article 46-5 of Japanese Financial Instruments and Exchange Act from April 1, 2008.

Pursuant to Article 46-5 of the Japanese Financial Instruments and Exchange Act, a statutory reserve is provided against possible losses resulting from execution errors. The amount is calculated in accordance with Article 175 of the "Cabinet Office Ordinance concerning Financial Instruments Business."

The effect of this change was to decrease loss before income taxes and minority interests by ¥624 million ($6,354 thousand) for the year ended March 31, 2009.

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

p. Statutory Reserve for Price Fluctuations—A statutory reserve is provided against possible losses resulting from stock price fluctuations in accordance with Article 115 of the Insurance Business Act.

q. 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.

r. 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.

s. Stock Options—ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance are applicable to stock options granted on and after May 1, 2006.

This standard requires companies to recognize 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.

SBI applied this accounting standard for stock options to those granted on and after May 1, 2006.

t. Presentation of Equity—On December 9, 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 gains or losses on derivatives accounted for under hedge accounting. This standard was effective for fiscal years ending on or after May 1, 2006. The balances of such items as of March 31, 2006 were reclassified as separate components of equity as of April 1, 2006 in the consolidated statement of changes in equity.

u. 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 recognized 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-down 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 recognized at the balance sheet date for quoted and unquoted securities if impairment of value has occurred and has been deemed other than temporary, and operational investment securities are reduced to their net realizable value by a charge to income. Fees related to securities transactions are recorded when incurred.
Fees from funds—Fees from funds consist of establishment fees for fund organization, management fees and success fees from funds under management. Establishment fees for fund organization are recognized when a fund organized by SBI is established and funded by investors. Management fees are recognized 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 realized gains and losses on and write-down 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 and whose contract periods exceed 1 year is recorded on the percentage-of-completion method while all other construction projects 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 offerings 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 recognized when related services are rendered.
Revenue from commodity futures transactions—Revenue from commodity futures transactions is recognized on the trading date.
Revenue from finance lease transactions—Revenue from finance lease transactions is recognized when the lessor receives lease revenue.
Financial charges and cost of funding—Financial charges mainly related to brokerage & 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 categorized into either interests related to operating assets, such as lease receivables and investment 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 of a project, interest expenses related to long-term and large-scale real estate developments is included in the acquisition cost of the real estate inventory.

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

w. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. The asset and liability approach is used to recognize 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 realize their benefits, or that future deductibility is uncertain.

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

y. 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 recognized in the consolidated statements of operations to the extent that they are not hedged by forward exchange contracts.

z. Foreign Currency Financial Statements—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of 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.

aa. 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, bond futures and foreign exchange margin transactions.

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

Foreign currency forward contracts are utilized 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 is recognized and included in interest expense or income.

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

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

Cash dividends per share presented in the accompanying consolidated statements of operations are dividends applicable to the respective years including dividends to be paid after the end of the year, retroactively adjusted for stock splits.

ac. New Accounting Pronouncements

Business combinations—On December 26, 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows:

(1) The current accounting standard for business combinations allows companies to apply the pooling of interests method of accounting when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. The revised standard requires accounting for such business combinations by the purchase method and the pooling of interests method of accounting is no longer allowed.

(2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development (IPR&D) acquired by the business combination is capitalized as an intangible asset.

(3) The current accounting standard requires a bargain purchase gain (negative goodwill) to be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

This standard is applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Unification of accounting policies applied to foreign affiliated companies for the equity method—The current accounting standard requires unification of accounting policies within the consolidation group. However, the current guidance allows application of the equity method for the financial statements of foreign affiliated companies which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions without unification of accounting policies.

On December 26, 2008, the ASBJ issued ASBJ Statement No. 16 (Revised 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the affiliate's accounting policies for similar transactions and events under circumstances similar to those of the parent company when the affiliate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign affiliated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material: (1) amortization of goodwill; (2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (3) expensing capitalized development costs of R&D; (4) cancellation of fair value model accounting for property, plant and equipment and investment properties and incorporation of cost model accounting; (5) recording the prior years' effects of changes in accounting policies in the statement of operations where retrospective adjustments to the financial statements have been incorporated; and (6) exclusion of minority interests from net income, if contained.

This standard is applicable to the equity method of accounting for investments effective on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Asset retirement obligations—On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

Construction contracts—Under current Japanese GAAP, either the completed-contract method or the percentage-of-completion method is permitted in accounting for construction contracts. In December 2007, the ASBJ issued a new accounting standard for construction contracts. Under this new accounting standard, the construction revenue and construction costs should be recognized 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 should be applied. When it is probable that total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized 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 April 1, 2009 with early adoption permitted for fiscal years beginning on or before March 31, 2009 but after December 27, 2007.

3. Business Combinations

(1) Application of Purchase Method

LIVING Corporation

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

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

The total acquisition cost was ¥2,849 million, which consists of ¥2,784 million for the common stock of LIVING and ¥65 million of related expenses such as brokerage commissions. The difference between the acquisition cost and the fair value of the net assets of LIVING at the acquisition date was recognized as goodwill. Goodwill recorded in connection with the acquisition totaled ¥2,140 million and is being amortized by the straight-line method over 20 years.

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

	Millions of Yen
Current assets	¥7,055
Non-current assets	90
Total assets acquired	¥7,145
Current liabilities	¥5,795
Non-current liabilities	24
Total liabilities assumed	¥5,819

C4 Technology, Inc.

On March 3, 2008, the Company acquired a 69.2 percent equity interest in C4T (currently known as SBINET), through a new common share allotment. C4T is in the business of developing and licensing 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 the Internet.

The Company accounted for this business combination by the purchase method of accounting. SBI consolidated only the balance sheet of C4T at March 31, 2008, as the acquisition was in March 2008 and the operations following the acquisition were not material to the Company.

The total acquisition cost was ¥1,714 million, which consisted of ¥1,709 million of consideration for the common stock of C4T and ¥5 million of related expenses such as research expenses. The difference between the acquisition cost and fair value of the net assets of C4T at the acquisition date is recognized as goodwill. Goodwill recorded in connection with the acquisition totaled ¥1,619 million and is being amortized by the straight-line method over 20 years.

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

	Millions of Yen
Current assets	¥2,683
Non-current assets	1,217
Total assets acquired	¥3,900
Current liabilities	¥ 669
Non-current liabilities	3,088
Total liabilities assumed	¥3,757

(2) Transaction under Common Control

On October 1, 2007, SBI Securities Co., Ltd. ("SBI-SEC"), the Company's consolidated subsidiary in traditional securities brokerage business, merged into E*TRADE SECURITIES Co., Ltd. ("ETS"), another financial service subsidiary specialized in online securities brokerage business, with ETS (currently, SBISEC) being the surviving corporation. This merger was conducted to achieve further growth as a comprehensive online securities company.

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

On August 1, 2008, the Company issued 4,319,212 new shares of its common stock and delivered 1,109,000 shares of treasury stock to SBISEC's shareholders at an exchange ratio of 3.55 shares for each outstanding share of SBISEC's common stock. As a result of this share exchange, SBISEC became a wholly owned subsidiary of the Company.

The total acquisition cost was ¥152,526 million ($1,552,267 thousand) which consists of ¥152,500 million ($1,552,007 thousand) for the common stock of the Company and ¥26 million ($260 thousand) of related expenses such as research expenses. The difference between the acquisition cost and the fair value of the net assets of SBISEC at the acquisition date was recognized as goodwill. Goodwill recorded in connection with the acquisition totaled ¥83,852 million ($853,367 thousand) and is being amortized by the straight-line method over 20 years.

This merger is treated as a transaction with minority shareholders in accordance with the statement of opinion, "Accounting for Business Combinations" issued by the BAC in October 2003, and "Guidance for Accounting Standard for Business Combinations and Business Divestitures" (ASBJ Guidance No. 10 updated on November 15, 2007).

