

January 15, 2008  
SBI Holdings, Inc.  
(TOKYO: 8473)

**Notice regarding basic agreement on proposed share exchange  
to make SBI E\*TRADE SECURITIES a wholly-owned subsidiary of SBI Holdings**

SBI Holdings, Inc. (SBIH) and SBI E\*TRADE SECURITIES Co., Ltd. (SBIET) announced today that SBIH and SBIET have signed a basic agreement with regard to the proposed share exchange agreement to make SBIET a wholly-owned subsidiary of SBIH, subject to approval by both shareholders.

**1. Purpose of the Share Exchange to make SBIET a wholly-owned subsidiary of SBIH**

The SBIH Group has continued its endeavors in expanding the Asset Management Business, the Brokerage and Investment Banking Business, the Financial Services Business, and the Housing and Real Estate Business. Meanwhile, in September 2007, SBI Sumishin Net Bank started its operations, the Internet nonlife insurance company is scheduled to start its operation on January 16, 2008, and the Internet life insurance company is in preparations to start its operations. Through these businesses, SBIH is in the process of rapidly building itself into a full fledged Internet-based financial conglomerate.

Within these circumstances, not only does SBIET contribute significantly to the consolidated revenues of SBIH, but it possesses a customer base of 1.6 million accounts of savvy Internet users. Also, for the SBIH Group to maximize mutual synergies that exist within the group companies to create a truly one-stop service, SBIET is a vital part of the organization. Therefore, making SBIET a wholly-owned subsidiary will provide management with the ability to make any necessary decisions to provide for the active and optimal use of its business resources which will lead to the maximization of the SBIH Group's corporate value.

Moreover, these days both the stock exchange and brokerage firms have become more negative about a parent and subsidiary company listing. This is true especially in cases where the consolidated subsidiary's contribution to the parent company's revenues and profits are significant, and there is a substantive business relationship between the two companies. In such cases, new public offering of a company is strongly refuted. Given these circumstances, in order to comply with the requirements of today's marketplace, SBIH has resolved to end the subsidiary listing of SBIET.

Most recently at SBIET, management has been successful in significantly expanding its business base, as well as enhancing the brand image and cultivating customer trust. They have also been successful in raising capital and maintaining a certain level of revenues and profits under adverse market conditions, and therefore their capital needs for equipment and the margin trading business has been lessened. In a competitive market environment where only the strong survive, SBIET has consistently maintained its leading position among the online securities companies. Also, the company is positioning itself to compete successfully with the major traditional brokerage firms. In that regard, SBIET management is keenly aware of its need to cooperate more closely with the SBIH Group in order to offer its customers

the value-added financial services that they deserve.

By making SBIET its wholly-owned subsidiary, SBIH will further deepen SBIET's relationship with the Group companies, so that the highest levels of synergistic business opportunities may be employed, and a true one-stop financial service center may be realized. This will lead to SBIH becoming a truly unique global Internet-based financial conglomerate that is capable of providing a high level service to its various client base. Through this process we expect to create further substantial shareholder value for our existing shareholders, as well as for those SBIET shareholders who will become new shareholders of SBIH stock.

## 2. Outline of the Share Exchange

### (1) Schedule for the Share Exchange

Signing of basic agreement	January 15, 2008
Board meetings to approve share exchange agreement	January 29, 2008*
Signing of share exchange agreement	January 29, 2008*
Record date of general shareholders' meeting	March 31, 2008*
General shareholders' meeting to approve share exchange	June 27, 2008*
Delisting date of SBIET	July 28, 2008*
Effective date of share exchange	August 1, 2008*

\*tentative

### (2) Share exchange ratio

	SBIH (to be parent company)	SBIET (to be wholly-owned subsidiary)
Share Exchange Ratio	1	3.55

(Note 1) Share allotment ratio: SBIH shall allocate 3.55 shares for each SBIET share. If there is a fraction of a share within the number of shares to be allocated, SBIH's shares equal to the total of the fraction (if the total includes fractions of a share, the fractions will be omitted) will be sold to allocate its proceeds to the corresponding shareholder, according to the regulation prescribed in Article 234 of the Company Law. SBIH will not allocate any shares in the Share Exchange for the 1,932,485 shares of SBIET that it held as of December 31, 2007.

(Note 2) Shares to be issued in the Share Exchange: In the Share Exchange, SBIH will issue to SBIET shareholders (being the beneficial shareholders, excluding SBIH), in exchange for their common shares, the amount of common shares of SBIH equal to the aggregate number of shares held as of the day preceding the effective date (the effective date being August 1, 2008) by all shareholders entered or recorded in the final SBIET shareholders' register (including the beneficial shareholders' register) multiplied by 3.55. SBIH will use treasury stock for the 1,109,000 common shares and issue new shares for the remaining.

