

Consolidated Financial Statements

Consolidated Balance Sheets

SBI Holdings, Inc. and Consolidated Subsidiaries
March 31, 2009 and 2010

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2010	2010
CURRENT ASSETS:			
Cash and cash equivalents (Note 13)	¥ 126,313	¥ 142,582	\$ 1,532,479
Time deposits	1,140	1,233	13,250
Cash required to be segregated under regulations (Note 4)	266,267	318,909	3,427,653
Notes and accounts receivable—trade (Note 13)	7,915	8,484	91,185
Operational investment securities (Notes 6 and 13)	105,236	121,576	1,306,709
Valuation allowance for operational investment securities	(6,207)	(8,424)	(90,544)
Lease receivables and lease investment assets (Note 23)	18,820	17,924	192,652
Operational loans receivable (Note 13)	47,868	34,694	372,898
Real estate inventory (Notes 5 and 13)	36,515	28,768	309,200
Trading assets (Note 7)	7,725	3,515	37,778
Margin transaction assets:			
Receivables from customers	134,792	221,107	2,376,476
Cash deposits as collateral for securities borrowed	46,009	40,534	435,661
Short-term guarantee deposits	8,846	5,944	63,887
Deferred tax assets—current (Note 22)	5,921	7,667	82,407
Prepaid expenses and other current assets (Notes 9 and 13)	46,952	37,843	406,737
Allowance for doubtful accounts	(2,703)	(2,033)	(21,850)
Total current assets	851,409	980,323	10,536,578
PROPERTY AND EQUIPMENT—Net (Note 10)	8,578	20,614	221,558
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 6)	10,088	11,248	120,899
Investments in unconsolidated subsidiaries and affiliated companies (Note 11)	23,781	29,956	321,972
Software, net of accumulated amortization of ¥8,222 million and ¥8,676 million (\$93,250 thousand) at March 31, 2009 and 2010, respectively	9,370	11,671	125,436
Rental deposits	7,375	7,144	76,780
Goodwill (Note 3)	136,354	133,008	1,429,580
Long-term trade receivables	47	10	108
Deferred tax assets—non-current (Note 22)	10,602	14,197	152,589
Other assets	28,274	31,536	338,953
Allowance for doubtful accounts	(6,644)	(9,767)	(104,982)
Total investments and other assets	219,247	229,003	2,461,335
TOTAL	¥1,079,234	¥1,229,940	\$13,219,471

LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2010	2010
CURRENT LIABILITIES:			
Short-term debt (Notes 12 and 13)	¥ 54,658	¥ 167,915	\$ 1,804,760
Current portion of long-term debt (Notes 12 and 13)	63,033	13,668	146,909
Income taxes payable	2,625	4,954	53,242
Margin transaction liabilities:			
Payables to financial institutions (Notes 12 and 13)	56,726	48,813	524,645
Proceeds of securities sold for customers' accounts	89,545	101,224	1,087,958
Loans secured by securities on repurchase agreement transactions	46,588	63,781	685,520
Consignment guarantee money received for margin transactions (Note 9)	229,184	222,530	2,391,764
Customers' deposits as collateral for commodity futures (Note 9)	28,885	59,844	643,207
Customers' deposits for securities transactions	23,488	31,176	335,082
Unearned income (Note 14)	2,085	2,049	22,027
Accrued expenses	3,035	2,897	31,137
Deferred tax liabilities—current (Note 22)	6	2,960	31,814
Other current liabilities (Note 7)	23,591	25,280	271,713
Total current liabilities	623,449	747,091	8,029,778
LONG-TERM LIABILITIES:			
Long-term debt, less current portion (Notes 12 and 13)	13,584	27,620	296,861
Deferred tax liabilities—non-current (Note 22)	566	540	5,805
Other long-term liabilities (Note 15)	15,043	18,855	202,650
Total long-term liabilities	29,193	47,015	505,316
STATUTORY RESERVES (Note 16):			
Reserve for financial products transaction liabilities	7,219	7,219	77,592
Reserve for liability for commodity transactions	33		
Reserve for price fluctuation	1		
Total statutory reserves	7,253	7,219	77,592
EQUITY (Notes 17 and 18):			
Common stock—authorized, 34,169,000 shares; issued, 16,768,733 shares in 2009 and 16,782,291 shares in 2010	55,215	55,284	594,198
Capital surplus	219,012	218,969	2,353,489
Stock acquisition rights	12	12	126
Retained earnings	86,866	87,276	938,052
Unrealized loss on available-for-sale securities	(5,946)	(559)	(6,008)
Deferred gain (loss) on derivatives under hedge accounting	(26)	15	157
Foreign currency translation adjustments	(966)	(1,507)	(16,196)
Treasury stock—at cost, 37,661 shares in 2009 and 14,621 shares in 2010	(636)	(247)	(2,654)
Total	353,531	359,243	3,861,164
Minority interests	65,808	69,372	745,621
Total equity	419,339	428,615	4,606,785
TOTAL	¥1,079,234	¥1,229,940	\$13,219,471

