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 and investment banking, financial services, housing and real estate business, and system solution business.

SBI's asset management business is principally carried out by the Company, SBI Investment Co., Ltd. and SBI CAPITAL Co., Ltd., and involves the management of venture capital investment funds, corporate restructuring funds and broadband media funds. SBI is one of the largest managers of venture capital funds in Japan in terms of net assets under management.

SBI's brokerage and investment banking businesses are principally carried out by the Company's subsidiary, SBI 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 and 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, SBI Life Living Co., Ltd. (formerly known as LIVING Corporation, Inc. ("LIVING Inc")) ("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's subsidiary, SBI Net Systems Co., Ltd. ("SBINET"). 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 of International Financial Reporting Standards.

Certain disclosures contained herein are not required as part of the basic financial statements in Japan but are presented herein as additional information.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2008 and 2009 financial statements to conform to the classifications used in 2010.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥93.04 to $1, the approximate rate of exchange at March 31, 2010. Such translations 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, 2010 include the accounts of the Company and its 103 significant (82 in 2009, 74 in 2008) 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.

In May 2008, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Implementation Guidance No. 22, "Guidance on determining a subsidiary and an affiliate." The Company applied this guidance effective April 1, 2009, and 3 companies were newly included in the consolidation scope. The effect of this change was not considered material to net income for the year ended March 31, 2010.

Investments in 1 (1 in 2009, 1 in 2008) unconsolidated subsidiary and 5 (7 in 2009, 7 in 2008) 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.

Investments in 59 (51 in 2009, 47 in 2008) companies and 1 (1 in 2009, 1 in 2008) 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 Practical Issues Task Force ("PITF") No. 20, "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations," but are not consolidated are included in investments in unconsolidated subsidiaries and affiliated companies on the consolidated balance sheets. 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 sheets 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 resolution and approval of the Board of Directors on November 12, 2007, NEXUS CO., LTD. ("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.

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 and was eliminated from its consolidated accounts from July 2008.

Upon approval of the Board of Directors on April 27, 2009 and general shareholders meeting on June 22, 2009, the Company allotted 23,040 shares of its treasury stock to shareholders of SBI Futures Co., Ltd. ("SBIFT") at an exchange ratio of 3 shares for each outstanding share of SBIFT's common stock. As a result of this share exchange, SBIFT became wholly owned by the Company.

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 the 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 the 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 the 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.

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

Due to our withdrawal from commodity futures-related businesses in 2010, SBI did not hold its related securities as of March 31, 2010.

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.

SBI applied this revised 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 and increase loss before income taxes and minority interests by ¥1,393 million for the year ended March 31, 2009.

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 the 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 2008, from 3 to 47 years in 2009 and from 5 to 50 years in 2010 for buildings and leasehold improvements, and for furniture and equipment, from 2 to 20 years in 2008 and 2009, and from 4 to 20 years in 2010.

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. Leases—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 with certain "as if capitalized" information disclosed in the notes to the lessee's financial information.

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. For the finance leases which existed at the transition date and did not transfer ownership of the leased property to the lessee, the appropriate book value of the leased assets (after deducting accumulated depreciation) at the transition date is used as the beginning value of the 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 of Japanese Financial Instruments and Exchange Act from April 1, 2008.

Pursuant to Article 46 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 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. Due to a withdrawing from commodity futures-related businesses in 2010, SBI did not recognize the statutory reserve for liability for commodity transaction as of March 31, 2010.

p. Statutory Reserve for Price Fluctuation—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. 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-employee 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.

s. 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-off 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-off 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—In December 2007, the ASBJ issued ASBJ Statement No. 15 "Accounting Standard for Construction Contracts" and ASBJ Guidance No. 18 "Guidance on Accounting Standard for Construction Contracts." Under the previous Japanese GAAP, either the completed-contract method or the percentage-of-completion method was permitted to account 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 the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts. This standard was effective for fiscal years beginning on or after April 1, 2009. The Company applied the new accounting standard effective April 1, 2009. The effect of this change was not considered material to net income for the year ended March 31, 2010.

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 lessor receives lease revenue.

Financial charges and cost of funding—Financial charges mainly related to brokerage and investment banking businesses, such as interest expense from margin transactions and costs from repurchase agreement transactions, are accounted for as operating costs. Interest expense other than financial charges is 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.

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

u. 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.

v. 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.

w. 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.

x. 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.

y. 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.

z. 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.

aa. New Accounting Pronouncements

Business Combinations—In December 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 combination 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, an in-process research and development (IPR&D) acquired by the business combination is capitalized as an intangible asset.

(3) The current accounting standard accounts for 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 Associated Companies for the Equity Method—The current accounting standard requires to unify accounting policies within the consolidation group. However, the current guidance allows to apply the equity method for the financial statements of its foreign associated company which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions without unification of accounting policies.

In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated 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 the equity; (3) expensing capitalized development costs of R&D; (4) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the 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 equity method of accounting for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Asset Retirement Obligations—In March 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 the 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.

Accounting Changes and Error Corrections—In December 2009, ASBJ issued ASBJ Statement No. 24 "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) *Changes in accounting policies*
When a new accounting policy is applied with revision of accounting standards, a new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) *Changes in presentations*
When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) *Changes in accounting estimates*
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) *Corrections of prior period errors*
When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

Segment Information Disclosures—In March 2008, the ASBJ revised ASBJ Statement No. 17 "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20 "Guidance on Accounting Standard for Segment Information Disclosures." Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

3. Business Combinations

(1) Application of Purchase Method

LIVING Corporation, Inc.

On September 10, 2007, the Company acquired 54.4 percent of the shares of LIVING Inc (currently, LIVING) through a TOB. LIVING Inc 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 Inc are included in the Company's consolidated statement of operations for the period since October 1, 2007.

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 Inc 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 Inc 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 C4 Technology, Inc. (currently, SBINET) ("C4T"), 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 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

SBI Securities Co., Ltd.

On October 1, 2007, SBI Securities Co., Ltd., 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 under common control 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 which consists of ¥152,500 million for the common stock of the Company and ¥26 million of related expenses such as research expenses. The difference between the acquisition cost and the minority interests of SBISEC at the acquisition date was recognized as goodwill. Goodwill recorded in connection with the acquisition totaled ¥83,852 million and is being amortized by the straight-line method over 20 years.

This stock exchange is treated as a transaction under common control 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).

SBI Futures Co., Ltd.

On August 1, 2009, the Company reissued 23,040 shares of its treasury stock to SBIFT's shareholders at an exchange ratio of 3 shares for each outstanding share of SBIFT's common stock. As a result of this share exchange, SBIFT became a wholly owned subsidiary of the Company.

The total acquisition cost was ¥279 million ($2,995 thousand) which consists of ¥277 million ($2,972 thousand) for the common stock of the Company and ¥2 million ($23 thousand) of related expenses such as research expenses. The difference between the acquisition cost and the minority interests of SBIFT at the acquisition date was recognized as goodwill. Goodwill recorded in connection with the acquisition totaled ¥34 million ($366 thousand) and full amount of this goodwill was charged to income when incurred for immaterial amount.

This stock exchange is treated as a transaction under common control 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, 2009, assets required to be segregated in certain financial institutions according to the Commodities Exchange Act were as follows:

	Millions of Yen
	2009
Cash required to be segregated under regulations	¥200

At March 31, 2009, assets which belonged to assignors of customers’ deposits as collateral for commodity futures and were segregated in conformity with the Commodities Exchange Act in 2009 were as follows:

	Millions of Yen
	2009
Cash required to be segregated under regulations	¥24

Due to withdrawing from above-mentioned businesses in 2010, SBI did not have such related segregated assets as of March 31, 2010.