4. Segregated Assets

At March 31, 2008 and 2009, assets required to be segregated in certain financial institutions according to the Commodities Exchange Act were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Cash required to be segregated under regulations	¥200	¥200	$2,035

At March 31, 2008 and 2009, assets which belonged to assignors of customers' deposits as collateral for commodity futures and were segregated in compliance with the Commodities Exchange Act in 2008 and the Japanese Financial Instruments and Exchange Act in 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Cash required to be segregated under regulations	¥27	¥24	$248

5. Real Estate Inventory

Real estate inventory at March 31, 2008 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Real estate for sale	¥ 7,372	¥10,983	$111,776
Real estate for sale in progress	15,940	13,109	133,413
Real estate for development	8,071	2,853	29,033
Beneficial interest in real estate investment trust	1,512	9,570	97,394
Total	¥32,895	¥36,515	$371,616

6. Operational Investment Securities and Investment Securities

Operational investment securities and investment securities at March 31, 2008 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Current (operational investment securities):			
Marketable equity securities	¥ 6,225	¥ 5,222	$ 53,140
Non-marketable equity securities	69,321	78,778	801,733
Corporate bonds	2,471	874	8,899
Investment in funds	37,139	18,432	187,587
Trust fund investment		1,690	17,197
Others	561	240	2,443
Total	¥115,717	¥105,236	$1,070,999

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Non-current (investment securities):			
Marketable equity securities	¥ 6,982	¥ 3,735	$ 38,016
Non-marketable equity securities	1,786	1,589	16,168
Investment in funds	6,059	4,091	41,633
Government bonds	4		
Corporate bonds	510	235	2,387
Trust fund investment	571	425	4,330
Others	60	13	130
Total	¥15,972	¥10,088	$102,664

The carrying amounts and aggregate fair values of operational investment securities and investment securities at March 31, 2008 and 2009 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 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
March 31, 2009				
Securities classified as available-for-sale:				
Equity securities	12,077	89	3,209	8,957
Trust funds investments	2,468		353	2,115
Others	133			133

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2009				
Securities classified as available-for-sale:				
Equity securities	$122,908	$903	$32,655	$91,156
Trust funds investments	25,123		3,596	21,527
Others	1,349			1,349

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2008 and 2009 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Available-for-sale:			
Equity securities	¥ 71,107	¥ 80,367	$ 817,901
Investment in funds	43,198	22,523	229,220
Corporate bonds		1,109	11,286
Debt securities and other	3,184	120	1,224
Total	¥117,489	¥104,119	$1,059,631

Proceeds from sales of available-for-sale securities for the years ended March 31, 2008 and 2009 were ¥51,063 million and ¥4,170 million ($42,442 thousand), respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥19,002 million and ¥1,451 million, respectively, for the year ended March 31, 2008 and ¥1,758 million ($17,891 thousand) and ¥1,313 million ($13,362 thousand), respectively, for the year ended March 31, 2009.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at March 31, 2009 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	¥1,237	$12,589
Due after one year through five years	1,084	11,028
Due after five years through ten years	1,250	12,716
Due in longer than ten years	202	2,057

Securities whose fair value declines below 50 percent of the acquisition cost are deemed to have suffered other than temporary declines and are reduced to net realizable value by a charge to income. For the years ended March 31, 2008 and 2009, impairment losses were recorded in the aggregate amount of ¥2,626 million and ¥9,705 million ($98,767 thousand), respectively. The impairment losses for operating investments are included in operating costs. Please refer to Note 22, “Operating Costs” of these consolidated financial statements.

At March 31, 2008 and 2009, investments in funds consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
SBI BB Media Fund	¥ 1,719	¥ 1,372	$ 13,960
NEW HORIZON FUND, L.P.	31,306	11,022	112,169
Other funds	10,173	10,129	103,091
Total	¥43,198	¥22,523	$229,220

7. Trading Assets and Liabilities

At March 31, 2008 and 2009, trading assets and liabilities consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Trading assets:			
Equity securities	¥ 15	¥ 11	$ 109
Debt securities	1,598	7,050	71,747
Derivatives	6	571	5,811
Others	109	93	949
Total	¥1,728	¥7,725	$78,616
Trading liabilities—Derivatives	¥ 2	¥ 124	$ 1,267

8. Securities Deposited and Received

Fair values of the securities deposited by SBI in securities-related businesses at March 31, 2008 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Securities loaned on margin transactions	¥62,849	¥91,588	$932,096
Securities pledged for loans payable for margin transactions	79,920	53,957	549,124
Substitute securities for guarantee money paid	72,810	50,730	516,285
Securities loaned under agreement	33,019	42,106	428,520
Others	1,516		

Fair values of the securities received by SBI in securities-related businesses at March 31, 2008 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Securities pledged for loans receivable for margin transactions	¥221,469	¥115,264	$1,173,054
Securities borrowed on margin transactions	17,919	43,113	438,765
Substitute securities for guarantee money received, which were agreed on as collateral for other transactions	221,047	178,488	1,816,483
Substitute securities for guarantee money received on futures	3,244	506	5,150
Others		36,570	372,175

9. Depositary Assets

In substitution for transactional margin deposits, SBI had set aside to Japan Commodity Clearing House Co., Ltd. securities in the aggregate amount of ¥259 million and ¥209 million ($2,131 thousand) as of March 31, 2008 and 2009, respectively, which were recorded as securities in custody included in other current assets or as customers' deposits as collateral for commodity futures or as consignment guarantee money received for margin transactions on the consolidated balance sheets.

10. Property and Equipment

Property and equipment at March 31, 2008 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Land	¥ 887	¥ 2,953	$ 30,056
Buildings and leasehold improvements	4,421	5,162	52,529
Furniture and equipment	6,404	5,551	56,495
Others	66	791	8,050
Total	11,778	14,457	147,130
Less accumulated depreciation	(6,050)	(5,879)	(59,833)
Property and equipment—net	¥ 5,728	¥ 8,578	$ 87,297

11. Investments in Unconsolidated Subsidiaries and Affiliated Companies

Investments in unconsolidated subsidiaries and affiliated companies at March 31, 2008 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Common stock of unconsolidated subsidiaries	¥ 7,471	¥11,714	$119,209
Common stock of affiliated companies	18,387	11,457	116,602
Unconsolidated investments in fund	65	610	6,212
Total	¥25,923	¥23,781	$242,023

12. Long-Lived Assets

SBI recognized an impairment loss included in other—net of ¥53 million for the year ended March 31, 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 administered 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 administered by ETS's subsidiaries in Korea.

The value of the aforementioned lease properties in Hanyu city was found to be significantly impaired as a result of 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 March 31, 2007.

SBI-SEC has grouped its long-lived assets based 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 relocate the branch. The recoverable amounts were determined based on net realizable values, which were nil as the relevant assets were to be abandoned. As a result, ¥7 million was recorded as an impairment loss for the year ended March 31, 2007. The abovementioned impairment loss consisted of the following:

	Millions of Yen
Buildings	¥7

Similarly, the carrying amount of the 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 abandoned. As a result, ¥3 million was recorded as an impairment loss for the year ended March 31, 2007. The abovementioned impairment loss consisted of the following:

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

No impairment loss was recognized in the years ended March 31, 2008 or 2009.

13. Short-term Borrowings and Long-term Debt

Short-term borrowings at March 31, 2008 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Short-term borrowings:			
From banks, 1.38 to 2.88 percent in 2008 and 1.29 to 4.49 percent in 2009	¥41,534	¥34,389	$349,987
From other, 1.98 to 6.26 percent in 2008 and 0.00 to 3.92 percent in 2009	12,298	20,269	206,277
Total	¥53,832	¥54,658	$556,264

Weighted average interest rates of loans payable for margin transactions for the years ended March 31, 2008 and 2009 were 1.10 percent and 0.96 percent, respectively.

