



Strategic Business Innovator

SBI HOLDINGS, INC.

(Incorporated in Japan with limited liability)

Stock Code: 6488

Global Offering of Depositary Receipts

(by way of a Secondary Listing in Hong Kong)

Sole Global Coordinator and Sole Sponsor

Daiwa
Capital Markets

Joint Bookrunners and Joint Lead Managers

Daiwa
Capital Markets

 **建银国际**
CCB International

IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



SBI HOLDINGS, INC.

(Incorporated in Japan with limited liability)

Global Offering of Depositary Receipts

(by way of a Secondary Listing in Hong Kong)

Total number of Offer HDRs under the Global Offering	:	17,500,000 HDRs (subject to the Over-allotment Option)
Number of Public Offer HDRs	:	1,750,000 HDRs (subject to adjustment)
Number of International Offer HDRs	:	15,750,000 HDRs (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	:	HK\$145.52 per Offer HDR (payable in full on application in Hong Kong dollars and subject to refund), plus brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%
Nominal value	:	Nil
Stock code	:	6488

Sole Global Coordinator and Sole Sponsor



Joint Bookrunners and Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix IX to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, in particular, the risk factors set out in "Risk Factors".

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, 6 April 2011 and, in any event, no later than Friday, 8 April 2011. The Offer Price will be not more than HK\$145.52 per HDR and is currently expected to be not less than the Discounted TSE Market Price, unless otherwise announced. If, for any reason, the Offer Price is not agreed by Friday, 8 April 2011 between the Sole Global Coordinator (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

The Sole Global Coordinator (on behalf of the Underwriters) may, with our consent, reduce the number of Offer HDRs being offered under the Global Offering below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offering. In such a case, notices of the reduction in the number of Offer HDRs will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Public Offering. Such notice will also be available at the website of the Stock Exchange at www.hkexnews.hk. If applications for Public Offer HDRs have been submitted prior to the day which is the last day for lodging applications under the Public Offering, such applications can be subsequently withdrawn if the number of Offer HDRs is so reduced. For further details, see "Structure and Conditions of the Global Offering" and "How to Apply for Public Offer HDRs".

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe or purchase, and to procure applicants for the subscription or purchase of, the Public Offer HDRs, are subject to termination by the Sole Global Coordinator (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Offer HDRs commences on the Hong Kong Stock Exchange. Such grounds are set out in "Underwriting — Grounds for Termination". It is important that you refer to that section for further details.

The Offer HDRs have not been and will not be registered under the US Securities Act and may not be offered or sold, pledged or transferred within the United States, except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act. The Offer HDRs are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the US Securities Act.

31 March 2011

EXPECTED TIMETABLE⁽¹⁾

Application lists for the Public Offering open⁽²⁾11:45 a.m. on Wednesday, 6 April 2011

Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC12:00 noon on Wednesday, 6 April 2011

Latest time to complete electronic applications under the **White Form eIPO** service through the designated website at www.eipo.com.hk⁽³⁾11:30 a.m. on Wednesday, 6 April 2011

Latest time to complete payment of **White Form eIPO** applications by effecting Internet banking transfer(s) or PPS payment transfer(s)12:00 noon on Wednesday, 6 April 2011

Application lists close⁽²⁾12:00 noon on Wednesday, 6 April 2011

Expected Price Determination Date⁽⁴⁾Wednesday, 6 April 2011

Announcement of:

- the Offer Price
- the indication of the level of interest in the International Placing
- the level of applications in the Public Offering; and
- the basis of allotment of the Public Offer HDRs

to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before⁽⁵⁾ . .Wednesday, 13 April 2011

Results of allocations in the Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels. (See "How to Apply for Public Offer HDRs — Results of allocations") fromWednesday, 13 April 2011

HDR certificates in respect of wholly or partially successful applications to be despatched on or beforeWednesday, 13 April 2011

Results of allocations in the Public Offering will be available at www.iporeresults.com.hk with a "search by ID" functionWednesday, 13 April 2011

Refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications to be despatched on or before^(6 to 11)Wednesday, 13 April 2011

White Form eIPO Refund payment instruction to be despatched on or beforeWednesday, 13 April 2011

Dealings in HDRs on the Hong Kong Stock Exchange expected to commence onThursday, 14 April 2011

Notes:

(1) All times refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in "Structure and Conditions of the Global Offering".

EXPECTED TIMETABLE⁽¹⁾

- (2) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 6 April 2011, the application lists will not open on that day. Further information is set out in “How to Apply for Public Offer HDRs — Effect of bad weather on the opening of the application lists”.
- (3) You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (4) The Offer Price is expected to be determined by Wednesday, 6 April 2011, but in any event, the expected date for determination of the Offer Price will not be later than Friday, 8 April 2011. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (on behalf of the Underwriters) and us by Friday, 8 April 2011, the Global Offering will not proceed.
- (5) If the Offer Price is determined on Wednesday, 6 April 2011, the announcement of the Offer Price, the level of indication of interest in the International Placing, the results of applications in the Public Offering and the basis of allocation of the Public Offer HDRs and the successful applicants’ identification document numbers will be published on or before Wednesday, 13 April 2011.
- (6) Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offering and also in respect of wholly or partially successful applications in the event that the Offer Price is less than the price payable on application. Further details are set out in the paragraphs headed “If your application for Public Offer HDRs is successful (in whole or in part)” and “Refund of application monies” in “Further Terms and Conditions of the Public Offering”.
- (7) Applicants who apply on **WHITE** Application Forms or **White Form eIPO** for 50,000 Public Offer HDRs or more under the Public Offering and have indicated on their Application Forms that they wish to collect any refund cheque(s) and/or HDR certificate(s) in person from the registrar for our HDRs, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, may do so in person from 9:00 a.m. to 1:00 p.m. on Wednesday, 13 April 2011. Applicants being individuals who are applying for 50,000 Public Offer HDRs or more and opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who are applying for 50,000 Public Offer HDRs or more and opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporations’ chop. Identification and (where applicable) authorisation documents acceptable to the registrar for our HDRs, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, must be produced at the time of collection.
- (8) Applicants who apply on **YELLOW** Application Forms for 50,000 Public Offer HDRs or more under the Public Offering may collect their refund cheque(s), where applicable, in person but may not elect to collect their HDR certificate(s), which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants specified in note (6) above.
- (9) Applicants who apply for Public Offer HDRs by giving electronic application instructions to HKSCC should refer to “How to Apply for Public Offer HDRs — How to apply by giving electronic application instructions to HKSCC” for details.
- (10) Uncollected HDR certificates and refund cheques will be despatched by ordinary post at the applicants’ own risk to the addresses specified on the relevant Application Forms. Further details are set out in the paragraphs headed “If your application for the Public Offer HDRs is successful (in whole or in part)” and “Refund of application monies” in “Further Terms and Conditions of the Public Offering”.

HDR certificates for the Public Offer HDRs are expected to be issued on Wednesday, 13 April 2011, but will only become valid certificates of title provided that (i) the Global Offering has become unconditional in all respects; and (ii) the right of termination as described in “Underwriting” has not been exercised which is scheduled to be at 8:00 a.m. on Thursday, 14 April 2011.

For details of the structure of the Global Offering, including the conditions thereof, please refer to “Structure and Conditions of the Global Offering”.

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You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus or the Application Forms must not be relied on by you as having been authorised by our Company, the Sponsor, the Underwriters, any of our or their respective directors, officers, representatives or affiliates, or any other person involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer HDRs.

There are risks associated with any investment. Some of the particular risks in investing in the Offer HDRs are set out in “Risk Factors”. You should read that section carefully before you decide to invest in the Offer HDRs.

We are primarily governed by Japanese laws and are principally subject to the Companies Act and the TSE and OSE Listing Regulations. Japanese laws and regulations differ in a number of respects from comparable laws and regulations of Hong Kong. We have applied for, and been granted, waivers from certain requirements of Hong Kong laws, rules and regulations by the Hong Kong Stock Exchange and the SFC. Shareholders and HDR Holders will not have the benefit of those Hong Kong laws, rules and regulations that are waived. Additionally, those waivers could be revoked, exposing us, our Shareholders and HDR Holders to additional legal and compliance obligations. See “Waivers and Voluntary Measures” for details of these waivers. There are certain residual differences between the shareholder protection regimes in Japan and Hong Kong. For further details, please see “Appendix V — Summary of the Constitution of our Company, Certain TSE and OSE Listing Regulations and Japanese Corporations Law” and “Appendix VI — Shareholder Protection Matters” for details of the differences in respect of material shareholder protections.

CURRENT EVENTS IN JAPAN

On 11 March 2011, an earthquake measuring 9.0 degrees on the Richter scale occurred in Tohoku district, northeast of Tokyo which, coupled with aftershocks in the days after the earthquake, associated tsunami waves on the east coast of Japan and a nuclear plant crisis in Fukushima in Japan, caused considerable physical and economic damage to Japan (the “Recent Earthquake”). With the exception of one three-story vacant commercial property located in an area affected by the Recent Earthquake (the “Affected Property”), which has suffered what appears to be relatively minor exterior damage, all of our properties are located in the areas unaffected by the Recent Earthquake, and have been unaffected. The condition of the interior of the Affected Property has yet to be determined. Based on our initial investigation and site inspections, our office premises, operational quarters, and property interests have not suffered any material damage, and we have not incurred any significant loss as a result of the Recent Earthquake. Our main businesses, including our brokerage, internet bank, credit card and insurance businesses, are operating, and major websites and servers operated by the Group are functioning normally. Moreover, none of our officers and employees suffered from any personal injuries or deaths.

As a result of the Recent Earthquake, there has been great uncertainty in the Japanese economy and great volatility on the Japanese stock market. We anticipate that both the Japanese economy and the Japanese stock market, as well as our Share prices on the TSE and the OSE, will remain extremely volatile in the short-term until the potential consequential events (such as the possibility of aftershocks and nuclear leakage) as a result of the Recent Earthquake have stabilized or settled in Japan. Due to the significant volatility of the economic and capital market conditions, our financial results for the year ending 31 March 2011 may be adversely affected. However, we are currently unable to ascertain the specific impact which the fluctuations in the capital market might have on the Group’s financial performance and position for the year ending 31 March 2011 because of the extreme volatility of the current economic and capital market conditions, the uncertainty of the aftermath of the Recent Earthquake mentioned above, the fact that our current financial year has not yet ended as at the Latest Practicable Date, the fair value

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of our equity interests in our listed subsidiaries, listed investment securities, property interests and other assets will be determined only after the Latest Practicable Date as at 31 March 2011 and our financial results will not become available until after the Listing Date and around the end of April 2011.

Moreover, as a result of the Recent Earthquake, there are continuing transportation delays and disruptions and government imposition of energy conservation measures, including rolling blackouts in Tokyo and surrounding areas, which are anticipated to continue for the short-term. The Group is prepared with generators to ensure that there are no significant disruptions to the Group's businesses during the blackouts. The blackouts will affect our operations to the extent our employees living outside the immediate Tokyo metropolitan area are required to work from more remote locations. We also anticipate that there may be a temporary impact on capital markets activity in Japan in the period immediately following the Recent Earthquake, which may adversely affect our brokerage and investment banking business in the short-term.