5. Real Estate Inventory

Real estate inventory at March 31, 2009 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Real estate for sale	¥10,983	¥ 9,838	$105,735
Real estate for sale in progress	13,109	7,926	85,190
Real estate for development	2,853	1,403	15,081
Beneficial interest in real estate investment trust	9,570	9,601	103,194
Total	¥36,515	¥28,768	$309,200

6. Operational Investment Securities and Investment Securities

Operational investment securities and investment securities as of March 31, 2009 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Current (operational investment securities):			
Marketable equity securities	¥ 5,222	¥ 7,231	$ 77,717
Non-marketable equity securities	78,778	88,660	952,926
Corporate bonds	874	2,282	24,527
Investment in funds	18,432	22,609	243,001
Trust fund investment	1,690		
Others	240	794	8,538
Total	¥105,236	¥121,576	$1,306,709

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Non-current (investment securities):			
Marketable equity securities	¥ 3,735	¥ 4,945	$ 53,148
Non-marketable equity securities	1,589	1,391	14,956
Investment in funds	4,091	4,125	44,343
Corporate bonds	235	281	3,018
Trust fund investment	425	486	5,222
Others	13	20	212
Total	¥10,088	¥11,248	$120,899

The costs and aggregate fair values of operational investment securities and investment securities as of March 31, 2009 and 2010 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
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
March 31, 2010				
Securities classified as available-for-sale:				
Equity securities	**¥11,789**	**¥ 2,298**	**¥1,911**	**¥12,176**
Investment in funds	**9,654**	**10,471**	**71**	**20,054**
Corporate bonds	**200**	**2**	**4**	**198**
Trust funds investments	**608**		**122**	**486**
Others	**1,166**	**23**	**406**	**783**

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2010				
Securities classified as available-for-sale:				
Equity securities	**$126,712**	**$ 24,691**	**$20,538**	**$130,865**
Investment in funds	**103,764**	**112,543**	**762**	**215,545**
Corporate bonds	**2,150**	**26**	**45**	**2,131**
Trust funds investments	**6,531**		**1,309**	**5,222**
Others	**12,538**	**240**	**4,361**	**8,417**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2009 were as follows. The similar information for 2010 is disclosed in Note 25.

	Carrying Amount
	Millions of Yen
	2009
Available-for-sale:	
Equity securities	¥ 80,367
Investment in funds	22,523
Corporate bonds	1,109
Debt securities and other	120
Total	¥104,119

Proceeds from sales of available-for-sale securities for the years ended March 31, 2008, 2009 and 2010 were ¥51,063 million, ¥4,170 million and ¥15,778 million ($169,580 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, ¥1,758 million and ¥1,313 million, respectively, for the year ended March 31, 2009 and ¥5,476 million ($58,858 thousand) and ¥310 million ($3,329 thousand), respectively, for the year ended March 31, 2010.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at March 31, 2010 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due in one year or less	**¥ 910**	**$ 9,779**
Due after one year through two years	**1,044**	**11,223**
Due after two years through three years	**868**	**9,330**
Due after three years through four years	**165**	**1,773**
Due after four years through five years		
Due in longer than five years	**31**	**327**

Securities whose fair values have declined below 50 percent of the acquisition cost are deemed to be other than temporary declines and are reduced to net realizable value by a charge to income. For the years ended March 31, 2008, 2009 and 2010, impairment losses were recorded in the aggregate amount of ¥2,626 million, ¥9,705 million and ¥648 million ($6,970 thousand), respectively. The impairment losses for operational investment securities are included in operating costs. Please refer to Note 20, "Operating Costs" of these consolidated financial statements.

At March 31, 2009 and 2010, investments in funds consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
SBI BB Media Fund	¥ 1,372	¥ 1,375	$ 14,785
NEW HORIZON FUND, L.P.	11,022	10,465	112,480
Other funds	10,129	14,894	160,079
Total	¥22,523	¥26,734	$287,344

7. Trading Assets and Liabilities

At March 31, 2009 and 2010, trading assets and liabilities consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Trading assets:			
Equity securities	¥ 11		
Debt securities	7,050	¥ 901	$ 9,688
Derivatives	571	2,488	26,739
Others	93	126	1,351
Total	¥7,725	¥3,515	$37,778
Trading liabilities—Derivatives	¥ 124	¥1,768	$18,999

8. Securities Deposited and Received

Fair values of the securities deposited by SBI in securities-related businesses at March 31, 2009 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Securities loaned on margin transactions	¥91,588	¥108,452	$1,165,654
Securities pledged for payables to financial institutions for margin transactions	53,957	49,620	533,315
Substitute securities for guarantee money paid	50,730	80,829	868,754
Securities loaned under agreement	42,106	61,558	661,627

Fair values of the securities received by SBI in securities-related businesses at March 31, 2009 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Securities pledged for loans receivable for margin transactions	¥115,264	¥216,132	$2,323,004
Securities borrowed on margin transactions	43,113	41,084	441,579
Substitute securities for guarantee money received, which were agreed on as collateral for other transactions	178,488	216,884	2,331,082
Substitute securities for guarantee money received on futures	506	100	1,074
Others	36,570	68,275	733,824

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 ¥209 million as of March 31, 2009, 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, 2009 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Land	¥ 2,953	¥ 7,557	$ 81,220
Buildings and leasehold improvements	5,162	9,973	107,186
Furniture and equipment	5,551	5,079	54,593
Others	791	4,502	48,395
Total	14,457	27,111	291,394
Less accumulated depreciation	(5,879)	(6,497)	(69,836)
Property and equipment—net	¥ 8,578	¥20,614	$221,558

11. Investments in Unconsolidated Subsidiaries and Affiliated Companies

Investments in unconsolidated subsidiaries and affiliated companies at March 31, 2009 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Common stock of unconsolidated subsidiaries	¥11,714	¥10,110	$108,674
Common stock of affiliated companies	11,457	19,393	208,434
Unconsolidated investments in fund	610	453	4,864
Total	¥23,781	¥29,956	$321,972

12. Short-term and Long-term Debt

Short-term debt at March 31, 2009 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Short-term debt:			
Borrowings from banks, 1.29 to 4.49 percent in 2009 and 0.65 to 2.58 percent in 2010	¥34,389	¥ 48,516	$ 521,457
Borrowings from other, 0.00 to 3.92 percent in 2009 and 0.80 to 9.75 percent in 2010	20,269	7,099	76,295
Unsecured Japanese yen bonds under Euro medium term note program with a fixed interest rate from 1.84 to 1.96 percent		110,000	1,182,287
Unsecured Japanese yen bonds with a fixed interest rate of 2.30 percent		2,300	24,721
Total	¥54,658	¥167,915	$1,804,760

Under Euro Medium Term Note Program, the Company issued ¥110,000 million of Japanese yen bonds with a fixed rate from 1.84 to 1.96 percent for the period from April 22, 2009 through March 29, 2010, which are due serially for the period from April 2010 through March 2011. Weighted average interest rates of payables to financial institutions for margin transactions for the years ended March 31, 2009 and 2010 were 0.96 percent and 0.95 percent, respectively.