See notes to consolidated financial statements.

Consolidated Statements of Operations

SBI Holdings, Inc. and Consolidated Subsidiaries
Years Ended March 31, 2008, 2009 and 2010

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2008	2009	2010	2010
OPERATING REVENUES (Notes 19 and 29)	¥222,568	¥130,923	¥124,542	\$1,338,586
OPERATING COSTS (Note 20)	115,344	63,634	59,139	635,626
Gross profit	107,224	67,289	65,403	702,960
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 21)	64,617	62,885	61,971	666,074
Operating income	42,607	4,404	3,432	36,886
OTHER INCOME (EXPENSES):				
Interest and dividends income	648	1,434	520	5,594
Interest expense	(1,785)	(2,450)	(1,960)	(21,070)
Foreign exchange loss—net	(726)	(621)	(65)	(694)
(Loss) gain on sale of investment securities—net	6,780	(1,517)	2,916	31,341
Impairment loss of investment securities	(677)	(7,548)	(46)	(497)
Provision for statutory reserves (Note 16)	(1,611)	(1)		
Amortization of deferred assets				
under Section 113 of the Insurance Business Act	(20)	(364)	(746)	(8,019)
Equity in loss of unconsolidated subsidiaries and affiliated companies	(4,615)	(2,508)	(99)	(1,061)
Goodwill amortization for equity method affiliates with significant losses	(6,794)	(1,354)	(238)	(2,560)
Allowance for doubtful accounts	34	(2,379)	(1,973)	(21,210)
Other—net	(5,022)	(3,228)	(820)	(8,812)
Other expenses—net	(13,788)	(20,536)	(2,511)	(26,988)
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	28,819	(16,132)	921	9,898
INCOME TAXES (Note 22):				
Current	19,311	11,829	9,096	97,764
Deferred	(2,038)	(5,680)	(8,360)	(89,850)
Total income taxes	17,273	6,149	736	7,914
MINORITY INTERESTS IN NET (INCOME) LOSS	(7,317)	3,906	2,165	23,274
NET INCOME (LOSS)	¥ 4,229	¥ (18,375)	¥ 2,350	\$ 25,258
			Yen	U.S. Dollars
	2008	2009	2010	2010
PER SHARE OF COMMON STOCK (Notes 2.z and 28):				
Basic net income (loss)	¥ 376.63	¥(1,232.48)	¥140.30	\$1.51
Diluted net income	344.65		116.84	1.26
Cash dividends applicable to the year	1,200	100	100	1.07

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

SBI Holdings, Inc. and Consolidated Subsidiaries
Years Ended March 31, 2008, 2009 and 2010