Long-term debt at March 31, 2008 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Zero coupon unsecured Japanese yen convertible bonds with warrants due November 2008	¥ 5,940		
Zero coupon unsecured Japanese yen convertible bonds with warrants due April 2009	12,770	¥ 11,480	$ 116,833
Unsecured Japanese yen bonds with a fixed interest rate of 0.29 percent	20		
Unsecured Japanese yen bonds with a fixed interest rate of 0.72 percent	200		
Secured Japanese yen bonds with a fixed interest rate of 0.91 percent	300		
Unsecured Japanese yen bonds with a fixed interest rate of 1.23 percent	50,000		
Unsecured Japanese yen bonds with a fixed interest rate of 1.24 percent	50,000		
Unsecured Japanese yen bonds with a fixed interest rate of 1.70 percent	300	300	3,053
Unsecured Japanese yen bonds with a fixed interest rate of 2.08 percent	30,000	30,000	305,312
Unsecured Japanese yen convertible bonds with warrants	500		
Unsecured loans from financial institutions, due serially through February 2016 with a weighted average floating interest rate of 1.43 percent in 2008 and 1.16 percent in 2009 and a weighted average fixed interest rate of 2.19 percent in 2008 and 2.14 percent in 2009	39,862	34,837	354,538
Total	189,892	76,617	779,736
Less current portion	(112,743)	(63,033)	(641,493)
Long-term debt, less current portion	¥ 77,149	¥ 13,584	$ 138,243

Annual maturities of long-term debt as of March 31, 2009 for the next five years and thereafter were as follows:

Year Ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2010	¥63,033	$641,493
2011	12,519	127,405
2012	710	7,226
2013	140	1,425
2014	140	1,425
2015 and thereafter	75	762
Total	¥76,617	$779,736

On April 8, 2004, the Company issued ¥20,000 million of zero coupon unsecured Japanese yen convertible bonds with warrants mainly in the Euro market. The bonds were due April 8, 2009. All the unexercised warrants expired on March 18, 2009, due to expiration of the term.

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

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

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

On September 25, 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 September 25, 2009.

SBI has bank overdraft facilities of ¥125,500 million ($1,277,224 thousand) available for working capital use, ¥103,657 million ($1,054,926 thousand) of which was unused at March 31, 2009.

14. Pledged Assets

The carrying amounts of assets pledged as collateral for short-term borrowings of ¥22,495 million and ¥29,246 million ($297,639 thousand) at March 31, 2008 and 2009, current portion of long-term debt of ¥4,132 million and ¥4,280 million ($43,555 thousand) at March 31, 2008 and 2009 and for long-term debt, including bonds of ¥3,366 million and ¥1,011 million ($10,291 thousand) at March 31, 2008 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Cash and cash equivalents	¥ 111	¥ 276	$ 2,812
Real estate inventory	12,463	11,188	113,864
Operational loans receivable	21,214	15,261	155,310
Notes and accounts receivable—trade	439	574	5,843
Prepaid expenses and other current assets		14,455	147,103
Total	¥34,227	¥41,754	$424,932

Securities received as collateral for financing from broker's own capital of ¥8,474 million and ¥475 million ($4,834 thousand) were pledged as collateral for loans payable for margin transactions at March 31, 2008 and 2009, respectively.

15. Unearned Income

Unearned income at March 31, 2008 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
SBI BB Media Fund	¥ 472	¥ 473	$ 4,809
SBI BROADBAND CAPITAL K.K.	240	232	2,365
Others	1,181	1,380	14,047
Total	¥1,893	¥2,085	$21,221

16. 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. Certain of the Company's domestic consolidated subsidiaries have a non-contributory funded defined benefit pension plan and either a contributory funded defined benefit pension plan or a defined contribution pension plan for the employees' retirement plan. During this fiscal year, the advance payment system that certain consolidated subsidiaries adopted was abolished by integrating the retirement benefit systems. A certain foreign consolidated subsidiary that adopted the termination allowance plan is excluded from the consolidation scope due to sales of shares in October 2008.

Under the contributory or non-contributory funded defined benefit pension plans, 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 of March 31, 2008, fair values of plan assets and actuarial pension liabilities under the contributory funded defined benefit pension plan managed by Kanto IT Software Health Insurance Society were ¥146,083 million and ¥112,700 million, respectively.

As of March 31, 2008, fair values of plan assets and actuarial pension liabilities under the contributory funded defined benefit pension plan managed by the Association of Welfare Pension Fund in the Commodity Futures Industry were ¥81,621 million and ¥61,610 million, respectively.

As of March 31, 2008, fair values of plan assets and actuarial pension liabilities under the contributory funded defined benefit pension plan managed by Tokyo Media Industry Pension Fund were ¥92,772 million and ¥93,592 million, respectively.

As of March 31, 2009, fair values of plan assets and actuarial pension liabilities under the contributory funded defined benefit pension plan managed by Kanto IT Software Health Insurance Society were ¥145,958 million ($1,485,426 thousand) and ¥140,968 million ($1,434,643 thousand), respectively.

As of March 31, 2009, fair values of plan assets and actuarial pension liabilities under the contributory funded defined benefit pension plan managed by the Association of Welfare Pension Fund in the Commodity Futures Industry were ¥66,701 million ($678,821 thousand) and ¥63,454 million ($645,779 thousand), respectively.

The liability for employees' retirement benefits included in other long-term liabilities at March 31, 2008 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Projected benefit obligation	¥ 285	¥227	$ 2,308
Fair value of plan assets	(183)	(99)	(1,003)
Net liability	¥ 102	¥128	$ 1,305

The components of net periodic benefit costs for the years ended March 31, 2007, 2008 and 2009 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2007	2008	2009	2009
Service cost	¥155	¥193	¥211	$2,151
Net periodic benefit costs	155	193	211	2,151
Contributions to the defined contribution pension plan and advance retirement payments	208	228	252	2,562
Total	¥363	¥421	¥463	$4,713

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 terminated 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.

17. Retirement Allowance for Directors

Retirement allowance for directors is paid subject to approval of the shareholders in accordance with the Companies Act of Japan (the "Companies Act").

A certain subsidiary recorded liabilities of ¥3 million and nil for its unfunded retirement allowance plan covering all of its directors at March 31, 2008 and 2009, respectively, which was included in other long-term liabilities.

18. Statutory Reserves

According to the Japanese Financial Instruments and Exchange Act, the Commodities Exchange Act of Japan and Insurance Business Act of Japan, securities companies, commodities companies and insurance companies are required to set aside reserves in proportion to their securities or commodities transactions and other related trading to cover possible customer losses incurred by default of the securities companies on securities transactions or the commodities companies on commodities transactions or to cover possible losses incurred by stock price fluctuations. As mentioned in Note 2.n, the "Reserve for liability for securities transactions" in accordance with Article 51 of the former Japanese Securities and Exchange Law was replaced and recorded as "Reserve for financial products transaction liabilities" from the year ended March 31, 2009.

19. Equity

Since May 1, 2006, Japanese companies have been subject to the Companies Act. The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, 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) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

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

Semiannual 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 Companies Act 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 Companies Act 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 Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act 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 Companies Act 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 a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act 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 March 31, 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 its stock option plans. As a result, the Company's common stock and capital surplus increased by ¥685 million and ¥827 million, respectively.

During the year ended March 31, 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 its stock option plans. As a result, the Company's common stock and capital surplus increased by ¥244 million and ¥243 million, respectively.

During the year ended March 31, 2009, the Company issued 14,237 shares of its common stock pursuant to the exercise of warrants attached to various unsecured corporate bonds already redeemed and options granted based on its stock option plans. In addition, to make SBISEC a wholly-owned subsidiary, the Company issued 4,319,212 shares of its common stock to SBISEC's shareholders. As a result, the Company's common stock and capital surplus increased by ¥57 million ($579 thousand) and ¥102,250 million ($1,040,610 thousand), respectively.