For further details, please refer to the section headed "Risk Factors — Risks Relating to Japan" in this prospectus.

BUSINESS OVERVIEW

We are an Internet-based financial group based in Japan, offering a broad range of financial products and services to our customers. We started in 1999 as a venture capital business principally investing in Internet-related companies and have since expanded our businesses to include a wide range of Japanese and overseas funds in our asset management business, Japan's leading online securities company, as well as additional online financial services, housing and real estate and other businesses. The Shares of our Company have been listed on both the TSE and the OSE since 2002. We have six subsidiaries whose shares are listed on stock exchanges in Japan and Korea, of which three are listed on the OSE, two are listed on the TSE, and one is listed on KOSDAQ.

Our businesses are divided into the following four core segments and other businesses segment:

- **Asset Management** — We establish and manage a range of investment funds, including venture capital, biotechnology, buyout and other funds, to invest both in Japan and overseas. We have expanded our operations overseas, particularly in China and other parts of Asia, Eastern Europe, Russia, the United States and Brazil, often by partnering with local partners. We also provide investment trust management services to individuals.
- **Brokerage and Investment Banking** — Our subsidiary, SBI SECURITIES Co., Ltd., is the market leader among Japan's online securities companies by measures such as customer accounts and share of retail trading value and total stock brokerage trading value. It is a comprehensive securities company that also provides investment banking services to corporate clients, including underwriting and corporate finance advisory services. We are expanding complementary businesses such as the proprietary trading system operated by our equity-method non-consolidated subsidiary and our foreign exchange clearing operations.
- **Financial Services** — In recent periods we have diversified our offerings of Internet-based financial products and services to include Internet-based banking,

SUMMARY

non-life insurance products, financial research and advisory services, financial product comparison services, credit cards, automobile financing, e-commerce payment settlement systems and others. With a consistent customer-centric philosophy under the “SBI” brand, we are striving to be an Internet-based financial conglomerate.

- **Housing and Real Estate** — We are engaged in the provision of housing loans, real estate-secured loans, real estate investment and development, real estate fund management, real estate-related investments and the lifestyle networks business. In addition to investments in Japan, we have overseas real estate projects in China and Hawaii. Further, in our lifestyle networks business, we use our Internet experience to offer individuals a unified network of convenient services. The network pillars are our area guide and community portal services, service and product comparison services and media, and an e-commerce platform for services such as the brokerage of concert tickets and brand products.
- **Other Businesses⁽¹⁾** — We are involved in the planning, design and operation of information technology systems, including next-generation financial services and system solutions for financial institutions, as well as the research and development of technology and information security products for encryption technology. We are also engaged in the beauty care and health food products retail and services business and biotechnology business, which focuses on the development of new immunotherapy and cancer treatment through the combination of antibody, nucleic acid and low-molecular drugs with cell remedies.

One of our focuses in the last five years has been the expansion of our businesses outside of Japan. The principal drive behind this expansion is the growth of our asset management business. We have established representative offices in China, Russia and Vietnam and local subsidiaries in Hong Kong, Singapore and Korea. We also plan to establish a representative office in Malaysia. By capitalising on our experience and expertise in venture capital investment, we are able to develop and enhance our asset management business overseas with partners in Asian and other markets. For instance, the NEW HORIZON FUND, L.P. (新宏遠創基金) (the fund management company of which we own 25%), set up in May 2005 together with Temasek Holdings, has invested in ten companies in China, eight of which have achieved public listings, and sales of some of the holdings in the fund representing approximately ¥2.2 billion contributed to our operating income in the fiscal year ended 31 March 2010. We have also established investment funds in China, Taiwan, India, Vietnam, Malaysia, Brunei, Eastern Europe, Russia and the United States in collaboration with local partners.

In addition, we have been exploring opportunities with partners in Asian and other markets for the provision of brokerage and other financial services. Recently, we expanded our overseas operations and investments which include (i) the launch of The Phnom Penh Commercial Bank Limited (in which we own a 40% shareholding interest) in Cambodia, in September 2008; (ii) the acquisition of 20% of the stock of Tien Phong Commercial Joint Stock Bank, a Vietnamese

⁽¹⁾ For the three fiscal years ended 31 March 2010, we reported our results of operations based on five business segments: asset management; brokerage and investment banking; financial services; housing and real estate; and system solution. From 1 April 2010, we began to reclassify the system solutions business segment to other business segments following application of a new accounting policy.

SUMMARY

commercial bank, in August 2009; (iii) an agreement in March 2010 with China Securities Journal (中國證券報) to establish a joint venture which will operate a Japanese-language website that provides financial information in relation to Chinese companies; (iv) the acquisition of 9.99% of the stock of Commercial Bank of Ceylon PLC in Sri Lanka, in June 2010; and (v) the acquisition of 7.65% of the voting stock of Tianan Insurance Co., Ltd. (天安保險股份有限公司), a Chinese insurance business, in July 2010. Through our overseas expansion, we endeavour to position ourselves to not only realise capital gains in each of our overseas investments, but also to promote the development of Internet-based financial services business in the emerging markets of Asia. Our long-term goal is to develop similar financial businesses in each of those markets by introducing to them the systems and know-how of our online financial services business.

We experienced a significant decrease in net sales for the fiscal year ended 31 March 2009 as compared to the fiscal year ended 31 March 2008 primarily due to a decrease in revenue from our asset management segment, brokerage and investment banking segment and housing and real estate segment as a result of difficult economic and market conditions during the height of the global financial crisis. We suffered a net loss for the fiscal year ended 31 March 2009 primarily due to the Tokyo District Court's decision in July 2008 to commence civil rehabilitation proceedings against ZEPHYR Co., Ltd., our former affiliate. Due to the commencement of the civil rehabilitation proceedings, our investment in ZEPHYR Co., Ltd and a ¥11 billion loan to them were recorded as losses in our accounts. For the fiscal year ended 31 March 2010, we had consolidated net sales of ¥124.5 billion, operating income of ¥3.4 billion and a net income of ¥2.4 billion. For the six months ended 30 September 2010, we had consolidated net sales of ¥62.9 billion, operating income of ¥3.6 billion and net income of ¥0.7 billion. Please refer to the section headed "Financial Information" in this prospectus for more details.

Results of our business segments

The following table sets forth, for the periods indicated, net sales and operating income for each business segment.

Segment	Fiscal year ended 31 March						Six months ended 30 September			
	2008		2009		2010		2009		2010	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
	<i>(unaudited)</i>									
	<i>(¥ in millions)</i>									
Asset Management business	¥58,008	¥16,481	¥15,981	¥2,594	¥20,194	¥1,863	¥12,118	¥2,123	¥10,516	¥2,679
Brokerage & Investment Banking business	68,531	20,511	49,182	5,714	50,122	9,374	26,623	5,985	24,216	3,780
Financial Services business	22,495	849	22,617	1,491	25,605	206	11,962	304	14,508	435
Housing and Real Estate business	75,070	8,093	40,906	923	29,408	(35)	12,565	(586)	8,591	1,205
Other business	322	(473)	6,354	(303)	4,629	(515)	2,310	(351)	8,262	(1,020)
Eliminations/Corporate	(1,860)	(2,856)	(4,119)	(6,016)	(5,419)	(7,462)	(2,427)	(3,723)	(3,147)	(3,474)
Total	<u>¥222,567</u>	<u>¥42,606</u>	<u>¥130,922</u>	<u>¥4,403</u>	<u>¥124,541</u>	<u>¥3,431</u>	<u>¥63,153</u>	<u>¥3,752</u>	<u>¥62,948</u>	<u>¥3,605</u>

SUMMARY

Major Acquisitions and Disposals During the Track Record Period

The Company has made a number of acquisitions and disposals during the Track Record Period in order to consolidate and refine its core business segments, including, most recently, the acquisition of SBI VeriTrans by way of the Share Exchange. For more information, please refer to the section headed “History and Corporate Structure - Acquisition of SBI VeriTrans by the Company by way of Share Exchange” in this prospectus. We entered into a total of sixteen major acquisitions and disposals during the Track Record Period. With the exception of the acquisition of SBI SECURITIES Co. Ltd., which was acquired by way of a share exchange in 2008 and required Shareholders’ approval as it constituted a Statutory Transaction, none of these transactions constitute Major Transactions (as defined in the Listing Rules). The following were the only other transactions during the Track Record Period that would have required disclosure pursuant to Chapter 14 of the Listing Rules as Notifiable Transactions (as defined in the Listing Rules). In 2008, we disposed of E*TRADE Korea Co. Ltd and Zephyr Co. Ltd in order to dispose of non-core business, and in 2009, we acquired SBI Life Living Co. Ltd in order to further develop our housing and real estate business. For further information regarding the details of the major transactions, please refer to the section headed “Business — Major Acquisitions and Disposals” in this prospectus.

For all other acquisitions and disposals, other than Statutory Transactions that require Shareholders’ approval, the Company has proposed to voluntarily provide disclosure in respect of (i) any acquisition of assets (excluding cash) by the Company where the consideration includes securities for which listing will be sought and where all percentage ratios are less than 5% and (ii) a transaction or series of transactions (aggregated under Rules 14.22 to 14.23 of the Listing Rules) by the Company where any percentage ratio (as defined in the Listing Rules) is 5% or more. For further information regarding our Company’s proposal for voluntary disclosure, please refer to the section headed “Waivers and Voluntary Measures — Notifiable and Connected Transactions — Notifiable Transactions” in this prospectus.

COMPETITIVE STRENGTHS

Our Directors attribute our success to the following key competitive strengths:

- Leading position in the online securities brokerage business in Japan, one of the world’s largest capital markets;
- Leading venture capital business in Japan based on investment amount with strong investment track record and focused investment philosophy;
- Well-established, integrated growth platform in asset management and financial services businesses to capture new growth opportunities in Japan and emerging markets primarily in China and other Asian countries;
- Synergies among various complementary businesses and strategic alliances, which help accelerate business growth and differentiate our product offerings from our competitors;
- Large and diversified customer base providing significant growth opportunities; and
- Experienced and stable management teams and investment professionals with significant industry experience.

Please refer to “Business — Competitive Strengths” in this prospectus for further details.

SUMMARY

STRATEGIES

Our strategies to achieve our goals include the following:

- Aggressively leveraging synergistic effects among the core financial services businesses to increase profitability;
- Pursuing aggressive investments and overseas expansion in China and other Asian emerging markets in order to increase the contribution of overseas earnings;
- Advancing the integration of online and face-to-face services to become Japan's largest financial products distributor capable of supplying low cost, optimal financial products;
- Rationalising our corporate structure and cost base to focus on profit growth; and
- Enhancing Our Group's brand name recognition in overseas and domestic markets.