	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, 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 18)	36,113	244	244							488		488
Cash dividends, ¥1,200 per share (Note 17)					(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 18)	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 17)					(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
Exercise of warrants (Note 18)	13,558	69	70							139		139
Stock swap	23,040		(113)							(113)		(113)
Net income					2,350					2,350		2,350
Cash dividends, ¥100 per share (Note 17)					(1,673)					(1,673)		(1,673)
Adjustment of retained earnings for merged companies					(194)					(194)		(194)
Adjustment of retained earnings for newly consolidated subsidiaries					218					218		218
Adjustment of retained earnings for affiliated companies excluded from the equity method of accounting					(291)					(291)		(291)
Reissuance of treasury stock									389	389		389
Net change in the year						5,387	41	(541)		4,887	3,564	8,451
BALANCE, MARCH 31, 2010	16,767,670	¥55,284	¥218,969	¥ 12	¥ 87,276	¥ (559)	¥ 15	¥(1,507)	¥ (247)	¥359,243	¥ 69,372	¥428,615

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, 2009	\$593,452	\$2,353,956	\$129	\$933,640	\$(63,909)	\$(277)	\$(10,384)	\$(6,837)	\$3,799,770	\$707,311	\$4,507,081
Exercise of warrants (Note 18)	746	746							1,492		1,492
Stock swap		(1,210)							(1,210)		(1,210)
Net income				25,258					25,258		25,258
Cash dividends, \$1.07 per share (Note 17)				(17,982)					(17,982)		(17,982)
Adjustment of retained earnings for merged companies				(2,085)					(2,085)		(2,085)
Adjustment of retained earnings for newly consolidated subsidiaries				2,342					2,342		2,342
Adjustment of retained earnings for affiliated companies excluded from the equity method of accounting				(3,121)					(3,121)		(3,121)
Reissuance of treasury stock		(3)						4,183	4,180		4,180
Net change in the year			(3)	57,901	434	(5,812)			52,520	38,310	90,830
BALANCE, MARCH 31, 2010	\$594,198	\$2,353,489	\$126	\$938,052	\$ (6,008)	\$ 157	\$(16,196)	\$(2,654)	\$3,861,164	\$745,621	\$4,606,785

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

SBI Holdings, Inc. and Consolidated Subsidiaries
Years Ended March 31, 2008, 2009 and 2010

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2008	2009	2010	2010
OPERATING ACTIVITIES:				
Income (loss) before income taxes and minority interests	¥ 28,819	¥ (16,132)	¥ 921	\$ 9,898
Adjustments for:				
Income taxes paid	(30,542)	(15,783)	(4,167)	(44,789)
Amortization and depreciation	11,477	11,961	13,315	143,111
Provision for valuation allowance for operational investment securities	1,365	1,888	3,116	33,494
Provision for allowance for doubtful accounts	2,811	5,648	4,183	44,963
Dilution gain from changes in equity interests	(598)	(341)	(140)	(1,509)
Write-down of operational investment securities	1,962	2,516	602	6,473
Equity earnings in funds	(3,101)	(2,880)	(1,175)	(12,626)
Loss (gain) on sales of investment securities—net	(6,780)	1,518	(2,916)	(31,341)
Changes in assets and liabilities:				
Increase in operational investment securities and operational investments in funds	(5,597)	(20,646)	(8,962)	(96,323)
(Increase) decrease in operational loans receivable	(16,109)	7,358	6,189	66,515
(Increase) decrease in real estate inventory	9,191	(7,617)	(2,036)	(21,885)
(Increase) decrease in segregated assets for customers	18,901	32,380	(12,962)	(139,319)
(Increase) decrease in trading assets	387	(2,039)	(1,487)	(15,980)
Net changes in margin transaction assets and liabilities	55,173	108,341	(77,075)	(828,404)
Increase in customers' deposits for securities transactions	3,822	2,615	7,358	79,079
Increase (decrease) in consignment guarantee money received for margin transactions	(5,491)	(29,706)	4,173	44,854
Net changes in loans receivable and payable secured by securities	(20,291)	11,105	17,194	184,802
Increase in unearned income	1,292	1,450	1,464	15,737
Other—net	3,383	11,399	(730)	(7,848)
Net cash (used in) provided by operating activities	50,074	103,035	(53,135)	(571,098)
INVESTING ACTIVITIES:				
Purchases of intangible assets	(3,457)	(3,914)	(7,043)	(75,699)
Purchases of investment securities	(8,310)	(7,345)	(7,653)	(82,255)
Proceeds from sales of investment securities	3,579	784	3,205	34,445
Proceeds from sales of subsidiaries' stock	7,190	130	28	307
Cash paid in business acquisitions, net of cash acquired	(3,861)	(1,086)	(260)	(2,797)
Cash received in sales of subsidiaries, net of cash relinquished		19,341	2,540	27,302
Investments in subsidiaries	(4,443)	(5,621)	(3,754)	(40,344)
Investments in loans receivable	(200,953)	(42,156)	(15,756)	(169,350)
Collections of loans receivable	191,927	37,520	16,226	174,398
Payments for security deposits	(2,855)	(3,046)	(1,491)	(16,028)
Collection of security deposits	1,378	2,063	1,348	14,488
Other—net	(805)	2,226	(2,953)	(31,744)
Net cash used in investing activities	¥ (20,610)	¥ (1,104)	¥(15,563)	\$(167,277)