20. Stock Option Plan

Stock options outstanding as of March 31, 2009 are as follows:

Stock Option Issued by the Company

Stock Option	Number of Options Outstanding	Date of Grant	Exercise Price	Exercise Period
2001 Warrant	11,394 shares	2002.2.1	¥20,796 ($211.64)	From December 20, 2003 to December 19, 2011
2002 Stock Option (1)	13,032 shares	2002.12.20	¥5,984 ($60.90)	From December 20, 2004 to December 19, 2012
2003 Stock Option (1)	19,368 shares	2003.9.25	¥17,879 ($181.96)	From December 20, 2004 to December 19, 2012
2003 Stock Option (2)	57,006 shares	2003.9.25	¥17,879 ($181.96)	From June 24, 2005 to June 23, 2013
2003 Stock Option (3)	15,813 shares	2003.10.23	¥27,655 ($281.45)	From June 24, 2005 to June 23, 2013
2005 Stock Option (1)	24,845 shares	2005.7.28	¥35,078 ($356.99)	From July 28, 2005 to June 29, 2013

Stock Options Assumed by the Company Due to Mergers and Acquisitions

Stock Option	Number of Options Outstanding	Date of Grant	Exercise Price	Exercise Period
E*TRADE Japan K.K. Stock Option	59,512.32 shares	2002.7.1	¥12,079 ($122.93)	From June 21, 2004 to June 20, 2012
SBI HOME Planner Co., LTD. 2003 Stock Option	474 shares	2004.4.15	¥23,200 ($236.11)	From June 28, 2005 to June 27, 2013
SBI HOME Planner Co., LTD. 2004 Stock Option	696 shares	2004.9.29	¥25,600 ($260.53)	From October 2, 2006 to September 30, 2010
SBI HOME Planner Co., LTD. 2004 Stock Option	60 shares	2004.10.29	¥25,600 ($260.53)	From October 2, 2006 to September 30, 2010
SBI Partners Co., Inc. 2005 Stock Option	550 shares	2005.11.29	¥37,060 ($377.16)	From December 1, 2005 to October 31, 2013
FINANCE ALL CORPORATION 2002 Stock Option	3,840 shares	2002.9.25	¥4,465 ($45.44)	From September 25, 2004 to September 24, 2012
FINANCE ALL CORPORATION 2003 Stock Option	9,080 shares	2003.8.2	¥4,465 ($45.44)	From August 2, 2005 to August 1, 2013
WORLD NICHIEI Securities Co., LTD. 2003 Stock Option	172.50 shares	2003.7.15	¥17,392 ($177.00)	From July 1, 2005 to June 26, 2013
WORLD NICHIEI FRONTIER Securities Co., LTD. 2004 Stock Option	19,928.35 shares	2004.6.29	¥50,174 ($510.62)	From June 30, 2006 to June 29, 2014
WORLD NICHIEI FRONTIER Securities Co., LTD. 2004 Stock Option	40.25 shares	2004.12.22	¥31,914 ($324.79)	From June 30, 2006 to June 29, 2014
SBI Securities Co., Ltd. 2005 Stock Option	20,033.00 shares	2005.7.4	¥46,957 ($477.89)	From June 30, 2007 to June 29, 2015
SBIH (1) Stock Option*	51,088.05 shares	2008.8.1	¥12,477 ($126.98)	From August 1, 2008 to June 21, 2010
SBIH (2) Stock Option*	7,987.50 shares	2008.8.1	¥12,477 ($126.98)	From August 1, 2008 to June 21, 2010
SBIH (3) Stock Option*	13,142.10 shares	2008.8.1	¥48,287 ($491.42)	From August 1, 2008 to June 23, 2013
SBIH (4) Stock Option*	2,321.70 shares	2008.8.1	¥56,518 ($575.19)	From August 1, 2008 to June 23, 2013
Total	330,383.77 shares			

* SBI Holdings, Inc. allotted and delivered stock acquisition rights of SBI Holdings, Inc. to the holders of stock acquisition rights of SBI SECURITIES Co., Ltd. to replace the stock acquisition rights of SBI SECURITIES Co., Ltd. held by them upon a stock swap.

Stock Options Issued by Consolidated Subsidiaries

Stock Option	Number of Options Outstanding (Non-vested)	Date of Grant	Exercise Price	Exercise Period
SBI Mortgage Co., Ltd.				
Stock Option (1)	4,700 shares (4,700 shares)	2005.5.25	¥7,500 ($76.33)	From May 26, 2007 to May 25, 2015
LIVING Corporation				
Stock Option (2)	19 shares	2005.8.29	¥100,000 ($1,017.71)	From August 30, 2007 to August 29, 2015
Stock Option (3)	960 shares	2008.6.1	¥270,834 ($2,756.30)	From June 1, 2008 to March 31, 2013
Total	979 shares			
SBI Biotech Co., Ltd.				
Stock Option (1)	620 shares (620 shares)	2002.10.15	¥5,000 ($50.89)	30 months after 6 months passed from the IPO
Stock Option (2)	536 shares (536 shares)	2002.10.15	¥5,000 ($50.89)	From October 15, 2004 to August 31, 2012
Stock Option (5)	90 shares (90 shares)	2005.9.28	¥175,000 ($1,780.99)	From September 29, 2005 to August 30, 2015
Total	1,246 shares (1,246 shares)			
SBI Futures Co., Ltd.				
Warrant (3)	289 shares	2001.8.15	¥64,516 ($656.59)	From September 1, 2001 to August 15, 2009
Warrant (4)	65 shares	2001.8.15	¥64,516 ($656.59)	From September 1, 2001 to August 15, 2010
Stock Option (3)	779 shares (183 shares)	2005.7.6	¥98,598 ($1,003.44)	From June 17, 2007 to June 17, 2011
Total	1,133 shares (183 shares)			
SBI VeriTrans Co., Ltd.				
2004 Stock Option	1,632 shares	2004.2.13	¥5,741 ($58.43)	From February 13, 2006 to February 12, 2014
Morningstar Japan K.K.				
2001 Warrant	256 shares	2001.5.18	¥320,375 ($3,260.48)	From March 16, 2003 to March 15, 2011
2003 Stock Option (1)	2,448 shares	2003.11.5	¥57,500 ($585.18)	From March 20, 2005 to March 19, 2013
2006 Stock Option (2)	250 shares	2006.4.21	¥133,500 ($1,358.64)	From March 24, 2008 to March 23, 2016
Total	2,954 shares			

Stock Option	Number of Options Outstanding (Non-vested)	Date of Grant	Exercise Price	Exercise Period
Gomez Consulting Co., Ltd.				
2003 Stock Option	410 shares	2003.3.15	¥44,250 ($450.34)	From March 15, 2005 to March 14, 2013
2005 Stock Option	294 shares	2005.6.15	¥100,000 ($1,017.71)	From June 3, 2007 to June 2, 2015
Total	704 shares			
HOMEOSTYLE, Inc.				
Warrant (1)	4,990 shares (4,990 shares)	2002.4.5	¥9,636 ($98.07)	From June 1, 2002 to March 12, 2012
Warrant (2)	979 shares (979 shares)	2004.8.24	¥9,636 ($98.07)	From June 1, 2002 to March 12, 2012
Stock Option (3)	426 shares (426 shares)	2005.2.28	¥16,000 ($162.83)	From March 1, 2007 to February 24, 2015
Stock Option (4)	8,423 shares (8,423 shares)	2006.3.31	¥19,000 ($193.36)	From April 1, 2008 to March 25, 2016
TK International Co., Ltd.				
Stock Option (the stock option which was taken over by HOMEOSTYLE, Inc. due to the M&A)	4,081 shares (4,081 shares)	2004.7.2	¥11,903 ($121.14)	From July 6, 2006 to June 30, 2014
Total	18,899 shares (18,899 shares)			