Long-term debt at March 31, 2009 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Zero coupon unsecured Japanese yen convertible bonds with warrants due April 2009	¥11,480		
Unsecured Japanese yen bonds with a fixed interest rate of 1.70 percent	300	¥ 300	$ 3,224
Unsecured Japanese yen bonds with a fixed interest rate of 2.08 percent	30,000		
Unsecured loans from financial institutions, due serially through January 2033 with a weighted average floating interest rate of 1.16 percent in 2009 and 1.37 percent in 2010 and a weighted average fixed interest rate of 2.14 percent in 2009 and 2.22 percent in 2010	34,837	40,988	440,546
Total	76,617	41,288	443,770
Less current portion	(63,033)	(13,668)	(146,909)
Long-term debt, less current portion	¥13,584	¥ 27,620	$ 296,861

Annual maturities of long-term debt as of March 31, 2010 for the next five years and thereafter were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2011	¥13,668	$146,909
2012	10,066	108,190
2013	16,494	177,278
2014	100	1,075
2015		
2016 and thereafter	960	10,318
Total	¥41,288	$443,770

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 became due April 8, 2009 and the unexercised warrants expired on March 18, 2009, their expiration date.

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

SBI has bank over draft facilities of ¥123,909 million ($1,331,786 thousand) available for working capital use, ¥80,679 million ($867,144 thousand) of which was unused at March 31, 2010.

13. Pledged Assets

The carrying amounts of assets pledged as collateral for short-term debt of ¥29,246 million and ¥10,194 million ($109,567 thousand) at March 31, 2009 and 2010, current portion of long-term debt of ¥4,280 million and ¥905 million ($9,725 thousand) at March 31, 2009 and 2010 and for long-term debt, including bonds of ¥1,011 million and ¥960 million ($10,318 thousand) at March 31, 2009 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Cash and cash equivalents	¥ 276	¥ 113	$ 1,212
Real estate inventory	11,188	10,519	113,061
Operational investment securities		738	7,926
Operational loans receivable	15,261	2,864	30,784
Notes and accounts receivable—trade	574	587	6,312
Prepaid expenses and other current assets	14,455	3,289	35,350
Total	¥41,754	¥18,110	$194,645

Securities received as collateral for financing from broker's own capital of ¥475 million and ¥1,130 million ($12,143 thousand) were pledged as collateral for payables to financial institutions for margin transactions at March 31, 2009 and 2010, respectively.

14. Unearned Income

Unearned income at March 31, 2009 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
SBI BB Media Fund	¥ 473	¥ 157	$ 1,693
SBI BROADBAND CAPITAL K.K.	232	209	2,249
Others	1,380	1,683	18,085
Total	¥2,085	¥2,049	$22,027

15. Liability for Employees' Retirement Benefits

The Company and certain consolidated subsidiaries have the employee's pension plan, a contributory funded defined benefit pension plan, and a defined contribution pension plan. Certain of the Company's consolidated subsidiaries have the employee's pension plan as a contributory funded defined benefit pension plan together with either a non-contributory funded defined benefit pension plan or a defined contribution pension plan for the employees' retirement plan. During the previous 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 was 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, 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 and ¥140,968 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 Association of Welfare Pension Fund in the Commodity Futures Industry were ¥66,701 million and ¥63,454 million, respectively.

As of March 31, 2010, 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 ¥127,937 million ($1,375,078 thousand) and ¥155,637 million ($1,672,795 thousand), respectively.

As of March 31, 2010, fair values of plan assets and actuarial pension liabilities under the contributory funded defined benefit pension plan managed by Association of Welfare Pension Fund in the Commodity Futures Industry were ¥48,151 million ($517,528 thousand) and ¥62,296 million ($669,555 thousand), respectively.

The liability for employees' retirement benefits included in other long-term liabilities at March 31, 2009 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Projected benefit obligation	¥227	¥108	$1,165
Fair value of plan assets	(99)	(56)	(602)
Net liability	¥128	¥ 52	$ 563

The components of net periodic benefit costs for the years ended March 31, 2008, 2009 and 2010 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2008	2009	2010	2010
Service cost	¥193	¥211	**¥177**	**$1,908**
Net periodic benefit costs	193	211	**177**	**1,908**
Contributions to the defined contribution pension plan and advance retirement payments	228	252	**277**	**2,975**
Total	¥421	¥463	**¥454**	**$4,883**

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.

16. 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.

17. Equity

Japanese companies are subject to the Companies Act of Japan (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 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, 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 listed in shareholder list. As a result, the Company's common stock and capital surplus increased by ¥57 million and ¥102,250 million, respectively.

During the year ended March 31, 2010, the Company issued 13,558 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 SBIFT a wholly owned subsidiary, the Company allotted 23,040 shares of its treasury stock to SBIFT's shareholders listed in shareholder list. As a result, the Company's common stock increased by ¥69 million ($746 thousand) and capital surplus decreased by ¥43 million ($467 thousand), respectively.

18. Stock Option Plan

Stock options outstanding as of March 31, 2010 are as follows:

Stock Options 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 ($223.52)	From December 20, 2003 to December 19, 2011
2002 Stock Option (1)	11,448 shares	2002.12.20	¥5,984 ($64.32)	From December 20, 2004 to December 19, 2012
2003 Stock Option (1)	19,368 shares	2003.9.25	¥17,879 ($192.16)	From December 20, 2004 to December 19, 2012
2003 Stock Option (2)	56,061 shares	2003.9.25	¥17,879 ($192.16)	From June 24, 2005 to June 23, 2013
2003 Stock Option (3)	15,813 shares	2003.10.23	¥27,655 ($297.24)	From June 24, 2005 to June 23, 2013
2005 Stock Option (1)	24,534 shares	2005.7.28	¥35,078 ($377.02)	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	53,082.54 shares	2002.7.1	¥12,079 ($129.83)	From June 21, 2004 to June 20, 2012
SBI HOME Planner Co., LTD. 2003 Stock Option	474 shares	2004.4.15	¥23,200 ($249.36)	From June 28, 2005 to June 27, 2013
SBI HOME Planner Co., LTD. 2004 Stock Option	696 shares	2004.9.29	¥25,600 ($275.15)	From October 2, 2006 to September 30, 2010
SBI HOME Planner Co., LTD. 2004 Stock Option	60 shares	2004.10.29	¥25,600 ($275.15)	From October 2, 2006 to September 30, 2010
SBI Partners Co., Inc. 2005 Stock Option	550 shares	2005.11.29	¥37,060 ($398.32)	From December 1, 2005 to October 31, 2013
FINANCE ALL CORPORATION 2002 Stock Option	3,840 shares	2002.9.25	¥4,465 ($47.99)	From September 25, 2004 to September 24, 2012
FINANCE ALL CORPORATION 2003 Stock Option	6,400 shares	2003.8.2	¥4,465 ($47.99)	From August 2, 2005 to August 1, 2013
WORLD NICHIEI Securities Co., LTD. 2003 Stock Option	172.50 shares	2003.7.15	¥17,392 ($186.93)	From July 1, 2005 to June 26, 2013
WORLD NICHIEI FRONTIER Securities Co., LTD. 2004 Stock Option	19,344.15 shares	2004.6.29	¥50,174 ($539.27)	From June 30, 2006 to June 29, 2014
WORLD NICHIEI FRONTIER Securities Co., LTD. 2004 Stock Option	34.50 shares	2004.12.22	¥31,914 ($343.01)	From June 30, 2006 to June 29, 2014
SBI Securities Co., Ltd. 2005 Stock Option	19,311.95 shares	2005.7.4	¥46,957 ($504.70)	From June 30, 2007 to June 29, 2015
SBIH (1) Stock Option*	48,116.70 shares	2008.8.1	¥12,477 ($134.10)	From August 1, 2008 to June 21, 2010
SBIH (2) Stock Option*	7,987.50 shares	2008.8.1	¥12,477 ($134.10)	From August 1, 2008 to June 21, 2010
SBIH (3) Stock Option*	13,142.10 shares	2008.8.1	¥48,287 ($518.99)	From August 1, 2008 to June 23, 2013
SBIH (4) Stock Option*	1,682.70 shares	2008.8.1	¥56,518 ($607.46)	From August 1, 2008 to June 23, 2013
Total	313,512.64 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 ($80.61)	From May 26, 2007 to May 25, 2015
SBI Life Living Co., Ltd.				
Stock Option (2)	19 shares	2005.8.29	¥100,000 ($1,074.81)	From August 30, 2007 to August 29, 2015
Stock Option (3)	960 shares	2008.6.1	¥270,834 ($2,910.94)	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 ($53.74)	30 months after 6 months passed from the IPO
Stock Option (2)	536 shares (536 shares)	2002.10.15	¥5,000 ($53.74)	From October 15, 2004 to August 31, 2012
Stock Option (5)	90 shares (90 shares)	2005.9.28	¥175,000 ($1,880.91)	From September 29, 2005 to August 30, 2015
Total	1,246 shares (1,246 shares)			
SBI VeriTrans Co., Ltd.				
2004 Stock Option	516 shares	2004.2.13	¥5,741 ($61.70)	From February 13, 2006 to February 12, 2014
Morningstar Japan K.K.				
2001 Warrant	256 shares	2001.5.18	¥320,375 ($3,443.41)	From March 16, 2003 to March 15, 2011
2003 Stock Option (1)	2,448 shares	2003.11.5	¥57,500 ($618.01)	From March 20, 2005 to March 19, 2013
2006 Stock Option (2)	250 shares	2006.4.21	¥133,500 ($1,434.87)	From March 24, 2008 to March 23, 2016
Total	2,954 shares			
Gomez Consulting Co., Ltd.				
2003 Stock Option	410 shares	2003.3.15	¥44,250 ($475.60)	From March 15, 2005 to March 14, 2013
2005 Stock Option	294 shares	2005.6.15	¥100,000 ($1,074.81)	From June 3, 2007 to June 2, 2015
Total	704 shares			
HOMEOSTYLE, Inc.				
Warrant (1)	4,975 shares (4,975 shares)	2002.4.5	¥9,636 ($103.57)	From June 1, 2002 to March 12, 2012
Warrant (2)	979 shares (979 shares)	2004.8.24	¥9,636 ($103.57)	From June 1, 2002 to March 12, 2012
Stock Option (3)	426 shares (426 shares)	2005.2.28	¥16,000 ($171.97)	From March 1, 2007 to February 24, 2015
Stock Option (4)	8,403 shares (8,403 shares)	2006.3.31	¥19,000 ($204.21)	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 ($127.93)	From July 6, 2006 to June 30, 2014
Total	18,864 shares (18,864 shares)			