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2008	2009	2010	2010
FINANCING ACTIVITIES:				
Increase (decrease) in short-term borrowings—net	¥ (8,330)	¥ (8,959)	¥ 940	\$ 10,107
Proceeds from long-term debt	46,513	1,674	150,579	1,618,432
Repayment of long-term debt	(39,972)	(118,266)	(73,688)	(792,008)
Dividends paid	(13,451)	(6,796)	(1,682)	(18,075)
Dividends paid to minority shareholders	(2,554)	(2,746)	(219)	(2,350)
Distribution to minority investors in investment funds	(25,265)	(7,975)	(3,915)	(42,074)
Proceeds from issuance of common stock	414	134	141	1,519
Proceeds from issuance of common stock to minority shareholders	2,851	325	1,024	11,000
Proceeds from minority investors in investment funds	29,859	5,612	11,932	128,241
Reissuance of treasury stock	1	11		
Purchase of treasury stock	(3)	(586)	(13)	(143)
Other—net	(20)	57	(500)	(5,372)
Net cash provided by (used in) financing activities	(9,957)	(137,515)	84,599	909,277
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES				
	25,365	2,875	843	9,059
CASH AND CASH EQUIVALENTS DECREASED DUE TO EXCLUSION FROM CONSOLIDATION				
	(24)	(107)		
CASH AND CASH EQUIVALENTS OF NEWLY MERGED COMPANIES				
		224	15	166
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS				
	(933)	(102)	(490)	(5,266)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	43,915	(32,694)	16,269	174,861
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	115,092	159,007	126,313	1,357,618
CASH AND CASH EQUIVALENTS, END OF YEAR	¥159,007	¥ 126,313	¥142,582	\$1,532,479
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION (Note 2.a):				
Fair value of assets acquired	¥ (14,115)	¥ (1,082)	¥ (742)	\$ (7,977)
Liabilities assumed	9,707			
Goodwill	(5,094)			
Minority interest	1,175			
Acquisition costs	(8,327)	(1,082)	(742)	(7,977)
Cash acquired	4,124		482	5,180
Transfer from stock of affiliated company	353			
Other	(11)	(4)		
Cash paid in business acquisitions, net of cash acquired	¥ (3,861)	¥ (1,086)	¥ (260)	\$ (2,797)
Fair value of assets sold		¥ 30,505	¥ 5,907	\$ 63,486
Liabilities relinquished		(19,998)	(487)	(5,234)
Minority interest		(2,696)	(2,414)	(25,946)
Foreign currency translation adjustments		2,246	8	87
Gain on sale		10,056	836	8,989
Sale value		20,113	3,850	41,382
Cash relinquished		(772)	(1,310)	(14,080)
Cash received in sales of subsidiaries, net of cash relinquished		¥ 19,341	¥ 2,540	\$ 27,302

See notes to consolidated financial statements.