Please refer to "Business — Strategies" in this prospectus for further details.

SELECTED OPERATING DATA

Asset management and brokerage businesses are our core business segments.

The following table shows the breakdown of our assets under management by investment type as at the dates indicated.

	As at 31 March			As at 30 September
	2008	2009	2010	2010
	(¥ in billions)			(¥ in billions)
Private equity and others				
Information technology/biotechnology ⁽¹⁾	120.5	120.5	129.1	123.5
Environment/energy ⁽¹⁾	7.4	6.8	8.4	8.0
Buyout/mezzanine ⁽¹⁾	34.8	35.2	37.9	43.6
Overseas ⁽¹⁾	91.5	53.6	68.7	103.2
Direct investments made by our Group	25.5	25.1	27.2	33.4
Sub-total	279.6	241.2	271.3	311.7
Investment trusts and others				
Investment trusts ⁽²⁾	57.7	31.0	39.8	40.2
Investment advisory ⁽²⁾	240.8	161.5	174.7	161.0
Investment companies ⁽²⁾	3.0	2.2	1.6	1.5
Sub-total	301.5	194.7	216.1	202.7
Real estate and others				
Real estate development ⁽³⁾	16.1	22.4	26.7	29.4
Completed properties ⁽³⁾	29.9	35.2	28.0	21.4
Sub-total	46.0	57.6	54.7	50.8
Total	627.1	493.5	542.1	565.2

Notes:

- (1) Figures reflect net assets at market value based on the most recent financial report for each fund as at the dates indicated.
- (2) Figures reflect net assets at market value as at the dates indicated.
- (3) Figures reflect the total amount of investments.

SUMMARY

The table below sets forth certain operating data for our subsidiary, SBI SECURITIES Co., Ltd., which operates our brokerage business, as at the dates indicated:

	As at or for the month ended					
	31 March 2008	30 September 2008	31 March 2009	30 September 2009	31 March 2010	30 September 2010
Number of securities accounts	1,662,051	1,735,589	1,866,508	1,956,746	2,053,986	2,128,426
Number of margin trading accounts . . .	169,443	179,964	192,015	202,810	214,274	221,834
Average daily retail trading value (¥ in millions)	289,873	274,770	202,390	202,461	197,227	137,383
Average daily proprietary trading system trading value (¥ in millions)	1,003	1,066	3,173	9,209	3,576	9,990
Monthly foreign exchange trading value (¥ in billions)	582	2,550	5,228	4,681	4,194	5,695
Client assets (¥ in billions)	3,755	3,230	2,980	3,714	4,093	3,867

SELECTED FINANCIAL RATIOS

The following table sets forth, for the periods indicated, certain financial ratios applicable to the Group. For a discussion of the different financial ratios, please see the section in this prospectus headed "Supervision and Regulation."

Ratio/Measure	Fiscal year ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
Solvency margin ratio ¹	19,533.5%	5,893.0%	3,478.8%	8,176.3%	5,201.1%
Capital-to-risk ratio ²	652.4%	1,064.7%	427.4%	973.4%	442.3%
Capital adequacy ratio ³	21.39%	9.82%	8.56%	9.56%	9.45%

1. Only applicable to our subsidiary, SBI Insurance Co., Ltd. The ratio is in compliance with the regulatory requirement under the Insurance Act of Japan (Act No. 56 of 2008, as amended).
2. Only applicable to our subsidiary, SBI SECURITIES Co., Ltd. The ratio is in compliance with the regulatory requirement under the FIEA.
3. Only applicable to our equity-method affiliate, SBI Sumishin Net Bank, Ltd. The ratio is in compliance with the regulatory requirement under the Money Lending Business Act of Japan and the Banking Act of Japan (Act No.59 of 1981, as amended).

SUMMARY

SECONDARY LISTING

At the time of its establishment, our Company was a wholly-owned subsidiary of SOFTBANK FINANCE CORPORATION (currently SOFTBANK TELECOM Corp.), which was an intermediate holding company that oversaw the finance-related business activities of the SOFTBANK group of companies operated by SOFTBANK CORP. From late 2000 to mid 2006, SOFTBANK FINANCE CORPORATION's Share of the Company decreased gradually as a result of the combined effect of the Company issuing more Shares and the disposal of our Shares by SOFTBANK FINANCE CORPORATION.

Our Company obtained a listing on the First Section of the TSE in February 2002 and moved its listing from NASDAQ Japan to the First Section of the OSE in November 2002. Our Company changed its status within the SOFTBANK CORP. group of companies from a consolidated subsidiary to an equity-method affiliate of SOFTBANK CORP. as a result of a capital increase through a public offering in March 2005. In August 2006, our Company became independent from the SOFTBANK group of companies operated by SOFTBANK CORP. after the disposition by a subsidiary of SOFTBANK CORP.

We are primarily governed by Japanese laws and are principally subject to the Companies Act and the TSE and OSE Listing Regulations. Japanese laws and regulations differ in a number of respects from comparable laws and regulations of Hong Kong. Please see further details in the section in this prospectus entitled "Waivers and Voluntary Measures". There are residual differences between the shareholder protection regimes in Japan and Hong Kong. For further details, please see Appendix VI to this Prospectus.

Our primary listings are on the TSE and the OSE. We are seeking a Secondary Listing on the Hong Kong Stock Exchange in order to increase our name recognition in China and other emerging countries in Asia, which are markets that we are placing increasing focus on for our business. Moreover, we are seeking a listing by HDR due to two main considerations. First, in Hong Kong, an issuer has to issue physical share certificates if requested by its shareholders. However, under the Book-Entry Act, a listed corporation cannot issue any physical share certificates representing the rights of shareholders in connection with listed shares as Japan has a scripless shares system. Second, an issuer must maintain a share registrar in Hong Kong, but under the Companies Act and the Book-Entry Act, the shareholders' register shall be prepared according to the notice from JASDEC to the company with certain limited exceptions.

We have obtained a ruling from the SFC that we will not be treated as a public company in Hong Kong for the purposes of the Takeovers Code and the Share Repurchases Code and hence, these codes will not apply to our Company. In addition, we have applied for, and been granted, waivers or exemptions by the Stock Exchange from certain requirements under the Listing Rules. Neither our Shareholders nor the HDR Holders will have the benefit of those Hong Kong laws, regulations and Listing Rules for which we have applied, and been granted, waivers or exemptions by the Hong Kong Stock Exchange and the SFC.

Additionally, if any of those waivers were to be revoked in circumstances including our non-compliance with applicable undertakings for any reason, additional legal and compliance obligations might be costly and time consuming, and might result in issues of inter-jurisdictional compliance, which could adversely affect us and HDR Holders.

As the SFC does not have extra-territorial jurisdiction on any of its powers of investigation and enforcement, it will also have to rely on the regulatory regimes of TSE, OSE and FSA to enforce any corporate governance breaches committed by us in Japan. Investors should be aware that it could be difficult to enforce any judgment obtained outside Japan against us or any of our associates.

SUMMARY

According to the FIEA, persons who acquire Shares (or an interest in Shares, including our HDRs) representing more than 5% of the outstanding voting rights are required to submit a large shareholding report in the form provided by ordinance promulgated under the FIEA to the DGLFB through EDINET operated by the FSA within five Business Days. If a material change in any of the matters disclosed in such report occurs or the Shareholding increases or decreases by 1% or more, an amendment to such report must be submitted within five Business Days. For further details, see “Appendix V — Summary of the Constitution of our Company, certain TSE and OSE Listing Regulations and Japanese Corporations Law — Large Shareholding Report”.

HDR Holders should note that all Japanese listed companies, including the Company, are unable to issue physical certificates in relation to the listed shares and all transfers of listed shares must be made through the book-entry system operated by the JASDEC. Under Japanese law, any transfer of Shares in the Company becomes effective only through book-entry, and the title to the Shares of the Company passes to the transferee at the time when the transferred number of Shares is recorded in the transferee’s account opened at an Account Managing Institution. Accordingly, HDR Holders who wish to convert their HDRs into Shares will require an account opened at an Account Managing Institution for deposit of Shares converted from HDRs.

PRINCIPAL TERMS OF THE DEPOSIT AGREEMENT

JPMorgan Chase Bank, N.A., as the Depositary, will issue HDRs representing the HDSs to investors in the HDRs pursuant to the Global Offering. Under the Deposit Agreement, the Depositary is appointed to act on our behalf in accordance with its terms. The Depositary’s role is to issue the HDRs as our agent and to arrange for deposit of the HDSs which the HDRs represent. The terms of the HDRs and the Deposit Agreement will cover the following:

- the distribution of Share dividends and other distributions to the HDR Holders;
- the deposit, withdrawal and cancellation of HDRs;
- the voting right of the HDR Holders;
- the amendment and termination of the Deposit Agreement;
- the limitations on obligations and liability to HDR Holders; and
- the disclosure of interest in HDSs.

For details of the terms of the HDRs and the terms of the Deposit Agreement, please refer to “Description of Hong Kong Depositary Receipts” in this prospectus.

SHAREHOLDER PROTECTION UNDER JAPANESE LAW

Below is a brief summary of the shareholder protection measures that exist under Japanese laws and regulations, as well as those voluntarily adopted by our Company, with regard to the following material areas of our Company’s Shareholder protection system: (1) corporate governance, (2) internal control, (3) reporting and disclosure arrangements, (4) Shareholders’ rights, and (5) additional measures to ensure minority Shareholders’ equal rights. For detailed information, please refer to the section headed “Appendix VI — Shareholder Protection Matters” to this prospectus.

SUMMARY

Corporate Governance Structure

Pursuant to Japanese law, our Company has five independent Directors and a Board of Statutory Auditors. Our Company and the Statutory Auditors have made amendments to the Rules and Standards of the Statutory Auditors that (i) at least one Statutory Auditor has the appropriate accounting and related financial management expertise; and (ii) majority of the Statutory Auditors, including chairman of the Board of Statutory Auditors, meet the independence criteria under the Rules and Statutory Auditors. The Board has the responsibility of determining the remuneration of its Directors, but there are checks and balances in place, including compensation guidelines, to guide them.

Strict Internal Control Requirement (J-SOX)

As a listed company in Japan, our Company has adopted a stringent internal control system pursuant to the requirements of J-SOX, a legal framework for internal control provided in the FIEA for listed companies in Japan. J-SOX specifies additional requirements for financial reporting and asset protection for listed companies in Japan. It also requires our Company to disclose in its annual securities report to the Shareholders an annual internal control audit report issued by the independent auditors of our Company, including any material weaknesses identified through the evaluation process by the independent auditors. Directors, Statutory Auditors and external auditors of the Company may be subject to criminal charges on non-compliance with J-SOX and may be held liable to compensate Shareholders for damages caused by false statements.