Stock Option	Number of Options Outstanding (Non-vested)	Date of Grant	Exercise Price	Exercise Period
Autoc one K.K.				
Stock Option (1)	5,900 shares (5,900 shares)	2002.12.27	¥10,000 ($107.48)	From November 1, 2004 to September 30, 2012
Stock Option (2)	50 shares (50 shares)	2003.10.20	¥10,000 ($107.48)	From November 1, 2005 to September 30, 2012
Stock Option (3)	1,300 shares (1,300 shares)	2004.10.29	¥50,000 ($537.40)	From August 1, 2006 to May 31, 2014
Stock Option (4)	200 shares (200 shares)	2005.2.25	¥50,000 ($537.40)	From August 1, 2006 to May 31, 2014
Stock Option (5)	100 shares (100 shares)	2005.4.20	¥50,000 ($537.40)	From August 1, 2006 to May 31, 2014
Stock Option (6)	50 shares (50 shares)	2005.4.20	¥50,000 ($537.40)	From August 1, 2006 to May 31, 2014
Stock Option (7)	1,090 shares (1,090 shares)	2006.4.20	¥50,000 ($537.40)	From June 28, 2007 to June 27, 2015
Stock Option (8)	110 shares (110 shares)	2008.3.28	¥60,000 ($644.88)	From June 29, 2009 to June 28, 2017
Total	8,800 shares (8,800 shares)			
SBI Trade Win Tech Co., Ltd.				
Warrant (2)	1,000 shares (1,000 shares)	2000.10.20	¥50,000 ($537.40)	From January 1, 2001 to April 16, 2012
Warrant (3)	320 shares (320 shares)	2002.4.17	¥460,000 ($4,944.11)	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, 2008, 2009 and 2010 is as follows:

	SBI Holdings, Inc.	SBI Mortgage Co., Ltd.	SBI Life Living Co., Ltd.	SBI Biotech Co., Ltd.	SBI Futures Co., Ltd.	SBI VeriTrans Co., Ltd.
						(Shares)
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
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
Year Ended March 31, 2010						
Non-vested:						
March 31, 2009—outstanding		4,700		1,246	183	
Granted						
Cancelled					183	
Vested						
March 31, 2010—outstanding		4,700		1,246		
Vested:						
March 31, 2009—outstanding	330,383.77		979		950	1,632
Vested						
Exercised	13,571.35					1,116
Cancelled	3,299.78				950	
March 31, 2010—outstanding	313,512.64		979			516

*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.	SBI Trade Win Tech Co., Ltd.
						(Shares)
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	
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	
Year Ended March 31, 2010						
Non-vested:						
March 31, 2009—outstanding			18,899	9,760		1,320
Granted						
Cancelled			35	960		
Vested						
March 31, 2010—outstanding			18,864	8,800		1,320
Vested:						
March 31, 2009—outstanding	2,954	704			455	
Vested						
Exercised						
Cancelled					455	
March 31, 2010—outstanding	2,954	704				

*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)
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	
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					
Year Ended March 31, 2010					
Non-vested:					
March 31, 2009—outstanding					
Granted					
Cancelled					
Vested					
March 31, 2010—outstanding					
Vested:					
March 31, 2009—outstanding					
Vested					
Exercised					
Cancelled					
March 31, 2010—outstanding					

19. Revenue From Trading

Gain (loss) on trading included in operating revenues for the years ended March 31, 2008, 2009 and 2010 consisted of the following:

									Millions of Yen
	2008			2009			**2010**		
	Realized Gain	Unrealized Gain (Loss)	Total	Realized Gain	Unrealized Gain (Loss)	Total	**Realized Gain**	**Unrealized Gain (Loss)**	**Total**
Equity securities	¥ 360	¥ (5)	¥ 355	¥ 110	¥ (2)	¥ 108	**¥ 4**	**¥ 35**	**¥ 39**
Debt securities	1,512	5	1,517	869	(6)	863	**195**	**42**	**237**
Others	1,475	(17)	1,458	2,943	846	3,789	**11,121**	**297**	**11,418**
Total	¥3,347	¥(17)	¥3,330	¥3,922	¥838	¥4,760	**¥11,320**	**¥374**	**¥11,694**

	Thousands of U.S. Dollars		
	2010		
	Realized Gain	Unrealized Gain (Loss)	Total
Equity securities	$ 41	$ 377	$ 418
Debt securities	2,101	449	2,550
Others	119,529	3,190	122,719
Total	$121,671	$4,016	$125,687

Gains on certain businesses other than securities-related business of ¥43 million, ¥47 million and ¥82 million ($881 thousand) were included in gain on trading for the years ended March 31, 2008, 2009 and 2010, respectively.

20. Operating Costs

Operating costs for the years ended March 31, 2008, 2009 and 2010 consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2008	2009	2010	2010
Cost of operational investment securities	¥ 34,310	¥4,728	¥ 7,805	$ 83,890
Provision for valuation allowance for operational investment securities	1,125	1,624	3,074	33,040
Financial charges	5,882	6,171	3,851	41,396
Rental and lease costs	5,069	3,627	4,740	50,940
Cost of sales arising from real estate business	41,163	12,051	3,869	41,582
Others, including administrative expenses	27,795	35,433	35,800	384,778
Total	¥115,344	¥63,634	¥59,139	$635,626

The cost of operational investment securities for the years ended March 31, 2008, 2009 and 2010 included write-downs of operational investment securities and securities held by funds of ¥2,041 million, ¥2,702 million and ¥702 million ($7,547 thousand), respectively.

21. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2008, 2009 and 2010 consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2008	2009	2010	2010
Compensation for directors	¥ 1,796	¥ 1,564	¥ 1,353	$ 14,548
Provision for allowance for doubtful accounts	2,768	3,181	2,140	23,007
Payroll and bonuses	8,812	10,018	9,971	107,167
Provision for retirement allowances for directors	24	35		
Retirement benefit costs	61	53	25	269
Provision for accrued bonuses	495	50	54	576
Subcontracting fees	9,265	9,827	10,413	111,917
Amortization of goodwill	2,460	6,002	7,765	83,454
Research and development costs	1,106	615	447	4,809
Others	37,830	31,540	29,803	320,327
Total	¥64,617	¥62,885	¥61,971	$666,074

22. 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, 2009 and 2010.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2009 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Deferred tax assets:			
Current:			
Write-down of operational investment securities	¥ 1,530	¥ 4,181	$ 44,942
Valuation allowance for operational investment securities	753	1,712	18,405
Allowance for doubtful accounts	709	1,259	13,527
Tax loss carryforwards	1,387	1,313	14,109
Accrued enterprise taxes	256	399	4,292
Unrealized gain on available-for-sale securities	990		
Other	800	1,373	14,756
Less valuation allowance	(510)	(1,100)	(11,822)
Total	5,915	9,137	98,209
Non-current:			
Tax loss carryforwards	13,706	14,230	152,943
Allowance for doubtful accounts	1,563	1,218	13,090
Write-down of investment securities	5,455	4,287	46,075
Reserve for liability for securities transactions	2,951	2,942	31,623
Other	1,324	2,179	23,422
Less valuation allowance	(14,498)	(9,813)	(105,477)
Total	10,501	15,043	161,676
Total	¥ 16,416	¥24,180	$ 259,885
Deferred tax liabilities:			
Current—unrealized gain on available-for-sale securities		¥ 4,430	$ 47,616
Total		4,430	47,616
Non-current:			
Unrealized gain on available-for-sale securities	¥ 278	1,198	12,872
Other	188	188	2,020
Total	466	1,386	14,892
Total	¥ 466	¥ 5,816	$ 62,508

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, 2008, 2009 and 2010 is as follows:

	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)%

	2010
Normal effective tax rate	**40.69%**
Permanent differences	**20.71**
Amortization of goodwill	**343.09**
Minority interests in fund, etc.	**50.47**
Investment loss on the equity method	**4.35**
Consolidated adjustments of loss on sale of consolidated subsidiaries	**(173.26)**
Change in valuation allowance	**(219.29)**
Other—net	**13.20**
Actual effective tax rate	**79.96%**

23. Leases

Lessee

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

Total rental expenses for the years ended March 31, 2008, 2009 and 2010 were ¥6,648 million, ¥6,578 million and ¥6,447 million ($69,288 thousand), respectively, including ¥2,265 million, ¥2,184 million and ¥1,851 million ($19,894 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, 2009 and 2010 was as follows:

	Millions of Yen							
	2009				2010			
	Building	Furniture and Equipment	Software	Total	Building	Furniture and Equipment	Software	Total
Acquisition cost	¥661	¥8,661	¥989	¥10,311	¥661	¥5,645	¥501	¥6,807
Accumulated depreciation	522	5,859	730	7,111	551	4,346	394	5,291
Net leased property	¥139	¥2,802	¥259	¥ 3,200	¥110	¥1,299	¥107	¥1,516

	Thousands of U.S. Dollars			
	2010			
	Building	Furniture and Equipment	Software	Total
Acquisition cost	$7,103	$60,679	$5,384	$73,166
Accumulated depreciation	5,919	46,712	4,242	56,873
Net leased property	$1,184	$13,967	$1,142	$16,293

Obligations under finance leases including interest portion as of March 31, 2009 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Due within one year	¥1,744	¥1,168	$12,559
Due after one year	1,653	484	5,199
Total	¥3,397	¥1,652	$17,758

Depreciation expense and interest expense under finance leases for the years ended March 31, 2008, 2009 and 2010 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2008	2009	2010	2010
Depreciation expense	¥2,149	¥1,986	¥1,678	$18,035
Interest expense	111	92	53	574
Total	¥2,260	¥2,078	¥1,731	$18,609

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, 2009 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Due within one year	¥7	¥1	$16
Due after one year	2	1	7
Total	¥9	¥2	$23

Lessor

The net investments in leases as of March 31, 2009 and 2010 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Gross lease receivables	¥14,862	**¥12,566**	**$135,062**
Unguaranteed residual values	40	**39**	**420**
Unearned interest income	(865)	**(645)**	**(6,932)**
Investment in lease, current	¥14,037	**¥11,960**	**$128,550**

Maturities of lease receivables for finance leases that deem to transfer ownership of the leased property to the lessee as of March 31, 2010 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year Ending March 31	2010	2010
2011	¥2,077	$22,329
2012	1,861	20,002
2013	1,357	14,586
2014	704	7,564
2015	321	3,448
2016 and thereafter		
Total	¥6,320	$67,929

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, 2010 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year Ending March 31	2010	2010
2011	¥ 3,177	$ 34,146
2012	2,452	26,361
2013	2,105	22,620
2014	1,885	20,256
2015	1,761	18,931
2016 and thereafter	1,186	12,748
Total	¥12,566	$135,062

The future minimum lease receivables under noncancelable operating leases at March 31, 2009 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Due within one year	¥2	**¥2**	**$19**
Due after one year	2		**6**
Total	¥4	**¥2**	**$25**

The lease receivables and lease investment assets under sublease transaction recorded at the amount including interest portion as of March 31, 2009 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Current assets	¥8,474	**¥7,231**	**$77,714**

Obligations under sublease transaction recorded at the amount including interest portion as of March 31, 2009 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2010	2010
Current liabilities	¥1,350	¥1,530	$16,449
Long-term liabilities	6,682	5,152	55,371

24. Related Party Information

a. Related Party Transactions

Transactions of SBI with unconsolidated subsidiaries and affiliated companies for the years ended March 31, 2008, 2009 and 2010 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2008	2009	2010	2010
Loan receivable		¥15,000		
Interest income		143		

Transactions of SBI with the Company's Representative Director and CEO for the years ended March 31, 2008, 2009 and 2010 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2008	2009	2010	2010
Sales of common stock	¥350	¥1,002	¥2,975	$31,977
Loans payable		900		
Repayment of loans payable		900		
Interest expense		6		

b. Significant Related Companies Information

Summarized financial information of SBI Sumishin NetBank, Ltd. as a significant related company for the year ended March 31, 2010 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2010	2010
Total assets	¥1,248,640	$13,420,469
Total liabilities	1,222,011	13,134,262
Total equity	26,629	286,207
Operating revenues	20,739	222,903
Income before income taxes	2,323	24,966
Net income	2,316	24,893

25. Financial Instruments and Related Disclosures

On March 10, 2008, the ASBJ revised ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. SBI applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) Group Policy for Financial Instruments

SBI is engaged in a wide range of financial related businesses such as investment businesses, fund management businesses, securities businesses, leasing businesses, loan businesses, credit card businesses, and insurance businesses to avoid excessive concentration of risk on specific entities or businesses.