Stock Option	Number of Options Outstanding (Non-vested)	Date of Grant	Exercise Price	Exercise Period
Autoc one K.K.				
Stock Option (1)	6,300 shares (6,300 shares)	2002.12.27	¥10,000 ($101.77)	From November 1, 2004 to September 30, 2012
Stock Option (2)	50 shares (50 shares)	2003.10.20	¥10,000 ($101.77)	From November 1, 2005 to September 30, 2012
Stock Option (3)	1,500 shares (1,500 shares)	2004.10.29	¥50,000 ($508.85)	From August 1, 2006 to May 31, 2014
Stock Option (4)	200 shares (200 shares)	2005.2.25	¥50,000 ($508.85)	From August 1, 2006 to May 31, 2014
Stock Option (5)	100 shares (100 shares)	2005.4.20	¥50,000 ($508.85)	From August 1, 2006 to May 31, 2014
Stock Option (6)	100 shares (100 shares)	2005.4.20	¥50,000 ($508.85)	From August 1, 2006 to May 31, 2014
Stock Option (7)	1,330 shares (1,330 shares)	2006.4.20	¥50,000 ($508.85)	From June 28, 2007 to June 27, 2015
Stock Option (8)	180 shares (180 shares)	2008.3.28	¥60,000 ($610.63)	From June 29, 2009 to June 28, 2017
Total	9,760 shares (9,760 shares)			
SBI Net Systems Co., Ltd.				
2002 Stock Option	455 shares	2002.6.27	¥60,000 ($610.63)	From June 28, 2004 to June 27, 2012
TradeWin Co., Ltd.				
Warrant (2)	1,000 shares (1,000 shares)	2000.10.20	¥50,000 ($508.85)	From January 1, 2001 to April 16, 2012
Warrant (3)	320 shares (320 shares)	2002.4.17	¥460,000 ($4,681.46)	From April 18, 2002 to April 16, 2012
Total	1,320 shares (1,320 shares)			

The stock option activity for the years ended March 31, 2007, 2008 and 2009 is as follows:

	SBI Holdings, Inc.	SBI Mortgage Co., Ltd.	LIVING Corporation	SBI Biotech Co., Ltd.	SBI Futures Co., Ltd.	SBI VeriTrans Co., Ltd.
						(Shares)
For the Year Ended March 31, 2007						
Non-vested:						
March 31, 2006—outstanding	72,167.50	60			2,322	9,648
Granted						
Cancelled	6,471.25	11			114	730
Vested	33,090.30				1,208	3,564
March 31, 2007—outstanding	32,605.95	49			1,000	5,354
Vested:						
March 31, 2006—outstanding	606,128.17				336	1,209
Vested	33,090.30				1,208	3,564
Exercised	108,505.20				563	1,794
Cancelled	184,749.29				7	
March 31, 2007—outstanding	345,963.98				974	2,979
For the Year Ended March 31, 2008						
Non-vested:						
March 31, 2007—outstanding	32,605.95	49	696	1,466	1,000	5,354
Granted						
Cancelled	112.70	2	5	90	13	
Vested	32,493.25		691		514	3,290
March 31, 2008—outstanding		47		1,376	473	2,064
Vested:						
March 31, 2007—outstanding	345,963.98				974	2,979
Vested	32,493.25		691		514	3,290
Exercised	36,123.04		632		159	2,538
Cancelled	57,750.65		25		28	
March 31, 2008—outstanding	284,583.54		34		1,301	3,731
For the Year Ended March 31, 2009						
Non-vested:						
March 31, 2008—outstanding		4,700*2		1,376	473	2,064
Granted	75,923.85*1		960			
Cancelled				130	86	
Vested	75,923.85		960		204	2,064
March 31, 2009—outstanding		4,700		1,246	183	
Vested:						
March 31, 2008—outstanding	284,583.54		34		1,301	3,731
Vested	75,923.85		960		204	2,064
Exercised	14,549.56					4,163
Cancelled	15,574.06		15		555	
March 31, 2009—outstanding	330,383.77		979		950	1,632

*1 SBI Holdings, Inc. allotted and delivered stock acquisition rights of SBI Holdings, Inc. to the holders of stock acquisition rights of SBI SECURITIES Co., Ltd. to replace the stock acquisition rights of SBI SECURITIES Co., Ltd. held by them upon an exchange of stock.
*2 This number is presented as the number of shares following a share split on August 27, 2008.

	Morningstar Japan K.K.	Gomez Consulting Co., Ltd.	HOMEOSTYLE, Inc.	Autoc one K.K.	SBI Net Systems Co., Ltd.	TradeWin Co., Ltd.
						(Shares)
For the Year Ended March 31, 2007						
Non-vested:						
March 31, 2006—outstanding	510	1,200*3	19,793			
Granted						
Cancelled		60	227			
Vested		760				
March 31, 2007—outstanding	510	380	19,566			
Vested:						
March 31, 2006—outstanding	4,896					
Vested		760*3				
Exercised	696	100				
Cancelled	524					
March 31, 2007—outstanding	3,676	660				
For the Year Ended March 31, 2008						
Non-vested:						
March 31, 2007—outstanding	510	380*3	19,566	11,150		1,320
Granted				240		
Cancelled	260		391	480		
Vested	250	380				
March 31, 2008—outstanding			19,175	10,910		1,320
Vested:						
March 31, 2007—outstanding	3,676	660*3			645	
Vested	250	380				
Exercised	68	126				
Cancelled	764	40			125	
March 31, 2008—outstanding	3,094	874			520	
For the Year Ended March 31, 2009						
Non-vested:						
March 31, 2008—outstanding			19,175	10,910		1,320
Granted						
Cancelled			276	1,150		
Vested						
March 31, 2009—outstanding			18,899	9,760		1,320
Vested:						
March 31, 2008—outstanding	3,094	874			520	
Vested						
Exercised						
Cancelled	140	170			65	
March 31, 2009—outstanding	2,954	704			455	

*3 This number is presented as the number of shares following a share split on May 1, 2007.

	SBI CAPITAL Co., Ltd.	SBI Planners Co., Ltd.	E*GOLF CORPORATION	SBI E*TRADE SECURITIES Co., Ltd.	E*TRADE Korea Co., Ltd.
					(Shares)
For the Year Ended March 31, 2007					
Non-vested:					
March 31, 2006—outstanding		4,000,000	12		452,500
Granted	188				
Cancelled					70,500
Vested					
March 31, 2007—outstanding	188	4,000,000	12		382,000
Vested:					
March 31, 2006—outstanding				71,370	93,000
Vested					
Exercised				44,676	41,000
Cancelled				1,707	7,500
March 31, 2007—outstanding				24,987	44,500
For the Year Ended March 31, 2008					
Non-vested:					
March 31, 2007—outstanding	188	4,000,000	12		382,000
Granted					
Cancelled			12		7,500
Vested	188				374,500
March 31, 2008—outstanding		4,000,000			
Vested:					
March 31, 2007—outstanding				24,987	44,500
Vested	188				374,500
Exercised	188			2,565	417,000
Cancelled				195	2,000
March 31, 2008—outstanding				22,227	
For the Year Ended March 31, 2009					
Non-vested:					
March 31, 2008—outstanding		4,000,000			
Granted					
Cancelled		4,000,000			
Vested					
March 31, 2009—outstanding					
Vested:					
March 31, 2008—outstanding				22,227	
Vested					
Exercised				765	
Cancelled				21,462	
March 31, 2009—outstanding					

21. Revenue from Trading

Gain (loss) on trading included in operating revenues for the years ended March 31, 2007, 2008 and 2009 consisted of the following:

Millions of Yen

	2007			2008			2009		
	Realized Gain	Unrealized Gain (Loss)	Total	Realized Gain	Unrealized Gain (Loss)	Total	Realized Gain	Unrealized Gain (Loss)	Total
Equity securities	¥ 428	¥ (2)	¥ 426	¥ 360	¥ (5)	¥ 355	**¥ 110**	**¥ (2)**	**¥ 108**
Debt securities	1,462	1	1,463	1,512	5	1,517	**869**	**(6)**	**863**
Others	1,248	34	1,282	1,475	(17)	1,458	**2,943**	**846**	**3,789**
Total	¥3,138	¥33	¥3,171	¥3,347	¥(17)	¥3,330	**¥3,922**	**¥838**	**¥4,760**

	Thousands of U.S. Dollars		
	2009		
	Realized Gain	Unrealized Gain (Loss)	Total
Equity securities	$ 1,119	$ (16)	$ 1,103
Debt securities	8,842	(59)	8,783
Others	29,951	8,607	38,558
Total	$39,912	$8,532	$48,444

Gains on certain businesses other than securities-related business of ¥50 million, ¥43 million and ¥47 million ($479 thousand) were included in gain on trading for the years ended March 31, 2007, 2008 and 2009, respectively.