Annual and Quarterly Reporting and Disclosure Requirements

Under the applicable laws and regulations in Japan, our Company is required to report financial results quarterly and annually, disclose price sensitive information on a timely basis within a business hour of the Business Day of its occurrence, and disclose detailed extraordinary reports in respect of material transactions, such as Statutory Transactions, and acquisitions or disposals valued at greater than the applicable thresholds based on assets, revenues or profits of our Company and the structure of the transactions. The TSE and OSE listing regulations provide a detailed and exhaustive list of announceable events, which include those that are price sensitive as well as a “sweep-up” provision that requires the disclosure of material events affecting our Company.

Shareholders' Rights

Shareholders have been provided with shareholder rights under Japanese law, including rights in various matters covered by the Joint Policy Statement, including with regard to winding up, appointment of auditors and directors, register of members, compulsory acquisition, rights to convene shareholders' meetings, voting and voting by poll, proxies, declaration and disclosure of interest, loans and payments to directors, alternation and reduction of share capital, distribution of assets, and financial assistance. However, there is prohibition under the Companies Act on Japanese companies restraining or restricting their shareholders from voting on any particular resolution. Our Company has addressed this prohibition by undertaking to provide a synthetic form of Shareholder abstention by including a condition in every transaction requiring that the relevant Shareholders' resolution be passed only if it is approved by the relevant approval percentage of disinterested Shareholders in accordance with the Listing Rules.

Shareholders are entitled to vote on most of the material transactions that would directly affect the Shareholders' rights and interests in our Company, such as, mergers, corporate split, share exchange and share transfer, business transfer and business assumption, subject to applicable threshold based on asset of our Company and the structure of the transactions. In addition, in order to minimize the differences in the scope of transactions requiring Shareholders'

SUMMARY

approval in Japan and Hong Kong, our Company has voluntarily undertaken to the Hong Kong Stock Exchange that it will refer to Shareholders for non-binding approval in general meetings for acquisitions with dilutive effects to Shareholders and valued at greater than 25% of the Group's total assets, and the Board will follow the resolution of the Shareholders.

Arrangements for Minority Shareholders' Rights and Abstention of Shareholders with Material Interests in a Transaction

Our Company has noted that the Listing Rules, and other ancillary laws and regulations in Japan, seek to provide minority shareholders of a listed company with certain assurances and equalities of treatment that their legal position might not otherwise provide. The TSE and the OSE listing regulations also require listed companies to establish a policy to protect minority shareholders and require an independent opinion for certain transactions involving controlling shareholders. Although our Company currently does not have any Controlling Shareholder, in addition to compliance with the requirements in Japan, our Company has undertaken to the Hong Kong Stock Exchange to take certain voluntary steps such as making voluntary announcements and obtaining a fairness opinion in certain circumstances in order to increase the standard of Shareholder protection provided by the Japanese regime on Related Party Transactions.

MAJOR OBLIGATIONS OF HDR HOLDERS UNDER JAPANESE LAW

The following sets forth the major obligations of an HDR Holder under Japanese law, along with the possible consequences of non-compliance with such laws.

The Foreign Exchange Act

Pursuant to the Foreign Exchange Act, a foreign investor, which might include an HDR Holder, who acquires listed shares which amount to 10% or more of a company's total issued shares, is required to make a subsequent report on such acquisition to the Minister of Finance and other Ministers having jurisdiction over the business of the subject company, or to the competent ministers by the 15th day of the month following the month containing the date of acquisition. If such foreign investor has failed to make a subsequent report or makes a false subsequent report, the foreign investor shall be punished by imprisonment for not more than 6 months or a fine of not more than ¥500,000. In certain exceptional cases, a prior filing is required and the competent ministers may recommend the modification or abandonment of the proposed acquisition and, if the foreign investor does not accept the recommendation, order its modification or prohibition. If a foreign investor, without the prior filing, has made a share acquisition or prior filing containing a misstatement, the foreign investor shall be punished by imprisonment for not more than 3 years or by a fine of not more than ¥1 million, or both.

Please refer to the section headed "Appendix V—Summary of the Constitution of Our Company, Certain TSE and OSE Listing Regulations and Japanese Corporations Law—4. Exchange Control" to this prospectus.

Takeover Regulations

Pursuant to the FIEA, as a general rule no person may purchase shares of a listed company, outside of a stock exchange in Japan, if the aggregate voting right ratio after such purchase exceeds certain thresholds without commencing a statutory takeover bid proceeding by submitting a takeover bid registration statement and publicising a takeover bid announcement. If a person, which might include an HDR Holder, has failed to submit a takeover bid registration statement or to publicise a takeover bid announcement, the person shall be punished by imprisonment for not more than 5 years or by a fine of not more than ¥5 million, or both.

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Also, if a person, which might include an HDR Holder, submits a takeover bid registration statement and publicises a takeover bid announcement containing a misstatement, the person shall be punished by imprisonment with work for not more than 10 years or by a fine of not more than ¥10 million, or both.

Please refer to the section headed “Appendix V—Summary of the Constitution of Our Company, Certain TSE and OSE Listing Regulations and Japanese Corporations Law—6. Takeover Regulations in Japan” to this prospectus.

Certain Filing Requirements

Large Shareholding Report

Pursuant to the FIEA, persons, including HDR Holders, who acquire title, or a call option, to equity securities including shares, SARs, bonds with SARs and similar securities issued or to be issued by a listed company representing more than 5% of the outstanding voting rights (a “Large Volume Holder”), are required to submit a large shareholding report within five (5) Business Days from the date on which such person has come to be a Large Volume Holder. If a material change in any of the matters disclosed in such report occurs or holdings of equity securities increase or decrease by 1% or more, the Large Volume Holder must submit an amendment to the report within five (5) Business Days of such change. If a person has failed to submit a report or amendment thereto or submits such report or amendment containing a misstatement of material matters, that person is liable to be punished by imprisonment for not more than five (5) years or issued a fine of not more than ¥5 million or both, and they will be liable to pay to the national treasury a surcharge equivalent to 1/100,000 of the total market value of the shares.

Please refer to the section headed “Appendix V—Summary of the Constitution of Our Company, Certain TSE and OSE Listing Regulations and Japanese Corporations Law—7. Large Shareholding Report” to this prospectus.

Sale-Purchase Report

Under the FIEA, if a Shareholder of the Company having 10 % or more of outstanding voting rights (“Major Shareholder”) sells or purchases (including derivative transactions with physical settlement or cash settlement) Shares of the Company, he/she is obliged to file a Sale-purchase Report setting forth details of such sale or purchase with the FSA by the 15th day of the month immediately following such sale or purchase. If a Major Shareholder, which might include an HDR Holder, fails to submit a report or submits a report containing a misstatement, the Major Shareholder shall be punished by imprisonment for not more than 6 months or by a fine of not more than ¥500 thousands, or both.

If a Major Shareholder earns profits from either (i) purchase of the Shares and sale of the Shares conducted within a 6 month period (including derivative transactions with physical, allotments or cash settlements) , or (ii) sale of the Shares and purchase of the Shares conducted within a 6 month period, the Company is entitled to make a claim for the profits from such purchase and sale or sale and purchase, as the case may be, against the Officer or Major Shareholder.

Please refer to the section headed “Appendix V—Summary of the Constitution of Our Company, Certain TSE and OSE Listing Regulations and Japanese Corporations Law—8. Sale Purchase Report and Short-Swing Regulation” to this prospectus.

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Anti-Monopoly Act

Under the Anti-Monopoly Act, a corporation is required to submit a prior notification for share acquisitions of 20% and 50% on the basis of voting rights held by “the corporate group” as a whole. If a person, which might include an HDR Holder, has failed to submit a prior notification or submits a prior notification containing a misstatement, the person shall be punished by a fine of not more than ¥2 million. Also, if a person (including HDR Holders) made a share acquisition before 30 days have passed from the date of acceptance of a prior notification, the person shall be punished by a fine of not more than ¥2 million.

Please refer to the section headed “Supervision and Regulation — Anti-Monopoly Act” in this prospectus.

Large Shareholders of a Bank, Insurance Company, or Financial Instruments Business

The Banking Act

Under the Banking Act, a person who intends to hold 20% (or in certain cases, 15%) or more of the voting rights of a bank, including certain shareholders (including HDR Holders) of such a person, must obtain prior authorisation from the Commissioner of the FSA with certain limited exceptions. In addition, the Commissioner of the FSA may request reports or the submission of materials from, or may inspect any major shareholder if necessary for securing the sound and appropriate operation of the business and protection of depositor of such bank. The Commissioner of the FSA may also impose certain administrative sanctions against major shareholders under the Banking Act, including rescinding the authorisation given to a major shareholder in the event that it violates any laws and regulations or an administrative disposition or acts against the public interest. If a person (including HDR Holders), without obtaining authorisation from the Commissioner of the FSA, holds 20% (or in certain cases, 15%) or more of the voting rights of a bank, the person shall be punished by a non-penal fine of not more than ¥1 million.

Please refer to the section headed “Supervision and Regulation—Banking Act—Large Shareholding of Banks” in this prospectus.

The Insurance Business Act

Under the Insurance Business Act, a person who intends to hold 20% or more of the voting rights of an insurance company, including certain shareholders (including HDR Holders) of such a person, must obtain prior authorisation from the Commissioner of the FSA with certain limited exceptions. In addition, the Commissioner of the FSA may request reports or the submission of materials from, or may inspect any major shareholder if necessary for securing the sound and appropriate operation of the business and protection of policyholders of such insurance company. The Commissioner of the FSA may also impose certain administrative sanctions against major shareholders under the Insurance Business Act, including rescinding the authorisation given to a major shareholder in the event that it violates any laws and regulations or an administrative disposition or acts against the public interest. If a person (including HDR Holders), without obtaining authorisation from the Commissioner of the FSA, holds 20% or more of the voting rights of an insurance company, the person shall be punished by a non-penal fine of not more than ¥1 million.

Please refer to the section headed “Supervision and Regulation—Insurance Business Act—Large Shareholding of Insurance Company” in this prospectus.

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The FIEA

A person who holds 20% (or in certain cases, 15%) or more of the voting rights of a financial instruments business operator including certain shareholders (including HDR Holders) of such a person, is subject to the provisions of the FIEA. Such a person must file a report regarding the voting rights it holds if it becomes a major shareholder, and if it later ceases to be a major shareholder, it must give notification to that effect. If a person (including HDR Holders) has failed to file a report or files a report containing a misstatement, the person shall be punished by imprisonment for not more than 6 months or by a fine of not more than ¥500,000, or both.

Please refer to the section headed “Supervision and Regulation—Financial Instrument and Exchange Act—Large Shareholding of Financial Instruments Business Operators” in this prospectus.

Taxation

The discussion of Japanese taxation set forth below is intended only as a summary and does not purport to be a complete analysis or discussion of all the potential Japanese tax consequences for HDR Holders.