To operate these businesses, SBI raises funds by indirect financing such as bank borrowing, direct financing such as bond issuance and equity financing, and transaction with securities finance companies, considering market environment and the balance of short and long term financing.

SBI enters into foreign currency forward contracts and interest swap transactions primarily to hedge foreign exchange risk and to manage its interest rate exposures on borrowings and does not hold or issue them for speculative purpose. SBI enters into stock index futures for the purpose of day trading or capping of the size of their transactions. Foreign exchange margin transactions are used for business purpose and for avoiding the risk of developing from transactions to clients. One to one transaction is conducted to counterparties based on the "Position Management Rule."

(2) Nature and Extent of Risks Arising from Financial Instruments

Financial assets held by SBI primarily consist of investment-related assets, securities-related assets and financing-related assets.

Investment-related assets include marketable securities, operational investment securities, and investment securities, which primarily represent equity interests in stocks and funds. These assets are held through the Company or certain consolidated subsidiaries (including the consolidated investment funds) of the Company for the purpose of alliance with or aiming at either income or capital gain. These assets are exposed to the issuer's credit risk and the stock price fluctuation risk. Furthermore, unlisted equity securities have low liquidity and investment assets denominated in foreign currency are exposed to the risk of exchange fluctuations.

Securities-related assets consist of trading assets, margin transaction assets, short-term guarantee deposits and cash required to be segregated under regulations. These assets are exposed to the credit risk of the brokerage customers of some of the consolidated subsidiaries, securities finance companies, and financial institutions as well as the interest-rate risk.

Financing-related assets consist of operational loans receivable, lease receivables and lease investment assets and accounts receivable. These assets include real-estate loans for domestic companies and individuals, unsecured personal loans, lease receivables and lease investment assets for domestic operational companies and the proceeds from the sales of leasing business or credit card business. These assets are exposed to the credit risk of accounts such as failure of the performance of obligations due to worsening economic circumstances together with the credit risk.

Financial liabilities of SBI primarily consist of borrowings, bonds and securities-related liabilities.

Borrowings create credit risk by change or reluctance of financial institutions toward SBI while bonds are subject to credit risk through finance limitation caused not only by the market environment but also by lower credit ratings.

Securities-related liabilities consist of margin transaction liabilities, loans secured by securities on repurchase agreement transactions, consignment guarantee money received for margin transactions, customers' deposits as collateral for commodity futures and customers' deposits for securities transactions. The financing environment of the security business operated by SBI's certain subsidiaries is affected by the business policy of security finance companies and change in customers' investment strategy. However, our control to match the financing with the related security assets is considered to reduce the resulting risks.

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. Stock index futures are managed as a part of investment business and exposed to market risk. Because the counterparties to foreign currency forward contracts and interest rate swap agreements are limited to major domestic financial institutions, and stock index futures are traded in the public market, the credit risk arising from non-performance is considered minimal. Foreign exchange margin transactions are used with customers for business purpose as well as avoiding the risk developing from transactions with customers. Foreign exchange margin transactions are subject to market risk such as interest and foreign exchange rate, and credit risk for customers. Transactions with counterparties are subject to credit risk and settlement risk.

(3) Risk Management for Financial Instruments

In order to secure financial strength and operational health, SBI has basic risk control policy to grasp and analyze relevant risks and launch appropriate integrated risk control measures. SBI's control policy for credit risk, market risk, and liquidity risk are as follows:

Credit risk management

(a) Accurately analyze financial conditions of investees/borrowers and quantify relevant credit risk.
(b) Appropriately manage the balance between own capital and risk by periodic monitoring.
(c) In case of foreign investments or lending, identify intrinsic risk of investees/borrowers through collaboration with domestic/foreign offices as well as with overseas partners followed by periodic monitoring.
(d) Recognize investment risk as significant risk to be controlled among various credit risks, and perform detailed analysis of increase/decrease in risk associated with operational investment securities.

Market risk management

(a) Understand underlying currency and term of assets, and quantify market risk.
(b) Appropriately manage the balance between own capital and risk by periodic monitoring.
(c) Never enter into derivative transactions for speculative purposes without established operating rules.

Liquidity risk management

(a) Secure various means of financing such as bank overdraft arrangement, bond issuance registration or stock issuance.
(b) Collect information on SBI's capital needs and understand accurate cash flow positions.
(c) Acknowledge cash flow risk as the significant risk to be controlled among various liquidity risks, receive reports from the department responsible of cash management based upon the liquidity risk management policies stated in (a) and (b) above.

With these policies, SBI assigns a risk management officer who is in charge of risk management and sets up a risk management department in line with the risk management rules and the group risk control rules in order to properly analyze and control the risks. Such risk management department periodically and constantly analyzes and controls SBI's risk conditions.

(4) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted price in active markets. If quoted price is not available, other rational valuation techniques are used instead. As the fair value determination takes variable factors into consideration, such fair values may fluctuate by using different assumptions. The contract amounts of derivative transactions disclosed in this Note do not represent market risk of those derivatives. Also please see Note 26 for the detail of fair value for derivatives.

(a) Fair value of financial instruments

	Millions of Yen		
As of March 31, 2010	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥142,582	¥142,582	
Time deposits	1,233	1,233	
Cash required to be segregated under regulations	318,909	318,909	
Notes and accounts receivable—trade	8,484	8,509	¥ 25
Operational investment securities, investment securities and investments in affiliated companies:			
Available-for-sale	33,697	33,697	
Investments in affiliated companies	1,134	1,136	2
Lease receivables and lease investment assets	17,924	18,063	139
Operational loans receivable	34,694		
Allowance for doubtful accounts	(1,080)		
Operational loans receivable—net	33,614	35,984	2,370
Trading assets—Trading securities	1,027	1,027	
Margin transaction assets	261,641	261,641	
Short-term guarantee deposits	5,944	5,944	
Total	¥826,189	¥828,725	¥2,536
Short-term debt	¥167,915	¥167,915	
Current portion of long-term debt	300	300	
Income taxes payable	4,953	4,953	
Margin transaction liabilities	150,037	150,037	
Loans secured by securities on repurchase agreement transactions	63,781	63,781	
Consignment guarantee money received for margin transactions	222,530	222,530	
Customers' deposits as collateral for commodity futures	59,844	59,844	
Customers' deposits for securities transactions	31,176	31,176	
Long-term debt	40,988	40,994	¥ 6
Total	¥741,524	¥741,530	¥ 6
Derivative transactions	¥ 735	¥ 735	

As of March 31, 2010	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	$1,532,479	$1,532,479	
Time deposits	13,250	13,250	
Cash required to be segregated under regulations	3,427,653	3,427,653	
Notes and accounts receivable—trade	91,185	91,452	$ 267
Operational investment securities, investment securities and investments in affiliated companies:			
Available-for-sale	362,179	362,179	
Investments in affiliated companies	12,186	12,215	29
Lease receivables and lease investment assets	192,652	194,145	1,493
Operational loans receivable	372,898		
Allowance for doubtful accounts	(11,614)		
Operational loans receivable—net	361,284	386,758	25,474
Trading assets—Trading securities	11,038	11,038	
Margin transaction assets	2,812,137	2,812,137	
Short-term guarantee deposits	63,887	63,887	
Total	$8,879,930	$8,907,193	$27,263
Short-term debt	$1,804,760	$1,804,760	
Current portion of long-term debt	3,224	3,224	
Income taxes payable	53,242	53,242	
Margin transaction liabilities	1,612,604	1,612,604	
Loans secured by securities on repurchase agreement transactions	685,520	685,520	
Consignment guarantee money received for margin transactions	2,391,764	2,391,764	
Customers' deposits as collateral for commodity futures	643,207	643,207	
Customers' deposits for securities transactions	335,082	335,082	
Long-term debt	440,546	440,613	$ 67
Total	$7,969,949	$7,970,016	$ 67
Derivative transactions	$ 7,899	$ 7,899	

Assets

Cash and Cash Equivalents, Time Deposits, Cash Required to Be Segregated under Regulations, and Short-Term Guarantee Deposits

The fair values are measured at the book values as they approximate the book values because of their short maturities.