22. Operating Costs

Operating costs for the years ended March 31, 2007, 2008 and 2009 consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2007	2008	2009	2009
Cost of operational investment securities	¥33,807	¥ 34,310	¥ 4,728	$ 48,118
Provision for valuation allowance for operational investment securities	3,142	1,125	1,624	16,520
Financial charges	4,254	5,882	6,171	62,804
Rental and lease costs	6,230	5,069	3,627	36,915
Cost of sales arising from real estate business		41,163	12,051	122,647
Others, including administrative expenses	21,312	27,795	35,433	360,602
Total	¥68,745	¥115,344	¥63,634	$647,606

The above cost of operational investment securities for the years ended March 31, 2007, 2008 and 2009 included write-downs of operational investment securities and securities held by funds of ¥8,943 million, ¥2,041 million and ¥2,702 million ($27,499 thousand), respectively.

23. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2007, 2008 and 2009 consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2007	2008	2009	2009
Compensation for directors	¥ 1,285	¥ 1,796	¥ 1,564	$ 15,914
Provision for allowance for doubtful accounts	881	2,768	3,181	32,373
Payroll and bonuses	7,089	8,812	10,018	101,957
Provision for retirement allowances for directors	30	24	35	359
Retirement benefit costs	56	61	53	534
Provision for accrued bonuses	233	495	50	511
Subcontracting fees	8,072	9,265	9,827	100,013
Research and development costs		1,106	615	6,255
Others	35,095	40,290	37,542	382,072
Total	¥52,741	¥64,617	¥62,885	$639,988

24. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of 40.69 percent for the years ended March 31, 2008 and 2009.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2008 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2009	2009
Deferred tax assets:			
Current:			
Write-down of operational investment securities	¥ 71	¥ 1,530	$ 15,573
Valuation allowance for operational investment securities	843	753	7,659
Allowance for doubtful accounts	466	709	7,213
Accrued bonuses	118		
Tax loss carryforwards	299	1,387	14,119
Accrued enterprise taxes	79	256	2,610
Unrealized gain on available-for-sale securities		990	10,076
Other	438	800	8,143
Less valuation allowance	(201)	(510)	(5,194)
Total	2,113	5,915	60,199
Non-current:			
Tax loss carryforwards	5,668	13,706	139,490
Allowance for doubtful accounts	769	1,563	15,908
Write-down of investment securities	2,821	5,455	55,513
Reserve for liability for securities transactions	3,242	2,951	30,033
Loss of equity method investments	3,064		
Unrealized gain on available-for-sale securities	1,335		
Other	898	1,324	13,471
Less valuation allowance	(6,629)	(14,498)	(147,543)
Total	11,168	10,501	106,872
Total	¥13,281	¥ 16,416	$ 167,071
Deferred tax liabilities:			
Current:			
Unrealized gain on available-for-sale securities	¥ 8,422		
Transfer of investment portion within SBI	1,504		
Total	9,926		
Non-current:			
Unrealized gain on available-for-sale securities		¥ 278	$ 2,826
Transfer of investment portion within SBI	682		
Other	191	188	1,913
Total	873	466	4,739
Total	¥10,799	¥ 466	$ 4,739

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of operations for the years ended March 31, 2007, 2008 and 2009 is as follows:

	2007
Normal effective tax rate	40.69%
Permanent differences	0.72
Amortization of goodwill	(43.00)
Minority interest in fund, etc.	24.40
Investment loss on the equity method	0.47
Other—net	0.62
Actual effective tax rate	23.90%

	2008
Normal effective tax rate	40.69%
Permanent differences	1.11
Amortization 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%

	2009
Normal effective tax rate	**40.69%**
Permanent differences	**(1.47)**
Amortization of goodwill	**(17.83)**
Investment loss on the equity method	**(6.33)**
Change in valuation allowance	**(40.63)**
Other—net	**(12.55)**
Actual effective tax rate	**(38.12)%**

25. Leases

Lessee

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

Total rental expenses for the years ended March 31, 2007, 2008 and 2009 were ¥5,605 million, ¥6,648 million and ¥6,578 million ($66,949 thousand), respectively, including ¥2,033 million, ¥2,265 million and ¥2,184 million ($22,226 thousand) of lease payments under finance leases.

As discussed in Note 2.k, SBI accounts for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

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 capitalized" basis for the years ended March 31, 2008 and 2009 was as follows:

							Millions of Yen
			2008				2009
	Furniture and Equipment	Software	Total	Building	Furniture and Equipment	Software	Total
Acquisition cost	¥9,359	¥1,382	¥10,741	¥661	¥8,661	¥989	¥10,311
Accumulated depreciation	4,874	885	5,759	522	5,859	730	7,111
Net leased property	¥4,485	¥ 497	¥ 4,982	¥139	¥2,802	¥259	¥ 3,200

				Thousands of U.S. Dollars
				2009
	Building	Furniture and Equipment	Software	Total
Acquisition cost	$6,725	$88,145	$10,062	$104,932
Accumulated depreciation	5,312	59,632	7,422	72,366
Net leased property	$1,413	$28,513	$ 2,640	$ 32,566

Obligations under finance leases including interest portion as of March 31, 2008 and 2009 were as follows:

		Millions of Yen	Thousands of U.S. Dollars
	2008	2009	2009
Due within one year	¥ 2,856	¥1,744	$17,750
Due after one year	9,671	1,653	16,822
Total	¥12,527	¥3,397	$34,572

Depreciation expense and interest expense under finance leases for the years ended March 31, 2007, 2008 and 2009 were as follows:

			Millions of Yen	Thousands of U.S. Dollars
	2007	2008	2009	2009
Depreciation expense	¥1,932	¥2,149	¥1,986	$20,214
Interest expense	131	111	92	933
Total	¥2,063	¥2,260	¥2,078	$21,147

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

The future minimum lease payments under noncancelable operating leases at March 31, 2008 and 2009 were as follows:

		Millions of Yen	Thousands of U.S. Dollars
	2008	2009	2009
Due within one year	¥14	¥7	$75
Due after one year	14	2	21
Total	¥28	¥9	$96

Lessor

The net investments in leases as of March 31, 2009 are summarized as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2009	**2009**
Gross lease receivables	**¥14,862**	**$151,256**
Unguaranteed residual values	**40**	**398**
Unearned interest income	**(865)**	**(8,801)**
Investment in lease, current	**¥14,037**	**$142,853**

Maturities of lease receivables for finance leases that deem to transfer ownership of the leased property to the lessee as of March 31, 2009 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year Ending March 31,	**2009**	**2009**
2010	¥1,493	$15,191
2011	1,493	15,191
2012	1,276	12,988
2013	735	7,481
2014	74	756
2015 and thereafter		
Total	¥5,071	$51,607

Maturities of investments in leases for finance leases that deem not to transfer ownership of the leased property to the lessee as of March 31, 2009 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year Ending March 31,	**2009**	**2009**
2010	¥ 3,377	$ 34,374
2011	3,001	30,536
2012	2,242	22,818
2013	1,878	19,114
2014	1,645	16,740
2015 and thereafter	2,719	27,674
Total	¥14,862	$151,256

26. Related Party Information

a. Related Party Transactions

Transactions of SBI with unconsolidated subsidiaries and affiliated companies for the years ended March 31, 2008 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	**2009**	**2009**
Loan receivable		**¥15,000**	**$152,656**
Interest income		**143**	**1,456**

The Company sold all its shares of ZPYR. Accordingly, ZPYR is no longer an affiliate of the Company subject to the equity method of accounting.