A non-resident HDR Holder is generally subject to a Japanese withholding tax on cash dividends. A split-up of shares and allotment of shares without consideration, in general, are not subject to Japanese withholding tax since they are characterised merely as an increase in the number of shares (as opposed to an increase in the value of the shares) from a Japanese tax perspective. In the absence of any applicable treaty or agreement reducing the maximum rate of withholding tax, the standard rate of Japanese withholding tax applicable to dividends paid by Japanese corporations to non-resident HDR Holders is generally 20%. However, with respect to dividends paid on HDRs, evidencing HDSs representing listed shares issued by a Japanese corporation to non-resident HDR Holders, except for any individual HDR Holder who holds 5% or more of the shares issued by the relevant Japanese corporation, the aforementioned standard 20% withholding tax rate is reduced to (i) 7% for dividends due and payable on or before December 31, 2011 and (ii) 15% for dividends due and payable on or after January 1, 2012. Currently, tax reform proposals that would affect these obligations are being discussed by the legislature of Japan. Moreover, the Treaty between Hong Kong and Japan was signed on November 9, 2010, which would also affect these obligations, but it is not effective as of the Latest Practicable Date.

Gains derived from the sale outside Japan of HDSs of the Company by a non-resident HDR Holder are, in general, not subject to Japanese income or corporation taxes, except for any HDR Holder who substantially holds (i) 25% or more of the shares issued by the relevant Japanese corporation at any time during the taxable year of the sale or during two preceding years and (ii) transfers of 5% or more of the outstanding Shares within one taxable year. Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired HDSs as a legatee, heir or donee even though neither the individual nor the deceased nor the donor is a resident of Japan.

For more information regarding tax obligations of HDR Holders, and the potential implications of the reforms and tax treaty mentioned above, please refer to “Appendix V — Summary of the Constitution of Our Company, Certain TSE and OSE Listing Regulations and Japanese Corporations Law, — 5. Taxation” to this prospectus.

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COMPLIANCE WITH JAPANESE LAWS AND REGULATIONS

Our Group is subject to Japanese laws and regulations with regard to our various business endeavours, including, financial services, banking, insurance, real estate, and construction, among others. The laws and regulations to which we are subject include: (a) the Companies Act; (b) FIEA; (c) TSE Listing Regulations; (d) OSE Listing Regulations; (e) Banking Act; (f) Insurance Business Act; (g) Money Lending Business Act; (h) Contributions Act; (i) Interest Rate Restriction Act; (j) Installment Sales Act; (k) Act on Sales of Financial Products; (l) Anti-Money Laundering Acts; (m) Personal Information Protection Act; (n) Act Concerning Protection of Depositors from Illegal Withdrawals Made by Counterfeit or Stolen Cards; (o) Anti-Monopoly Act; (p) Building Standard Act; (q) City Planning Act; (r) Construction Business Act; (s) Building Lots And Buildings Transaction Business Act; and (t) Pharmaceutical Affairs Act. For more information, please refer to the section headed “Supervision and Regulation” in this prospectus.

During the Track Record Period, our Company is aware of three instances of non-compliance with Japanese laws and regulations. In February 2010, the Securities and Exchange Surveillance Commission identified deficiencies in SBI SECURITIES Co., Ltd.’s business operations, and the FSA ordered it to improve its business under Article 51 of the FIEA. Following the FSA’s actions, the TSE, OSE, and JSDA also disciplined SBI SECURITIES Co., Ltd. for the same deficiencies. We have implemented significant measures to strengthen and enhance SBI SECURITIES Co., Ltd.’s internal control structure and to prevent those deficiencies from recurring. Our Directors believe that the FSA was satisfied with the contents of the report on improvement submitted to the FSA on 12 March 2010, and appropriate remedial actions have been taken and SBI SECURITIES Co., Ltd. has been submitting periodic reports to the FSA, updating the status of their internal control enhancements.

In December 2010, SBI Net Systems Co., Ltd. disclosed that the independent committee set up by it and its auditor discovered a fraudulent accounting procedure in the fiscal years ended March 2006, March 2007, and March 2008. The remedy that SBI Net Systems Co., Ltd. continues to implement includes (a) re-formation of compliance and risk control management, (b) strengthening of business management, government structure, management regarding reported sales amount and actual expensed versus budget control, (c) establishment of an internal control system, (d) actual condition survey with respect to the circular transactions regarding software, (e) enhancement of board of directors and board of auditors, and (f) implementation of internal audit. Although we believe that the necessary measures have been taken, it is uncertain whether the TSE would make additional requests to the improvement report.

On 23 May 2008, the FSA identified deficiencies in SBI E*TRADE SECURITIES Co., Ltd.’s business operations of failing to register customers who were related to listed companies in its insider list and ordered it to improve its business. Following the FSA’s actions, the TSE, OSE, and JSDA also disciplined SBI E*TRADE SECURITIES Co., Ltd. and required it to submit a report on improvement of its business operations to the FSA on 23 June 2008. SBI E*TRADE SECURITIES Co., Ltd. changed its name to SBI SECURITIES Co., Ltd. in July 2008. SBI SECURITIES Co., Ltd. continues improvements with respect to the appropriate internal control measures.

Please refer to the section headed “Business — Legal Proceedings and Compliance - Public Disciplinary Action or Reprimand” in this prospectus for more information.

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CONNECTED TRANSACTIONS

Our Company does not currently have a substantial shareholder or a Controlling Shareholder, but we have disclosed Related Party Transactions conducted between the Company and one of its Directors in the section headed “Connected Transactions — Summary of Related Party Transactions — Related Party Transactions conducted by Yoshitaka Kitao” in this prospectus. During the Track Record Period, the Company was involved in three Related Party Transactions with its Director and Chief Executive Officer, Yoshitaka Kitao. First, pursuant to the SBI Acquisition agreement dated 30 September 2008, Yoshitaka Kitao purchased all of the issued shares of SBI Asia Net-Trans (No.7) from SBI Incubation Co., Ltd. for ¥1,002 million. Second, pursuant to the loan agreement dated 27 June 2008, Yoshitaka Kitao lent ¥500 million and ¥400 million, respectively, to Living Corporation Inc. on 27 June 2008 and 4 July 2008 at an interest rate of 2.75% per year. Living Corporation Inc., which changed its name to SBI Life Living Co., Ltd in July 2009, has been a consolidated subsidiary of the Company since September 2007. Third, pursuant to the share purchase agreement dated 30 December 2010, Yoshitaka Kitao purchased 972 shares in SBI ALApromo Co., Ltd., a non-consolidated subsidiary of the Company (1.39% of the outstanding shares in SBI ALApromo Co., Ltd.) from the Company for ¥1,000 million. There are no outstanding payments or obligations due from the Company and such consolidated subsidiaries. Furthermore, as disclosed in the section headed “Waivers and Voluntary Measures — Notifiable and Connected Transactions — Connected Transactions” in this prospectus, the Company has undertaken a voluntary disclosure proposal related to future Related Party Transactions.

SUMMARY FINANCIAL INFORMATION

The following tables present summary financial information for the three fiscal years ended 31 March 2008, 2009 and 2010 and the six months ended 30 September 2010 and should be read in conjunction with our financial information included in the Accountants’ Report set out in Appendix I to this prospectus, including the notes thereto. The summary financial information has been prepared in accordance with JGAAP.

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Consolidated statements of operations

	Year ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
	<i>(¥ in millions)</i>			<i>(unaudited)</i>	
Net sales	222,567	130,922	124,541	63,153	62,948
Cost of sales	115,343	63,633	59,138	28,274	28,646
Gross profit	107,223	67,289	65,403	34,879	34,301
Selling, general and administrative expenses	64,616	62,885	61,971	31,126	30,696
Operating income	42,606	4,403	3,431	3,752	3,605
Non-operating income					
Interest income	289	1,033	365	169	165
Dividend income	358	400	155	113	139
Share of results of affiliates	—	—	—	—	203
Refunded consumption taxes	—	—	188	—	—
Others	481	989	476	241	245
Total non-operating income	1,129	2,423	1,185	524	754
Non-operating expense					
Interest expense	1,784	2,450	1,960	864	1,375
Amortisation of stock issuance costs	186	5	4	2	16
Amortisation of bond issuance costs	196	41	60	20	46
Amortisation of deferred operating costs under Article 113 of the Insurance Business Act	—	—	746	300	343
Share of results of affiliates	4,614	2,508	98	149	—
Foreign exchange losses	724	621	64	551	1,249
Others	541	1,162	569	375	632
Total non-operating expense	8,048	6,790	3,504	2,264	3,663
Ordinary income	35,687	37	1,112	2,012	695
Extraordinary income					
Gains on sales of investment securities	6,783	10,523	3,153	913	55
Reversal of allowance for doubtful accounts	28	89	40	42	176
Reversal of statutory reserves	—	714	33	33	2,022
Gains on the changes in interests in consolidated subsidiaries and equity method investees	598	355	185	148	32
Others	387	586	55	37	139
Total extraordinary income	7,797	12,269	3,466	1,174	2,426

SUMMARY

	Year ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
	<i>(¥ in millions)</i>			<i>(unaudited)</i>	
Extraordinary expense					
Losses on sales of non-current assets	1	33	0	0	—
Losses on retirement of non-current assets	253	259	103	51	127
Provision of allowance for doubtful accounts . . .	—	—	1,989	1,485	189
Provision of statutory reserves	1,611	0	0	—	—
Losses on sales of investment securities	3	12,040	237	146	3
Losses on valuation of investment securities . . .	—	7,547	46	24	176
Write down of real estate inventories	—	984	—	—	—
Losses on disposal of subsidiaries and affiliates	—	—	—	—	635
Impairment losses on goodwill	2,121	1,066	—	—	397
Impairment loss	—	—	—	—	716
Goodwill amortisation for equity method affiliates with significant losses	6,794	1,353	238	—	—
Losses on the changes in equity interest in consolidated subsidiaries and equity method investees	2,300	14	44	42	1
Impact from applying the Accounting Standards of Asset Retirement Obligation	—	—	—	—	501
Others	<u>1,580</u>	<u>5,137</u>	<u>998</u>	<u>362</u>	<u>257</u>
Total extraordinary expense	<u>14,665</u>	<u>28,438</u>	<u>3,658</u>	<u>2,113</u>	<u>3,007</u>
Income (loss) before income taxes	<u>28,819</u>	<u>(16,132)</u>	<u>920</u>	<u>1,074</u>	<u>113</u>
Income taxes-current	<u>(19,311)</u>	<u>(11,829)</u>	<u>(9,095)</u>	<u>(4,971)</u>	<u>(4,392)</u>
Income taxes-deferred	<u>2,038</u>	<u>5,680</u>	<u>8,359</u>	<u>3,632</u>	<u>3,001</u>
Total income taxes	<u>(17,273)</u>	<u>(6,148)</u>	<u>(736)</u>	<u>(1,338)</u>	<u>(1,391)</u>
Income (loss) after income tax before minority interests	11,546	(22,280)	184	(264)	(1,277)
Minority interests in income (loss)	<u>7,317</u>	<u>(3,905)</u>	<u>(2,165)</u>	<u>(1,086)</u>	<u>(1,963)</u>
Net income (loss)	<u><u>4,228</u></u>	<u><u>(18,375)</u></u>	<u><u>2,350</u></u>	<u><u>822</u></u>	<u><u>686</u></u>