Notes and Accounts Receivable—Trade

With respect to notes and accounts receivable with short maturities, fair values are measured at the book values as they approximate the book values.

The fair values of receivables settled over a long-term such as installment sales receivables are measured at the present value of the future cash inflow discounted at the assumed discount rate considering government rates and credit risk rates, by classifying into each type of receivables.

Operational Investment Securities, Investment Securities and Investments in Affiliated Companies, and Trading Assets

The fair values of equity securities are measured at the quoted market price of the stock exchange. The fair values of bonds are measured at the quoted market price of the stock exchange or the price provided by financial institutions. The fair values of investment trust are measured at the basic price announced by financial institutions. The fair values of investments in funds are measured at the fair values of partnership assets based on SBI's percentage share in the contributed capital, if such fair values are available.

The information of the fair value for the marketable and investment securities by classification is included in Note 6.

Lease Receivables and Lease Investment Assets
The fair values of lease receivables and lease investment assets are measured at the present value of the future cash inflow discounted at the assumed discount rate considering government rates and credit risk rates, by classifying into each type of receivables.
Margin Transaction Assets
With respect to receivables from customers of margin transaction assets, the fair values are measured at the book value as the interest rates of the loans are floating rate and reflect the market interest rate within a short period so that, unless the borrower's credit condition changes significantly, the fair values are considered to approximate the book values.

Of these receivables, the fair values of those without set maturity date due to certain conditions such as the placing of a cap on the amount of loans which do not exceed the value of pledged assets, are measured at the book value as, based on the expected repayment term and the terms of interest, the fair values are considered to approximate the book values.

With respect to cash deposits as collateral for securities borrowed of margin transaction assets, the fair values are measured at the book value as for their short maturities.
Operational Loans Receivable
The fair values of operational loans receivable are measured at the present value of the future cash inflows, which are classified into different types of receivables and discounted at the rate determined by reference to an appropriate index such as government bond yield adjusted with relevant credit risk.

As the estimated credit losses are provided based on the individual assessment of recoverability for loans receivable held by certain consolidated subsidiaries with corporate restructuring business, the fair values are considered to approximate the book values, which are derived by deducting estimated credit losses from the balance sheet amount as of the consolidated closing date and are measured at such amount.

Liabilities
The fair values of liabilities other than long-term debt are measured at the book values as they approximate the book values because of their short maturities.

With respect to long-term debt with floating interest rates, the fair values are measured at the book value as the interest rates of the debt reflect the market interest rate within a short period as the credit condition of consolidated subsidiaries that obtained the debt are not expected to change significantly.

With respect to long-term debt with fixed rate, the fair values are measured at the present value of the future cash outflows, where the sum of principal and interest at certain intervals, or the sum of principal and interest determined using interest swap rates for which the special hedge accounting treatment is used, is discounted at the discount rate that may be applicable for similar types of debt.
Derivatives
The information of the fair value for derivatives is included in Note 26.

(b) Financial instruments whose fair value cannot be reliably determined

	Carrying Amount	
As of March 31, 2010	Millions of Yen	Thousands of U.S. Dollars
Available-for-sale securities:		
Unlisted equity securities	¥90,051	$ 967,882
Unlisted bonds—convertible bonds	2,365	25,414
Investments in funds	6,680	71,799
Stock acquisition rights	31	333
Total	¥99,127	$1,065,428
Investments in consolidated subsidiaries and affiliated companies:		
Unlisted equity securities	¥28,370	$ 304,922
Investments in funds	453	4,864
Total	¥28,823	$ 309,786

Above are excluded from the “Fair value of financial instruments” information as there is no market value and it is extremely difficult to measure the fair value.

(5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of Yen					
March 31, 2010	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years
Cash and cash equivalents	¥142,582					
Time deposits	1,233					
Notes and accounts receivable—trade	8,068	¥ 324	¥ 76	¥ 12	¥ 3	¥ 1
Operational investment securities, investment securities and investments in unconsolidated subsidiaries and affiliated companies—Corporate bonds	60	150	50			
Cash required to be segregated under regulations	318,909					
Operational loans receivable	22,899	3,434	2,229	1,106	836	4,190
Margin transaction assets	261,641					
Short-term guarantee deposits	5,944					
Total	¥761,336	¥3,908	¥2,355	¥1,118	¥839	¥4,191

	Thousands of U.S. Dollars					
March 31, 2010	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years
Cash and cash equivalents	$1,532,479					
Time deposits	13,250					
Notes and accounts receivable—trade	86,714	$ 3,479	$ 820	$ 133	$ 30	$ 9
Operational investment securities, investment securities and investments in unconsolidated subsidiaries and affiliated companies—Corporate bonds	645	1,612	538			
Cash required to be segregated under regulations	3,427,653					
Operational loans receivable	246,120	36,911	23,958	11,885	8,986	45,038
Margin transaction assets	2,812,137					
Short-term guarantee deposits	63,887					
Total	$8,182,885	$42,002	$25,316	$12,018	$9,016	$45,047

Maturity analysis for lease receivables and lease investment assets is included in Note 23.

(6) Maturity Analysis for Long-Term Debt and Other Interest Bearing Debt

March 31, 2010	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years
	Millions of Yen					
Short-term debt	¥167,915					
Short-term bonds payable	300					
Margin transaction liabilities—Payable to financial institutions	48,813					
Long-term debt	13,368	¥10,066	¥16,494	¥100		¥960
Total	¥230,396	¥10,066	¥16,494	¥100		¥960

March 31, 2010	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years
	Thousands of U.S. Dollars					
Short-term debt	$1,804,760					
Short-term bonds payable	3,224					
Margin transaction liabilities—Payable to financial institutions	524,645					
Long-term debt	143,685	$108,190	$177,278	$1,075		$10,318
Total	$2,476,314	$108,190	$177,278	$1,075		$10,318

26. Derivatives

As noted in Note 25, the Company applied ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." The accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010; therefore, the required information is disclosed only for 2010.

Derivative Transactions to Which Hedge Accounting Is Not Applied at March 31, 2010

March 31, 2010	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
	Millions of Yen			
Foreign currency forward contracts:				
Short	¥ 28			
Long	29			
Foreign exchange margin transactions:				
Short	112,661		¥(1,753)	¥(1,753)
Long	112,078		2,486	2,486
Total			¥ 733	¥ 733
Stock price index futures—Long	63		¥ 2	¥ 2

March 31, 2010	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
	Thousands of U.S. Dollars			
Foreign currency forward contracts:				
Short	$ 295		$ (4)	$ (4)
Long	309			
Foreign exchange margin transactions:				
Short	1,210,887		(18,837)	(18,837)
Long	1,204,623		26,721	26,721
Total			$ 7,880	$ 7,880
Stock price index futures—Long	673		$ 18	$ 18

The fair values of foreign currency forward contracts, foreign exchange margin transactions and stock price index futures were stated at market values using forward exchange rates, spot exchange rates and quoted closing price of the principal stock exchanges, respectively, on the balance sheet date.