Transactions of SBI with the Company's Representative Director and CEO for the years ended March 31, 2007, 2008 and 2009 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2007	2008	**2009**	**2009**
Sales of common stock	¥104	¥350	**¥1,002**	**$10,193**
Loans payable			**900**	**9,159**
Repayment of loans payable			**900**	**9,159**
Interest expense			**6**	**57**

b. Significant Related Companies Information

Summarized financial information of SBI Sumishin Net Bank, Ltd. as a significant related company for the year ended March 31, 2009 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2009	2009
Total assets	¥647,874	$6,593,468
Total liabilities	636,303	6,475,711
Total equity	11,571	117,757
Operating revenues	11,627	118,328
Loss before income taxes	3,692	37,578
Net loss	3,699	37,647

27. 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 purposes. 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 its transactions. In addition, SBI uses bond futures and a portion of foreign currency forward contracts for trading purposes. In the trading operation, these derivatives are used in response to clients' needs and to facilitate trading in the normal course of business. Foreign exchange margin transactions are used for business purposes and for avoiding the risk of developing from transactions with clients. One-to-one transactions are conducted with counterparties based on the "Position Management Rule."

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 prices, and foreign commodity markets for products, economic trends or weather conditions. Credit risk is the possibility that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract. Because the counterparties to foreign currency forward contracts 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. Foreign exchange margin transactions are subject to market risk such as interest and foreign exchange rate risk, and credit risk of clients. Transactions with counterparties are subject to credit risk and settlement risk.

Derivatives used for hedging purposes are planned and executed by the administrative headquarters department upon approval of a director in-charge. Each derivative transaction is reported to management as needed, where evaluation and analysis of derivatives are made. Derivatives used for trading purpose are entered into 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. Regarding foreign exchange margin transactions, SBI sets the acceptable risk amounts and specified limits based on "Risk Management Standard" and related management rules for each type of risk. Exposure to client credit risk is limited by adopting the "Loss-Cut Rules."

Fair Value of Derivatives

The fair values of SBI's derivatives at March 31, 2008 and 2009 were as follows:

	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

	Millions of Yen			
	2009			
	Assets		Liabilities	
	Contract Amount	Fair Value	Contract Amount	Fair Value
Foreign currency forward contracts	¥ 27		¥ 31	
Nikkei average futures transactions	40	¥ 3		
Interest swap transactions			200	¥ 1
Foreign exchange margin transactions:				
Customer:				
Short			42,585	1,370
Long			44,088	(1,246)
Counter party:				
Short	22,466	(1)		
Long	20,529	569		
Sub total		568		124
Total		¥571		¥ 125

	Thousands of U.S. Dollars			
	2009			
	Assets		Liabilities	
	Contract Amount	Fair Value	Contract Amount	Fair Value
Foreign currency forward contracts	$ 275		$ 313	$ 3
Nikkei average futures transactions	403	$ 31		
Interest swap transactions			2,035	11
Foreign exchange margin transactions:				
Customer:				
Short			433,397	13,946
Long			448,688	(12,682)
Counter party:				
Short	228,640	(6)		
Long	208,926	5,786		
Sub total		5,780		1,264
Total		$5,811		$ 1,278

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

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

28. Contingent Liabilities

a. Credit Guarantees

Credit guarantees as of March 31, 2009 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2009	2009
Guarantees of bank loans	¥557	$5,666

b. Other Contingent Liability

Following the Tokyo District Court's decision to commence civil rehabilitation proceedings of ZPYR on July 28, 2008, ZPYR's rehabilitation plan was approved at the creditors' meeting and confirmed by the court on February 18, 2009.

As a result, the loan extended to ZPYR by Partners Investment Co., Ltd. (a consolidated subsidiary of the Company, "PTINV") in the aggregate amount of ¥11,367 million ($115,681 thousand) as of March 31, 2009, will be recovered through the disposal of collateral real estate in preference to other creditors; however, in case there is an unrecoverable amount after the disposal of security, repayment will be made using a percentage determined in the rehabilitation plan with regards to any shortage.

On September 5, 2008, the right of avoidance was exercised against PTINV through the Tokyo District Court by the oversight committee member of ZPYR's civil rehabilitation proceedings, who claims vitiation of certain collateral granted and demands the return of loan repayments and interest paid by ZPYR amounting to ¥3,037 million ($30,907 thousand).

29. Net Income (Loss) per Share

Reconciliation of the differences between basic and diluted net income (loss) per share ("EPS") for the years ended March 31, 2007, 2008 and 2009 was as follows:

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

	Millions of Yen	Shares	Yen	U.S. Dollars
	Net Loss	Weighted-average Shares	EPS	
Year Ended March 31, 2009				
Basic EPS—Net loss available to common shareholders	¥(18,375)	14,909,151	¥(1,232.48)	$(12.54)

Diluted net income per share is not disclosed because of the SBI's net loss position for the year ended March 31, 2009.

30. Segment Information

SBI operates in the following business segments:

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

"Brokerage & Investment Banking Business" 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 exchange, insurance or commodity futures, financing from the capital markets, securitizations, mergers and acquisitions and structured financing.

"Financial Services Business" primarily consists of financial-related businesses 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 services relating to housing and real estate.

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

Information about business segments, geographical segments and revenue from foreign customers of SBI for the years ended March 31, 2007, 2008 and 2009 was as follows:

(1) Business Segments

a. Revenue and Operating Income (Loss)

Millions of Yen

2007	Asset Management Business	Brokerage & Investment Banking Business	Financial Services Business	Housing and Real Estate Business	System Solution Business	Total	Eliminations/ Corporate	Consolidated
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 (loss)	¥ (3,186)	¥24,374	¥ 3,284	¥ 1,184		¥ 25,656	¥(2,561)	¥ 23,095

b. Total Assets, Depreciation and Capital Expenditures

Millions of Yen

2007	Asset Management Business	Brokerage & Investment Banking Business	Financial Services Business	Housing and Real Estate Business	System Solution Business	Total	Eliminations/ Corporate	Consolidated
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

a. Revenue and Operating Income (Loss)

Millions of Yen

2008	Asset Management Business	Brokerage & Investment Banking Business	Financial Services Business	Housing and Real Estate Business	System Solution Business	Total	Eliminations/ Corporate	Consolidated
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 (loss)	¥16,482	¥20,512	¥ 850	¥ 8,094	¥(474)	¥ 45,464	¥(2,857)	¥ 42,607

b. Total Assets, Depreciation and Capital Expenditures

Millions of Yen

2008	Asset Management Business	Brokerage & Investment Banking Business	Financial Services Business	Housing and Real Estate Business	System Solution Business	Total	Eliminations/ Corporate	Consolidated
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

a. Revenue and Operating Income (Loss)

Millions of Yen

2009	Asset Management Business	Brokerage & Investment Banking Business	Financial Services Business	Housing and Real Estate Business	System Solution Business	Total	Eliminations/ Corporate	Consolidated
Revenue from customers	¥15,850	¥47,649	¥21,871	¥40,861	¥4,692	¥130,923		¥130,923
Intersegment revenue	132	1,533	746	46	1,662	4,119	¥(4,119)	
Total revenue	15,982	49,182	22,617	40,907	6,354	135,042	(4,119)	130,923
Operating expenses	13,388	43,468	21,126	39,983	6,657	124,622	1,897	126,519
Operating income (loss)	¥ 2,594	¥ 5,714	¥ 1,491	¥ 924	¥ (303)	¥ 10,420	¥(6,016)	¥ 4,404

b. Total Assets, Depreciation and Capital Expenditures

Millions of Yen

2009	Asset Management Business	Brokerage & Investment Banking Business	Financial Services Business	Housing and Real Estate Business	System Solution Business	Total	Eliminations/ Corporate	Consolidated
Total assets	¥158,956	¥804,544	¥93,170	¥135,398	¥8,173	¥1,200,241	¥(121,007)	¥1,079,234
Depreciation	450	1,952	992	438	456	4,288	80	4,368
Capital expenditures	657	2,821	1,200	913	482	6,073	9	6,082

a. Revenue and Operating Income (Loss)