SUMMARY

Consolidated balance sheets

	As at 31 March			As at 30 September
	2008	2009	2010	2010
	(¥ in millions)			
Assets				
Current assets				
Cash and deposits	160,281	127,123	143,726	134,933
Notes and accounts receivable-trade	10,984	7,914	8,483	10,560
Leases receivable and lease investment assets	—	18,819	17,924	16,332
Short-term investment securities	445	2,893	240	328
Cash segregated as deposits	313,930	266,365	318,865	308,665
Operational investment securities	115,717	105,236	121,576	125,139
Allowance for investment losses	(4,966)	(6,206)	(8,424)	(5,115)
Operational investment securities-net	110,750	99,029	113,152	120,023
Operational loans receivable	66,260	47,868	34,694	35,395
Real estate inventories	32,894	36,515	28,767	31,579
Trading instruments	1,728	7,724	3,514	10,024
Loans on margin transactions	274,887	134,792	221,107	245,253
Cash collateral pledged for securities borrowings on margin transactions	17,995	46,008	40,533	22,010
Margin transaction assets	292,882	180,800	261,641	267,264
Short-term guarantee deposits	13,413	8,845	5,944	3,350
Securities in custody	259	209	—	—
Deferred tax assets	1,053	5,920	7,667	6,819
Others	66,148	44,079	37,732	49,845
Allowances for doubtful accounts	(1,762)	(2,703)	(2,032)	(2,813)
Total current assets	<u>1,069,271</u>	<u>851,408</u>	<u>980,323</u>	<u>992,309</u>
Non-current assets				
Property and equipment				
Buildings	4,420	5,161	9,972	9,920
Accumulated depreciation	(2,237)	(2,173)	(2,405)	(2,909)
Buildings-net	<u>2,182</u>	<u>2,988</u>	<u>7,567</u>	<u>7,010</u>
Furniture and fixtures	6,404	5,551	5,079	5,211
Accumulated depreciation	(3,778)	(3,607)	(3,585)	(3,747)
Furniture and fixtures-net	<u>2,626</u>	<u>1,943</u>	<u>1,493</u>	<u>1,463</u>
Assets leased to others parties	21,738	—	—	—
Accumulated depreciation	(14,813)	—	—	—
Assets leased to others parties-net	<u>6,924</u>	<u>—</u>	<u>—</u>	<u>—</u>
Land	886	2,953	7,556	5,740
Others	65	791	4,503	4,634
Accumulated depreciation	(34)	(98)	(506)	(940)
Others-net	<u>31</u>	<u>692</u>	<u>3,996</u>	<u>3,694</u>
Total property and equipment	<u>12,652</u>	<u>8,577</u>	<u>20,613</u>	<u>17,909</u>
Intangible assets				
Software	8,815	9,369	11,670	13,057
Goodwill	60,874	136,354	133,008	129,823
Others	1,398	168	608	549
Total Intangible assets	<u>71,088</u>	<u>145,892</u>	<u>145,286</u>	<u>143,430</u>

SUMMARY

	As at 31 March			As at 30 September
	2008	2009	2010	2010
	(¥ in millions)			
Investments and other assets				
Investment securities	41,791	33,868	41,204	54,373
Deferred tax assets	10,594	10,601	14,196	17,876
Others	18,365	32,388	34,860	34,975
Allowance for doubtful accounts	(4,769)	(6,644)	(9,767)	(10,692)
Total investments and other assets	65,983	70,214	80,494	96,532
Total non-current assets	149,723	224,685	246,395	257,872
Deferred charges				
Stock issuance costs	6	4	—	186
Bonds issuance costs	62	20	61	50
Deferred operating costs under Article 113 of the Insurance Business Act	182	3,114	3,159	4,468
Total deferred charges	252	3,139	3,220	4,705
Total assets	1,219,247	1,079,233	1,229,939	1,254,886
Liabilities				
Current liabilities				
Short-term loans payable	53,831	54,658	55,614	56,057
Current portion of long-term loans payable	6,282	21,553	13,368	13,885
Current portion of bonds payable	100,520	41,480	112,600	111,500
Current portion of bonds payable with warrants	5,940	—	—	—
Accrued income taxes	9,351	2,624	4,953	4,406
Advances received	1,764	1,813	1,828	1,864
Borrowings on margin transactions	81,583	56,726	48,813	52,857
Cash received for securities lending on margin transactions	62,530	89,544	101,223	72,274
Margin transaction liabilities	144,114	146,270	150,036	125,131
Loans payable secured by securities	35,440	46,587	63,780	67,388
Guarantee deposits received	272,005	258,068	282,373	277,825
Customers' deposits received for commodity futures transactions	39,573	—	—	—
Deposits from customers	20,147	23,488	31,176	32,157
Accrued expenses	2,941	2,980	2,835	3,113
Deferred tax liabilities	8,867	5	2,959	1,566
Provision for bonuses	338	54	53	85
Provision for contingent losses	22	—	—	—
Other provisions	—	38	155	229
Others	39,491	23,823	25,353	42,132
Total current liabilities	740,633	623,448	747,090	737,345
Non-current liabilities				
Bonds payable	30,300	300	—	—
Bonds payable with warrants	13,270	—	—	—
Long-term loans payable	33,578	13,283	27,620	35,274
Deferred tax liabilities	299	566	540	489
Provision for retirement benefits	102	128	52	47
Provision for directors' retirement benefits	3	—	—	—
Other provisions	—	390	877	733
Others	5,325	14,524	17,924	18,269
Total non-current liabilities	82,879	29,193	47,014	54,813

SUMMARY

	As at 31 March			As at 30 September
	2008	2009	2010	2010
	<i>(¥ in millions)</i>			
Statutory reserves				
Reserve for securities transaction liabilities	7,925	—	—	—
Reserve for financial products transaction liabilities	—	7,219	7,219	5,196
Reserve for commodities transaction liabilities	41	33	—	—
Reserve for price fluctuation	—	0	0	0
Total statutory reserves	<u>7,967</u>	<u>7,253</u>	<u>7,219</u>	<u>5,196</u>
Total liabilities	<u>831,480</u>	<u>659,894</u>	<u>801,324</u>	<u>797,355</u>
Net assets				
Shareholders' equity				
Capital stock	55,157	55,214	55,284	73,226
Capital surplus	116,761	219,012	218,968	236,910
Retained earnings	112,339	86,865	87,276	86,241
Treasury stock	(53,063)	(636)	(246)	(246)
Total Shareholders' equity	<u>231,195</u>	<u>360,456</u>	<u>361,282</u>	<u>396,131</u>
Valuation and translation adjustments				
Unrealised gains (losses) on available-for-sale securities . .	10,133	(5,946)	(559)	(3,649)
Deferred gains (losses) on hedges	8	(25)	14	(1,475)
Foreign currency translation adjustments	(121)	(966)	(1,506)	(3,167)
Total valuation and translation adjustments	<u>10,020</u>	<u>(6,937)</u>	<u>(2,051)</u>	<u>(8,293)</u>
Stock acquisition rights	4	11	11	11
Minority interests	146,546	65,808	69,372	69,680
Total net assets	<u>387,766</u>	<u>419,338</u>	<u>428,615</u>	<u>457,530</u>
Total liabilities and net assets	<u>1,219,247</u>	<u>1,079,233</u>	<u>1,229,939</u>	<u>1,254,886</u>

SUMMARY

Consolidated statements of cash flows

	Year ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
	(¥ in millions)			(unaudited)	
Net cash from (used in) operating activities					
Income (loss) before income taxes	28,819	(16,132)	920	1,074	113
Adjustments for:					
Depreciation and amortisation	6,896	4,893	5,550	2,553	2,969
Amortisation of goodwill	4,580	7,068	7,764	3,889	4,271
Increase in provision	4,353	7,539	8,038	3,600	2,927
Share of results of affiliates	4,614	2,508	98	149	(203)
Write-down of operational investment securities	1,961	2,515	602	340	836
Equity in earnings of funds	(3,101)	(2,880)	(1,174)	(1,362)	(1,049)
(Gains) losses on sales of investment securities	(6,780)	1,517	(2,915)	(767)	(52)
Losses on valuation of investment securities	—	7,547	46	24	176
Foreign exchange losses	1,376	336	275	1,180	2,256
Interest and dividend income	(31,237)	(27,495)	(17,456)	(9,272)	(8,803)
Interest expense	7,809	8,784	5,962	2,956	3,369
Changes in assets and liabilities:					
(Increase) decrease in operational investment securities	(5,596)	(20,645)	(8,961)	805	(16,860)
(Increase) decrease in operational loans receivable	(16,108)	7,357	6,188	1,654	(1,050)
Decrease (increase) in real estate inventories	9,190	(7,616)	(2,036)	(1,940)	(514)
(Increase) decrease in notes and accounts receivable-trade	(1,979)	453	(1,302)	(761)	820
(Decrease) increase in notes and accounts payable-trade	(280)	(2,044)	263	(526)	(732)
Decrease (increase) in cash segregated as deposits for customers	18,901	32,379	(12,962)	(55,962)	16,000
Decrease (increase) in trading instruments	386	(2,038)	(1,486)	(2,073)	(7,651)
Purchases of leased assets	(1,041)	—	—	—	—
Increase (decrease) in margin transaction assets/liabilities	55,172	108,341	(77,074)	(86,555)	(30,528)
Increase in deposits from customers	3,821	2,615	7,357	4,980	718
Decrease in guarantee deposits received for margin transactions	(25,442)	—	—	—	—
(Decrease) increase in guarantee deposits received	—	(29,706)	4,173	19,245	(4,548)
(Decrease) increase in loans payable secured by securities	(20,290)	11,105	17,193	11,682	3,607
Increase (decrease) in advances received	1,292	1,449	1,464	444	(458)
Others, net	20,511	1,815	(1,614)	44,735	3,709
Subtotal	<u>57,830</u>	<u>99,669</u>	<u>(61,085)</u>	<u>(59,902)</u>	<u>(30,675)</u>
Interest and dividend income received	30,595	27,847	17,747	10,037	8,402
Interest expense paid	(7,810)	(8,698)	(5,629)	(2,867)	(3,394)
Income taxes (paid) refunded	(30,542)	(15,782)	(4,167)	584	(4,366)
Net cash from (used in) operating activities	<u>50,073</u>	<u>103,034</u>	<u>(53,134)</u>	<u>(52,149)</u>	<u>(30,034)</u>