Derivative Transactions to Which Hedge Accounting Is Applied at March 31, 2010

				Millions of Yen
March 31, 2010	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps—fixed rate payment, floating rate receipt	**Long-term debt**	**¥3,650**	**¥1,730**	

				Thousands of U.S. Dollars
March 31, 2010	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate swaps—fixed rate payment, floating rate receipt	**Long-term debt**	**$39,230**	**$18,594**	

For certain long-term debt for which interest rate swaps are used to hedge the interest-rate fluctuation, the fair value of derivative financial instruments are included in the fair value of long-term debt as hedged items.

The following is the fair value information for SBI's derivatives to which hedge accounting is not applied at March 31, 2009.

				Millions of Yen
	Assets		Liabilities	
March 31, 2009	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

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 was 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.

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the SBI's exposure to credit or market risk.

27. Contingent Liabilities

a. Credit Guarantees

Credit guarantees as of March 31, 2010 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Guarantees of bank loans	¥542	$5,829

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 SBI Incubation Co., Ltd. (a consolidated subsidiary of the Company, "SBIncu" and formerly Partners Investment Co., Ltd. ("PTIV")) in the aggregate amount of ¥11,367 million ($122,172 thousand) as of March 31, 2010, 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.

PTIV has been merged into SBIncu in November 2009.

28. 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, 2008, 2009 and 2010 was as follows:

	Millions of Yen	Shares	Yen
Year Ended March 31, 2008	Net Income (Loss)	Weighted-Average Shares	EPS
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
Year Ended March 31, 2009			
Basic EPS—Net loss available to common shareholders	¥(18,375)	14,909,151	¥(1,232.48)

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

	Millions of Yen	Shares	Yen	U.S. Dollars
Year Ended March 31, 2010	Net Income (Loss)	Weighted-Average Shares		EPS
Basic EPS—Net income available to common shareholders	¥2,350	16,750,592	¥140.30	$1.51
Effect of dilutive securities—Warrants	(387)	49,358		
Diluted EPS—Net income for computation	¥1,963	16,799,950	¥116.84	$1.26

29. Segment Information

SBI operates in the following business segments:

"Asset Management Business" primarily consists of fund management and investment in Internet technology, environmental energy, financial-related, biotechnology and restructuring companies.

"Brokerage and 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, 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, 2008, 2009 and 2010 was as follows:

(1) Business Segments

a. Revenue and Operating Income (Loss)

Millions of Yen

Year Ended March 31, 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

Year Ended March 31, 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

Year Ended March 31, 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

March 31, 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

Note: 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 for the year ended March 31, 2009.

a. Revenue and Operating Income (Loss)

Millions of Yen

Year Ended March 31, 2010	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	¥20,195	¥46,986	¥24,442	¥29,406	¥3,513	¥124,542		¥124,542
Intersegment revenue		3,137	1,164	2	1,117	5,420	¥(5,420)	
Total revenue	20,195	50,123	25,606	29,408	4,630	129,962	(5,420)	124,542
Operating expenses	18,332	40,748	25,399	29,444	5,145	119,068	2,042	121,110
Operating income (loss)	¥ 1,863	¥ 9,375	¥ 207	¥ (36)	¥ (515)	¥ 10,894	¥(7,462)	¥ 3,432

b. Total Assets, Depreciation and Capital Expenditures

Millions of Yen

March 31, 2010	Asset Management Business	Brokerage & Investment Banking Business	Financial Services Business	Housing and Real Estate Business	System Solution Business	Total	Eliminations/ Corporate	Consolidated
Total assets	¥203,216	¥880,835	¥96,918	¥118,047	¥8,404	¥1,307,420	¥(77,480)	¥1,229,940
Depreciation	535	2,324	1,003	430	193	4,485	84	4,569
Capital expenditures	213	6,673	3,676	629	757	11,948		11,948

a. Revenue and Operating Income (Loss)

Thousands of U.S. Dollars

Year Ended March 31, 2010	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	$217,057	$505,012	$262,699	$316,065	$37,753	$1,338,586		$1,338,586
Intersegment revenue		33,710	12,514	17	12,010	58,251	$(58,251)	
Total revenue	217,057	538,722	275,213	316,082	49,763	1,396,837	(58,251)	1,338,586
Operating expenses	197,028	437,959	272,990	316,469	55,303	1,279,749	21,951	1,301,700
Operating income (loss)	$ 20,029	$100,763	$ 2,223	$ (387)	$ (5,540)	$ 117,088	$(80,202)	$ 36,886

b. Total Assets, Depreciation and Capital Expenditures

Thousands of U.S. Dollars

March 31, 2010	Asset Management Business	Brokerage & Investment Banking Business	Financial Services Business	Housing and Real Estate Business	System Solution Business	Total	Eliminations/ Corporate	Consolidated
Total assets	$2,184,174	$9,467,267	$1,041,679	$1,268,782	$90,327	$14,052,229	$(832,758)	$13,219,471
Depreciation	5,752	24,982	10,784	4,621	2,070	48,209	898	49,107
Capital expenditures	2,294	71,727	39,504	6,756	8,133	128,414		128,414

Notes: 1. Operating expenses mainly incurred in the Company's administrative headquarters cannot be allocated based upon the business segments above and, therefore, are included in "Eliminations/corporate" of operating expenses with the aggregate amount of ¥3,730 million, ¥4,715 million and ¥4,982 million ($53,549 thousand) for the years ended March 31, 2008, 2009 and 2010, respectively.

2. Total corporate assets of ¥12,108 million, ¥6,882 million and ¥17,071 million ($183,481 thousand) included in "Eliminations/corporate" of total assets as of March 31, 2008, 2009 and 2010, respectively, mainly consisted of surplus funds (cash, bank deposits and cash in trust).

(2) Geographical Segments

Operating revenue and identifiable assets of consolidated foreign subsidiaries are not significant; therefore, geographical segment information is not presented herein.

(3) Revenue from Foreign Customers

Millions of Yen

Year Ended March 31, 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

Year Ended March 31, 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%

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, 2010 is not significant; therefore, foreign revenue information is not presented herein.

30. Subsequent Events

a. Appropriations of Retained Earnings

At the Board of Directors meeting held on May 26, 2010, the following appropriation of retained earnings was approved:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥100 ($1.07) per share	¥1,677	$18,022

b. Issuance of New Shares

At the meeting of the Board of Directors held on June 7, 2010, the Board of Directors approved the issuance of new shares through a public offering. Subsequently on June 23, the related capital payment was completed. The outline of this new share issuance is as follows:

(1) Class and number of shares offered:	3,112,000 shares of common stock
(2) Issue price:	¥11,346 per share
(3) Total issue amount:	¥35,308 million
(4) Issue price to be transferred to capital:	¥5,673 per share
(5) Total issue amount to be transferred to capital:	¥17,654 million
(6) Purpose:	The Company expects to use these funds for investment in internal and external funds and investment and finance for financial subsidiaries and foreign financial agencies.

At the same Board of Directors meeting on June 7, 2010, the Board of Directors approved a new share issuance through third-party allocation to Daiwa Securities Capital Markets Co. Ltd. ("DSCM"), the lead Manager of the aforementioned new share issuance through the public offering, associated with their sales of the new shares through over-allotment. The outline of third-party allocation is as follows:

(1) Class and number of shares offered:	288,000 shares of common stock
(2) Issue price:	¥11,346 per share
(3) Total amount of issue price:	Up to ¥3,267 million
(4) Issue price to be transferred to capital:	¥5,673 per share
(5) Total issue amount to be transferred to capital:	¥1,634 million
(6) Allottee:	Daiwa Securities Capital Markets Co. Ltd.
(7) Subscription period:	July 13, 2010
(8) Payment date:	July 14, 2010

However, the above-mentioned new share issuance through third-party allocation to DSCM was subsequently cancelled on July 9, 2010.