Thousands of U.S. Dollars

2009	Asset Management Business	Brokerage & Investment Banking Business	Financial Services Business	Housing and Real Estate Business	System Solution Business	Total	Eliminations/ Corporate	Consolidated
Revenue from customers	$161,307	$484,926	$222,589	$415,842	$47,748	$1,332,412		$1,332,412
Intersegment revenue	1,342	15,605	7,588	470	16,918	41,923	$(41,923)	
Total revenue	162,649	500,531	230,177	416,312	64,666	1,374,335	(41,923)	1,332,412
Operating expenses	136,249	442,375	214,999	406,909	67,755	1,268,287	19,307	1,287,594
Operating income (loss)	$ 26,400	$ 58,156	$ 15,178	$ 9,403	$ (3,089)	$ 106,048	$(61,230)	$ 44,818

b. Total Assets, Depreciation and Capital Expenditures

Thousands of U.S. Dollars

2009

	Asset Management Business	Brokerage & Investment Banking Business	Financial Services Business	Housing and Real Estate Business	System Solution Business	Total	Eliminations/ Corporate	Consolidated
Total assets	$1,617,712	$8,187,908	$948,197	$1,377,961	$83,174	$12,214,952	$(1,231,505)	$10,983,447
Depreciation	4,579	19,867	10,097	4,459	4,633	43,635	817	44,452
Capital expenditures	6,682	28,714	12,217	9,290	4,904	61,807	93	61,900

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, ¥3,730 million and ¥4,715 million ($47,989 thousand) for the years ended March 31, 2007, 2008 and 2009, respectively.

2. Total corporate assets of ¥37,263 million, ¥12,108 million and ¥6,882 million ($70,036 thousand) included in "Eliminations/corporate" of total assets as of March 31, 2007, 2008 and 2009, respectively, mainly consisted of surplus funds (cash, bank deposits and cash in trust).

3. As discussed in Note 2.g, SBI applied ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories." The effect of this change was to decrease operating income of housing and real estate business by ¥409 million ($4,161 thousand) for the year ended March 31, 2009.

(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%

Millions of Yen

2009

	North America	Others	Total
Sales to foreign customers (A)	¥1,725	¥11,555	¥ 13,280
Consolidated sales (B)			130,923
(A)/(B)	1.3%	8.8%	10.1%

Thousands of U.S. Dollars

2009

	North America	Others	Total
Sales to foreign customers (A)	$17,558	$117,591	$ 135,149
Consolidated sales (B)			1,332,412
(A)/(B)	1.3%	8.8%	10.1%

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 March 31, 2007 is not significant; therefore, foreign revenue information is not presented herein.

31. Subsequent Event

Appropriations of Retained Earnings

At the Board of Directors meeting held on May 27, 2009, the following appropriation of retained earnings was approved:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥100 ($1.02) per share	¥1,673	$17,027

Management's Report on Internal Control Over Financial Reporting

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

1. Matters Related to Design and Operation, Basic Framework of Internal Control

Management, with the participation of Yoshitaka Kitao, Representative Director, and Yasutaro Sawada, Chief Financial Officer, are responsible for the design and operation of the internal control over financial reporting prepared by SBI Holdings, Inc. (hereinafter, the "Company"), and its consolidated subsidiaries and affiliates (hereinafter, the "SBI Group"). The SBI Group's internal control over financial reporting of the consolidated financial statements is designed and operated effectively in accordance with the basic framework of internal control set forth in the report "On the Setting of the Standards and Practice Standards for Management Assessment and Audit Concerning Internal Control Over Financial Reporting (Council Opinions)" issued by the Business Accounting Council on February 15, 2007. As a result, the SBI Group's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external distribution in accordance with generally accepted accounting principles.

Internal control cannot provide absolute assurance with respect to the achievement of objectives, which can prevent or detect misstatements, due to the following inherent limitations, but it aims at achieving the objectives to a reasonable extent with the organized and integrated function of individual components as a whole. For example, internal control may not operate effectively due to misjudgments, carelessness or collusion among two or more individuals. Internal control may not necessarily respond to unexpected changes in internal or external environments when controls were designed for non-routine transactions.

2. Assessment Scope, Timing and Procedures

Management, with the participation of Yoshitaka Kitao, Representative Director, and Yasutaro Sawada, Chief Financial Officer, assessed the effectiveness of internal control over financial reporting as of March 31, 2009 in accordance with generally accepted assessment standards for internal control.

The basic policies on determining the assessment scope and procedures thereof are as follows:

The assessment of internal control over financial reporting is to be, in principle, performed on a consolidated basis. Internal control that has a significant impact on the entire consolidated financial statements throughout the SBI Group is hereinafter referred to as "company-level controls." In evaluating internal controls, management assesses company-level controls first and, based on the results, assesses the internal control incorporated into business processes (hereinafter, "process-level controls"), that is, management should analyze business processes within the scope of the internal controls to be assessed, identify a key control that would have a material impact on the reliability of financial reporting (hereinafter, "key control"), and assess whether the basic components of internal control are operated with regard to the key control.

The scope of evaluation for internal control over financial reporting was adequately set from the perspective of the degree of quantitative and qualitative impact on the reliability of financial reporting presentation and disclosure. Therefore, based on the results of assessment of company-level controls of 23 subsidiaries (including 11 funds), which represent all the significant locations or business units, in principle, management determined the reasonable scope of assessment.

When evaluating company-level controls, procedures such as inquiries and verification of records should be performed, as necessary, after appropriately understanding and analyzing the internal controls to be assessed as a whole.

When evaluating process-level controls, based on the effectiveness of company-level controls, we selected the significant locations or business units. Specifically, locations or business units are selected in descending order of total assets until their combined amount reaches approximately two-thirds of the total consolidated assets. In addition, individual business processes that have a high degree of qualitative materiality are included in the scope. In the locations and business units selected, all business processes which impact the accounts that are closely associated with the Company's business objectives are included in the scope. The accounts within the scope are "cash and cash equivalents," "trade notes and accounts receivables," "securities," "cash required to be segregated under regulation and other," "operational investment securities," "real estate inventory," "margin transaction assets," "investment securities," "customer's deposits for securities transactions," "margin transaction liabilities," "operating revenues," and "operating costs."

The method of evaluating process-level controls is as follows: We analyzed business processes and identified key controls first. And we checked the operation of process-level controls by applying procedures that include reviewing relevant records, making inquiries of appropriate staff personnel on internal controls, observing the operation of specific controls, examining records regarding the operation of internal controls, and investigating the progress in the self-assessment on the operation of internal controls, etc. Furthermore, to evaluate operations of internal controls, we obtained sufficient and appropriate evidence via sampling.

3. Results of Assessment

As a result of the above, Yoshitaka Kitao, Representative Director, and Yasutaro Sawada, Chief Financial Officer, concluded that the internal control over financial reporting of the consolidated financial statements of the SBI Group as of March 31, 2009 is effectively maintained.

4. Supplementary Information

No subsequent events occurred that would significantly affect the evaluation of the effectiveness of internal control over financial reporting.

5. Additional Information

No material items were noted to report.

Representative Director and Chief Executive Officer
SBI Holdings, Inc.

Independent Auditors' Report

Deloitte.

Deloitte Touche Tohmatsu
MS 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. (the "Company") and consolidated subsidiaries as of March 31, 2008 and 2009, and the related consolidated statements of operations, changes in equity, and cash flows for each of the three years in the period ended March 31, 2009, 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 of March 31, 2008 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2009, in conformity with accounting principles generally accepted in Japan.

We have also audited management's report on internal control over financial reporting of the consolidated financial statements of SBI Holdings, Inc. and consolidated subsidiaries as of March 31, 2009. The Company's management is responsible for designing and operating effective internal control over financial reporting and for preparing its report on internal control. Our responsibility is to express an opinion on management's report on internal control based on our audit. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control is free of material misstatement. An internal control audit includes examining, on a test basis, representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control. We believe that our internal control audit provides a reasonable basis for our opinion.

In our opinion, management's report on internal control referred to above, which represents that the internal control over financial reporting of the consolidated financial statements of SBI Holdings, Inc. and consolidated subsidiaries as of March 31, 2009 is effectively maintained, presents fairly, in all material respects, the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting 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

June 26, 2009

Member of
Deloitte Touche Tohmatsu