(Note 3) If significant changes in the results of due diligence or the terms and conditions base of calculation occur, SBIH and SBIET may make changes to the above ratio upon discussions.

(3) Basis for calculation of the allotment concerning the Share Exchange

a. Basis and background for calculation

In order to ensure the fairness and appropriateness of the share exchange, SBIH requested Ernst & Young Transaction Advisory Services Co., Ltd. (E&Y), and SBIET requested KPMG FAS Co., Ltd. (KPMG), in each case as their respective third-party institutions to calculate the share exchange ratio, SBIH and SBIET took the calculation result into account and decided the share exchange ratio.

E&Y adopted a historical share price analysis as an evaluation method for the calculation of the share exchange ratio. Outlines of the calculation result are as follows:

- SBIH has been listed on the first section of both Tokyo Stock Exchange and Osaka Stock Exchange, and SBIET has been listed on JASDAQ Securities Exchange. Therefore, each share price was evaluated objectively by the share market. As a result of analysis, E&Y judged that a historical share price analysis was appropriate for the evaluation because each share price reflected each corporate value properly.
- E&Y set the last business day of the month prior to signing of the basis agreement (December 28, 2007) as a “record date of evaluation”, and calculated the average closing price per share of both SBIH and SBIET shares in the previous one-month period preceding record date of evaluation, in the previous two-month period preceding record date of evaluation, as well as in the previous three-month period preceding record date of evaluation. Furthermore, E&Y calculated the share exchange ratio based on the amount equivalent of one standard deviation were added to or subtracted from the average closing price per share of each three period, and set the range of share exchange ratio selecting the maximum and the minimum ratio in the calculated.
- Finally, E&Y calculated the range of share exchange ratio which was fully diluted in the same way.

According to the results of each analysis, evaluated the ranges of share exchange ratio are as follows:

	SBIH	SBIET
Range of share exchange ratio (Basic)	1	3.269 - 3.441
Range of share exchange ratio (Diluted)	1	3.305 - 3.474

- A comparable companies analysis was not adopted because it was difficult to select some appropriate comparable companies. Likewise, a net asset value analysis would not reflect the future earning capacity as the going concern. Furthermore, both SBIH and SBIET businesses are significantly impacted by the stock market fluctuation and it was difficult to estimate financial numbers appropriately in the future by a discount cash flow analysis. In addition to the above, E&Y thought that its evaluation would be made objectively by the historical share price analysis, other methods were not adopted.

As the third-party institution, E&Y calculated the share exchange ratio to report its result as a reference to be made decision by board of director of SBIH. E&Y's opinion does not address the fairness of the share exchange ratio.

KPMG adopted a historical share price analysis as an evaluation method for the

calculation of the share exchange ratio. Outlines of the calculation result are as follows:

- SBIH has been listed on the first section of Tokyo Stock Exchange, and SBIET has been listed on JASDAQ Securities Exchange. Each share prices and share trading situation during the past one-year period were analyzed. Due to these analyses and the situation that SBIH and SBIET businesses are significantly impacted by the stock market fluctuation, KPMG judged that a historical share price analysis was appropriate for the evaluation.
- KPMG set a “record date” on January 8, 2008, and calculated the share exchange ratio based on the average closing price per share of both SBIH and SBIET shares in the previous one-week period preceding record date, in the previous one-month period preceding record date, in the previous three-month period preceding record date, as well as in the previous six-month period preceding record date.

	SBIH	SBIET
Range of share exchange ratio	1	3.33 - 3.42

- A discount cash flow analysis was not adopted because both SBIH and SBIET businesses are significantly impacted by the stock market and it causes mid-and-long term business plan could not be disclosed due to difficulty of future financial forecast. Furthermore, an adjusted net asset analysis was not adopted because it was difficult to be reflected the goodwill which is future excess profits.

As the third-party institution, KPMG calculated the share exchange ratio to report its result as a reference to be made decision by board of director of SBIH. KPMG’s opinion does not address the fairness of the share exchange ratio.

SBIH and SBIET carefully considered calculation results of the share exchange ratio received from the third-party institutions, and as a result of subsequent negotiation and discussion between SBIH and SBIET which took into account this result and the situation that SBIET would become a wholly-owned subsidiary of SBIH through the share exchange, each company agreed and decided the share exchange ratio, and signed the basis agreement.

b. Relations with the calculation institutions

E&Y is not a related party of SBIH. Likewise, KPMG is not a related party of SBIET.

(4) Treatment of stock subscription rights and bonds with stock subscription rights for wholly-subsidized company utilizing Share Exchange

As a substitute for stock subscription rights of SBIET, SBIH’s stock subscription rights will be issued to the holders of stock subscription rights of SBIET on the occasion of this Share Exchange. The contents will be established in the stock exchange contract separately. Meanwhile, SBIET have not issued bonds with stock subscription rights.