SUMMARY

	Year ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
	(¥ in millions)			(unaudited)	
Net cash from (used in) investing activities					
Purchases of intangible assets	(3,457)	(3,913)	(7,043)	(2,269)	(2,776)
Purchases of investment securities	(8,309)	(7,344)	(7,653)	(5,296)	(9,298)
Proceeds from sales of investment securities	3,579	784	3,204	2,475	3,031
Proceeds from sales of investments in subsidiaries	7,190	130	28	—	249
Purchases of investments in subsidiaries resulting in change in scope of consolidation	(3,861)	(1,086)	(260)	(399)	(99)
Proceeds from disposal of investments in subsidiaries resulting in change in scope of consolidation	—	19,341	2,540	—	—
Purchases of investments in subsidiaries	(4,442)	(5,621)	(3,753)	(3,511)	—
Payments of loans receivable	(200,952)	(42,156)	(15,756)	(8,005)	(7,506)
Collection of loans receivable	191,927	37,519	16,226	7,598	6,630
Payments for lease and guarantee deposits	(2,855)	(3,045)	(1,491)	(1,104)	(455)
Proceeds from collection of lease and guarantee deposits	1,377	2,063	1,347	749	339
Others, net	(804)	2,225	(2,953)	(3,053)	92
Net cash used in investing activities	(20,610)	(1,104)	(15,563)	(12,816)	(9,793)
Net cash from (used in) financing activities					
Increase in short-term loans payable	2,672,500	—	—	—	—
Decrease in short-term loans payable	(2,680,830)	—	—	—	—
Increase (decrease) in short-term loans payable	—	(8,959)	940	42,929	(182)
Proceeds from long-term loans payable	46,215	1,474	28,360	1,700	2,000
Repayment of long-term loans payable	(38,571)	(9,899)	(22,208)	(3,638)	(3,328)
Proceeds from issuance of bonds payable	297	200	122,218	49,968	40,464
Redemption of bonds payable	(1,400)	(108,366)	(51,480)	(41,480)	(41,600)
Proceeds from stock issuance	413	134	141	44	35,678
Proceeds from stock issuance to minority interests	2,850	325	1,023	1,006	1,681
Contributions from minority Shareholders in consolidated investment funds	29,858	5,611	11,931	8,307	1,912
Cash dividend paid	(13,451)	(6,795)	(1,681)	(1,666)	(1,666)
Cash dividend paid to minority interests	(2,554)	(2,746)	(218)	(152)	(147)
Distributions to minority Shareholders in consolidated investment funds	(25,265)	(7,975)	(3,914)	(1,670)	(1,360)
Proceeds from sales of treasury stock	0	10	—	—	—
Purchases of treasury stock	(2)	(585)	(13)	(9)	(2)
Others, net	(19)	57	(499)	(132)	(488)
Net cash (used in) from financing activities	(9,957)	(137,514)	84,599	55,205	32,959
Effect of changes in exchange rate on cash and cash equivalents	(931)	(102)	(490)	(1,153)	(1,978)
Net increase (decrease) in cash and cash equivalents	18,574	(35,686)	15,410	(10,914)	(8,847)
Increase in cash and cash equivalents from newly consolidated subsidiary	25,364	2,875	842	63	—
Decrease in cash and cash equivalents resulting from deconsolidation of subsidiaries	(23)	(107)	—	—	(28)
Increase in cash and cash equivalents resulting from merger	—	223	15	15	—
Cash and cash equivalents at beginning of year/period	115,092	159,007	126,312	126,312	142,581
Cash and cash equivalents at end of year/period	159,007	126,312	142,581	115,477	133,705

SUMMARY

USE OF PROCEEDS

Our Directors believe that the Global Offering will raise and strengthen our corporate profile and capital base, and will provide funding for achieving our business strategies and carrying out our future plans.

The net proceeds of the Global Offering are estimated to be approximately HK\$2,405.6 million, before exercise of the Over-allotment Option, after deducting underwriting commission and other estimated expenses and assuming an Offer Price of HK\$145.52 per HDR, being the maximum Offer Price stated in this prospectus, or approximately HK\$2,758.5 million if the Over-allotment Option is exercised in full, after deducting underwriting commission and other estimated expenses and assuming the same maximum Offer Price. Our Directors intend to use such net proceeds, within approximately three years, as follows:

- Approximately 50% of the net proceeds, or approximately HK\$1,202.8 million, to fund investments in domestic funds established by our subsidiaries, direct investments in our own accounts and overseas funds established with local partners in emerging markets and the United States, specifically in venture capital funds, buyout and other funds primarily in rapidly growing economies such as China, Brazil and other Asian and Eastern European countries. We plan to continue investing and growing our businesses in these emerging markets and focusing on the high-growth sectors, such as financial institutions, information technology, biotechnology, broadband networks, media and mobile communications, the environmental and energy sectors. In addition, we expect to continue to make capital investments in promising companies for our own account, either directly or indirectly through managed funds. We intend to use approximately 35% of the net proceeds to primarily fund investments in overseas funds and investments in promising companies, and approximately 15% of the net proceeds for funding investments in our domestic funds, subject to suitable investment opportunities arising. Part of the net proceeds will be used to finance investments in funds in which the Group currently does not have a controlling stake, including funding a part of our Group's outstanding planned investment of US\$66.3 million (approximately HK\$513.8 million) in Jefferies-SBI USA Fund L.P. if capital calls arise. Please refer to the section in this prospectus entitled "Risk Factors — Investment Risk" for risks related to investments in which the Group does not have a controlling stake.
- Approximately 40% of the net proceeds, or approximately HK\$962.3 million, to fund the operations of, and our investments in, subsidiaries and affiliates that are engaged in the brokerage and investment banking and financial services businesses mainly through the Internet and overseas financial institutions. Specifically, we will finance subsidiaries and affiliates in our Brokerage and Investment Banking and Financial Services segments with higher capital needs, such as SBI SECURITIES Co. Ltd. (our online securities business in Japan), SBI Sumishin Net Bank Ltd. (our equity-method affiliate which engages in Internet-based banking business) and SBI Insurance Co. Ltd. (our non-life insurance business). We intend to use approximately 15% of the net proceeds to provide an increase in capital for SBI SECURITIES to be utilised (i) when margin transactions expand with the recovery of stock market conditions in Japan; and (ii) to fund the expansion of SBI Sumishin Net Bank, subject to its capital needs in order to maintain its capital adequacy ratio. We intend to use approximately 10% of the net proceeds to invest in SBI Insurance, subject to its requirement to maintain its solvency margin and operational capital. We also intend to use approximately 15% of the net proceeds to fund expansion of other financial services businesses, to primarily include SBI Card Co., Ltd., SBI Credit Co. Ltd. and certain other overseas financial institutions. As securities, banking, non-life insurance and payment settlement businesses are the

SUMMARY

core financial services businesses under our “pentagon management” business strategy, the Directors consider that the use of proceeds to fund the expansion of these businesses will create a strong foundation for future growth and for pursuing synergies between core businesses. In addition to the net proceeds, we will finance the expansion of these businesses in combination with internal funds and borrowings.

- No more than 10% of the net proceeds will be used to provide funding for working capital and other general corporate purposes.

Our Directors intend to use additional net proceeds of approximately HK\$352.9 million (based on the maximum Offer Price of HK\$145.52 per HDR) that we estimate we will receive from the sale of additional HDRs in the event the Over-allotment Option is exercised in full to fund our proposed capital expenditure and repay certain of our debt obligations.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes, or if we are unable to effect any part of our development plan as intended, we may hold such funds in short-term deposits so long as it deems to be in the best interests of us. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

CLOSING AND SETTLEMENT

Due to Japanese law requirements, and owing to our settlement agents’ operational and procedural requirements, Shares subscribed for must be fully paid up before they can be issued, and then deposited with the Custodian. It is only after Shares have been deposited with the Custodian that the Depositary will be in a position to issue HDRs representing those Shares.

In order to facilitate settlement and completion of the Global Offering, the Hong Kong Underwriters have entered into the Hong Kong Underwriting Agreement, and it is expected that the International Underwriters will enter into the International Underwriting Agreement, to, among other things, subscribe Shares from the Company and pay in full for the Shares in accordance with their respective underwriting commitments two days prior to the Listing Date. Daiwa Capital Markets Hong Kong Limited as the Sole Global Coordinator, shall subscribe for and pay in full the Shares for and on behalf of the other Hong Kong Underwriters and International Underwriters. Daiwa Capital Markets Hong Kong Limited will then deposit the Shares subscribed by the Underwriters with the Custodian in order that the Depositary can issue and allot, and effect timely delivery of, HDRs to investors. Upon completion of the Global Offering, on the basis that the Offer HDRs are fully subscribed, the Underwriters will receive the gross proceeds from the Global Offering, the issue, allotment and delivery of HDRs will become effective, and Daiwa Capital Markets Hong Kong Limited will cease to have an interest in the underlying Shares represented by the HDRs.

The Underwriters may hold HDRs upon completion of the Global Offering pursuant to the terms of their respective underwriting commitments, but none of the Underwriters is expected to become a substantial shareholder (as defined in the Listing Rules) of our Company immediately after the Global Offering (assuming the Over-Allotment Option is exercised in full), based on the enlarged share capital of the Company.

SUMMARY

DIVIDEND POLICY

Pursuant to the Companies Act and our Articles of Incorporation, through a resolution of the Board of Directors, we may declare dividends to our Shareholders subject to a limit equal to the distributable amount then existing. Pursuant to the Companies Act and the relevant Ordinance of the Ministry of Justice of Japan, the Company's distributable amount is calculated based on the retained earnings (*joyo kin*) recorded in the Company's non-consolidated financial statements prepared in accordance with JGAAP (rather than IFRS) with certain adjustments (including the deduction of the book value of any treasury Shares held by the Company). Cash dividends on our Shares, if any, will be paid in Yen, except that we will make arrangements to effect payment in Hong Kong dollars of any cash dividends payable to HDR Holders resident in Hong Kong. Other distributions, if any, will be paid to our Shareholders by any means which our Directors consider legal, fair and practicable. Dividends paid by our Company to our Shareholders (other than Shareholders holding 5% or greater of our Shares) that are nonresident individuals of Japan or non-Japanese corporations without a permanent establishment in Japan are generally subject to a withholding tax in Japan of 7% for dividends payable prior to 1 January 2012 and 15% thereafter. We are required by Japanese law to withhold such tax prior to payment of dividends.

The tax treaty between Hong Kong and Japan (the "**Treaty**") was signed on 9 November 2010, however, the Treaty has not yet become effective as of the date of this prospectus. The Treaty will enter into force 30 days after both Japan and Hong Kong have ratified it (in Japan this will occur when the Treaty is approved by the legislature of Japan (the "**National Diet**")), and notified the other party of the completion of domestic ratification procedures. The Treaty will be effective, with respect to taxes withheld at source in Japan, for amounts taxable on or after 1 January in the calendar year following the year in which the Treaty becomes effective.