### 3. SBIH and SBIET at a Glance (As of September 30, 2007)

(1) Company Name	SBI Holdings, Inc. (To be parent company)	SBI E*TRADE SECURITIES Co., Ltd. (To be wholly-owned subsidiary)
(2) Principal Business	Control and management of SBIH Group through share ownership	Financial products brokerage
(3) Date of Establishment	July 8, 1999	March 30, 1944
(4) Head Office Location	1-6-1, Roppongi, Minato-ku, Tokyo	1-6-1, Roppongi, Minato-ku, Tokyo
(5) Representative Director	Representative Director and CEO Yoshitaka Kitao	Representative Director and President Taro Izuchi
(6) Paid-in Capital	55,026 million yen	47,911 million yen
(7) Number of Shares Issued	12,415,453 shares (incl. 1,109,219 shares of treasury stock)	3,200,620 shares (incl. 241 shares of treasury stock)
(8) Net Assets	377,537 million yen (consolidated)	135,151 million yen (consolidated)
(9) Total Assets	1,296,302 million yen (consolidated)	836,712 million yen (consolidated)
(10) Fiscal Year End	March 31	March 31
(11) Number of Employees	2,239 (consolidated)	335 (consolidated)
(12) Principal Shareholders and Shareholding Ratios	The Master Trust Bank of Japan, Ltd. (Trust account) 4.86% Japan Trustee Service Bank, Ltd. (Trust account) 4.60%	SBI Holdings, Inc. 52.26%
(13) Main Financing Banks	Mizuho Corporate Bank, Ltd. Sumitomo Mitsui Banking Corporation Bank of Tokyo-Mitsubishi UFJ Mizuho Trust & Banking Co., Ltd.	Mizuho Corporate Bank, Ltd. The Sumitomo Trust & Banking Co., Ltd. Resona Bank, Ltd. Bank of Tokyo-Mitsubishi UFJ
(14) Significant Relationships between Parties	Capital	SBIH holds 1,672,752 shares of SBIET (52.26% of the issued and outstanding shares).
	Human Resources	Yoshitaka Kitao, Representative Director and CEO of SBIH, is also Chairman of the Board of SBIET.
	Transactions	N/A
	Other Related Parties	SBIET is a consolidated subsidiary and a related party of SBIH. SBIH is the parent company and a related party of SBIET.

(15) Financial Results of the Past 3 Fiscal Years (Consolidated/million yen)

Fiscal Year	SBI Holdings, Inc. (To be parent company)			SBI E*TRADE SECURITIES Co., Ltd. (To be wholly-owned subsidiary)		
	FY2004 (March, 2005)	FY2005 (March, 2006)	FY2006 (March, 2007)	FY2004 (March, 2005)	FY2005 (March, 2006)	FY2006 (March, 2007)
Sales (Operating Revenues)	81,511	137,247	144,581	27,174	60,213	57,412
Operating Income	24,869	49,595	23,095	11,112	30,011	24,543
Ordinary Income	27,291	51,365	90,696	11,343	30,077	24,571
Net Income	25,631	45,884	46,411	6,178	16,970	13,811
Net Income per share (yen)	3,579.29	4,957.08	4,040.51	2,425.47*	5,649.18	4,365.31
Dividend per share (yen)	350	600	1,200	766.67*	1,600	1,700
Net Assets per share (yen)	15,125.45	22,016.22	22,018.24	17,679.78*	37,751.31	40,686.53

\*SBIET conducted a 1-for-3 stock split on February 1, 2006. (The above figures are retroactively adjusted.)

**4. Conditions following the Share Exchange (tentative)**

(1) Company Name	SBI Holdings, Inc.
(2) Principal Business	Control and management of SBIH Group through share ownership
(3) Head Office Location	1-6-1, Roppongi, Minato-ku, Tokyo
(4) Representative Director	Representative Director and CEO Yoshitaka Kitao
(5) Paid-in Capital	There will be no changes to SBIH's capital.
(6) Total Assets	Not determined at present
(7) Net Assets	Not determined at present
(8) Fiscal Year End	March 31

(9) Outline of Accounting Treatment

As a category under the transactions commonly controlled by both parties, the share exchange is expected to fall under a transaction with minority shareholders. The value of goodwill that will be generated in connection with the share exchange has not been determined at present.

(10) Future Outlook

The impact of the share exchange on consolidated financial results has not been determined at present. Through making SBIET a wholly-owned subsidiary, promoting further cooperation among SBIET and SBIH Group companies and offering high value-added services to the customer, SBIH aims to increase the corporate value.

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