If the Treaty becomes effective, the Japanese withholding tax rate that applies to dividends payable to a beneficial owner of shares, who is a Hong Kong resident will be reduced to 10%. Provided that, if the beneficial owner is a company that has directly or indirectly owned, for the six-month period ending on the date on which entitlement to the dividend is determined, at least 10% of the outstanding voting shares of the Japanese company that is paying the dividends, the tax rate will be reduced to 5%. As a general rule, a beneficial owner who is entitled to a reduced rate of Japanese withholding tax on payments of dividends is required to submit an Application Form for Income Tax Convention Regarding Relief from Japanese Income Tax on Dividends (together with other required forms and documents) in advance, through the withholding agent to the relevant tax authority before the payment of dividends. A beneficial owner who does not submit an application in advance will be entitled to claim a refund of withholding taxes withheld in excess of the rate under an applicable tax treaty, from the relevant Japanese tax authority by complying with certain subsequent filing procedures. A standing proxy for the beneficial owner may provide the application. The Treaty would apply to a nonresident HDR Holder who is a resident of Hong Kong if the Treaty becomes effective.

We had declared and paid dividends in the amount of ¥1,200 per Share, ¥100 per Share and ¥100 per Share, respectively, for the fiscal years ended 31 March 2008, 2009 and 2010. We have not declared or paid any dividend for the six months ended 30 September 2010. Our future dividend policy states that approximately 20% to 50% of our consolidated net income from the preceding fiscal year, if any, will be recommended annually at the end of the financial year for distribution for each financial year. We do not expect to declare interim dividends under our current dividend policy. The amount of dividends actually distributed to our Shareholders will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant. There is no assurance that dividends of any amount will be declared or distributed in any year.

SUMMARY

For further details on the timing, amount and form of future dividends, if any, our Company's ability to pay cash dividends, the factors affecting the payment of dividends, please see "Financial Information — Dividend Policy".

The distribution of dividends or other cash distribution shall be subject to, amongst other things, certain adjustment for taxes withheld and the deductions of the Depositary's expenses. For further details of how the dividends and other distributions will be distributed and the fees and expenses charged by the Depositary, please refer to the sections headed "Description of Hong Kong Depositary Receipts — Share Dividends and Other Distributions" and "Description of Hong Kong Depositary Receipts — Fees and Expenses" in this prospectus.

OFFER STATISTICS

	Based on Maximum Offer Price of HK\$145.52 per HDR
Market capitalisation of our Shares ⁽¹⁾	HK\$31,569.1 million
Unaudited pro forma adjusted net tangible asset value	
per Share ⁽²⁾	¥15,634 (approximately HK\$1,504)

Notes:

- (1) The calculation of market capitalisation is based on 21,694,018 Shares expected to be in issue following completion of the Global Offering assuming the Over-allotment Option and Pre-IPO SARs are not exercised.
- (2) The unaudited pro forma adjusted net tangible asset value per Share is calculated after making the adjustments referred to in "Unaudited Pro Forma Financial Information — A. Unaudited Pro Forma Adjusted Net Tangible Assets" in Appendix III to this prospectus and on the basis of a total 21,690,492 Shares expected to be in issue following completion of the Global Offering assuming the Over-allotment Option is not exercised.

SUMMARY

RISK FACTORS

We believe that there are certain risks involved in our operations, many of which are beyond our control. These risks are set out in the section headed “Risk Factors” and are summarised below.

Risks relating to our businesses

Risks relating to our general operations

- Our corporate structure, which consists of a large number of public and private companies in multiple business lines, exposes us to challenges not found in companies with a single business line
- Our voting interests in our portfolio companies may be diluted
- The growth we expect in the market for our online products and services may not materialise
- Changes in the legal or financial stability of, or cultural or business strategic differences with, any counterparties with whom we enter into joint ventures or alliances
- Risks relating to business reputation
- Risks relating to business restructuring and expansion
- Risks relating to entering new businesses
- Risks relating to being a financial conglomerate
- Risks relating to investment securities
- Litigation risk
- Risks relating to risk management and internal control
- Risks relating to funding liquidity
- Derivatives risk
- We depend in part on payments from our subsidiaries and other entities
- Reliance on key personnel
- Risks relating to employees
- Risks relating to trademarks and other intellectual property rights
- Risks relating to enactment of, or changes in, laws, regulations and accounting standards
- Risks relating to insurance coverage
- Past results may not be indicative of future performance
- We may be unable to use the name “SBI Holdings” or the mark “SBI” in Hong Kong and may be unable to register certain new trademarks in Hong Kong

SUMMARY

Risks relating to our asset management segment

- Impact of changes in the business environment on our asset management segment
- Risks associated with outside investors in our funds
- Investment risk
- Foreign currency risk
- Overseas investment risk
- Competition in our asset management segment
- Legal regulations affecting our asset management segment

Risks relating to our brokerage and investment banking segment

- Impact of changes in the business environment affecting our brokerage and investment banking segment
- Credit risk
- Foreign currency and counterparty risk
- Underwriting risk
- Risks relating to proprietary trading system (PTS) business
- Competition in brokerage and investment banking segment
- Legal restrictions on the brokerage and investment banking segment
- Systems risks affecting our brokerage and investment banking segment
- Security of customer information in our brokerage and investment banking segment

Risks relating to our financial services segment

- Impact of changes in the business environment on our financial services segment
- Competition in the financial services segment
- Risk relating to banking business
- Risk relating to insurance business
- Legal risks affecting our financial services segment
- Systems risks affecting financial services segment
- Security of customer information in our financial services segment

SUMMARY

Risks relating to our housing and real estate segment

- Impact of changes in the business environment on our housing and real estate segment
- Investment risk
- Foreign currency risk
- Risks relating to investment in overseas real estate
- Competition in businesses relating to residential real estate
- Legal regulatory risk relating to residential real estate and lifestyle networks
- Systems risks affecting our residential real estate related business
- Security of customer information in our real estate related businesses

Risks relating to our other businesses

- Risks relating to system solution business
- Risks relating to biotechnology business

Risks relating to our Secondary Listing

- The characteristics of the Japanese capital markets and the Hong Kong capital markets are different
- We are a Japanese company principally governed by Japanese laws and regulations
- Suspension for Disclosure during Trading Hours
- The Companies Act empowers the Board of Directors to issue additional Shares and should the Board of Directors decide to do so, such issue of additional Shares may result in dilution
- The Company may issue SARs or dispose of its Treasury Shares without obtaining Shareholders approval, which may result in dilution
- HDR Holders that are not Japan residents are subject to Japanese withholding tax on cash distributions
- We have sought waivers from strict compliance with Articles Requirement 4(4) and Rule 13.70 of the Listing Rules as they require minimum notice periods for certain shareholder actions, which are not permitted under the Companies Act
- We have applied for a waiver from strict compliance with certain provisions of Practice Note 15 with respect to any spin-off listings of any of our subsidiaries on any stock exchange, and such spin-off listings may result in dilution
- HDR Holders will experience dilution in their indirect interest in our Company in the event of (i) a private offering which is not extended to them or (ii) an issuance of new Shares or HDRs within six months of the Listing Date

Risks relating to Japan

- Transfer of surplus funds into or out of the Group may be subject to regulatory restrictions

SUMMARY

- Pursuant to Japanese law, an offeror acquiring two-thirds of the voting rights of a company's shares may compulsorily acquire the shares held by the remaining shareholders
- Changes and other events in the operating environment could have a material adverse effect on our business activities, results of operations and financial condition
- We may suffer substantial losses in the event of a natural disaster, such as an earthquake, terrorist attack or other casualty event in Japan or other markets in which we operate
- We cannot guarantee the accuracy of facts and statistics with respect to certain information obtained from official governmental sources and other data

Risks relating to the Global Offering

- Significant differences exist between JGAAP and IFRS, which may be material to investors' assessments of our financial condition
- HDR Holders may be subject to additional obligations under the rules, regulations and laws of Japan and there are uncertainties and ambiguities as to what these additional obligations are
- HDR Holders are subject to additional obligations under the Deposit Agreement
- We have applied for, and been granted, waivers from certain requirements of Hong Kong laws, rules and regulations, by the Hong Kong Stock Exchange and the SFC. Shareholders and HDR Holders will not have the benefit of those Hong Kong laws, rules and regulations that are waived. Additionally, those waivers could be revoked, exposing us, our Shareholders and HDR Holders to additional legal and compliance obligations
- Our HDR price may be volatile or may decline regardless of our operating performance, and you may not be able to resell your HDRs at or above the initial Public Offering price
- Management has broad discretion as to the use of the net proceeds from this offering, therefore, you may not agree with how we use them and such proceeds may not be applied successfully
- There has been no prior public market for our HDRs in Hong Kong, and there can be no assurance that an active market will develop
- We are a Japanese listed company principally governed by Japanese laws and regulations. Rights of shareholders under Japanese law may be different from rights of shareholders in other jurisdictions
- You may experience difficulty in effecting service of legal process and enforcing judgments against us and our management
- Our HDR price may be affected if additional Shares are issued by us or there are substantial future sales or perceived potential sales of our HDRs in the public market
- HDR Holders are not Shareholders and must rely on the Depositary to exercise on their behalf the rights that are otherwise available to the Shareholders

SUMMARY

- There is a time gap between the date of our AGM and the record date for determining the list of eligible Shareholders entitled to vote at our AGM, so HDR Holders who have applied or subscribed for, and subsequently been allotted with, our HDRs under the Global Offering will not have right to instruct the Depositary or its nominee to attend and vote at our next AGM under the terms of the Deposit Agreement
- HDR Holders may not receive new HDRs, rights to subscribe for additional Shares or other distributions other than cash, Shares or rights
- The time required for HDRs to be exchanged into Shares (and vice versa) might be longer than expected and investors might not be able to settle or effect any sales of their securities during this period
- HDR Holders may not directly receive dividends or other distributions or have the same voting rights as the holders of Shares and may not receive voting materials in time to be able to exercise their right to vote
- There is a time gap between the date of payment of dividends or other distributions and the record date for determining the list of eligible Shareholders entitled to directly receive dividends or distributions, if declared by our Company, so HDR Holders who have applied or subscribed for, and subsequently been allotted with, our HDRs under the Global Offering will not have right to indirectly receive any annual dividends or distributions through the Depositary in accordance with the terms of the Deposit Agreement, for the year ended 31 March 2011
- Some of our portfolio companies are publicly traded, and the trading price of our HDRs may be affected by the trading prices of their securities
- Fluctuations in the exchange rates of the Yen may adversely affect your investment

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings.

“Accounting Auditor”	Deloitte Touche Tohmatsu LLC
“Account Managing Institution”	a financial instrument trader, bank, trust company, or other financial institution that meets the requirements prescribed by the Book-Entry Act
“AGM”	annual general meeting of our Company
“Application Form(s)”	WHITE application form(s), YELLOW application form(s), and GREEN application form(s), individually or collectively, as the context may require
“Articles of Incorporation” or “Articles”	our articles of incorporation, as certified by a notary public on 7 July 1999, and as amended from time to time, a summary of which is contained in Appendix V to this prospectus
“Articles Requirements”	Appendix 3 of the Listing Rules
“associate”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board of Directors” or “Board” or “our Board”	our board of Directors
“Board of Statutory Auditors”	our board of Statutory Auditors
“Book-Entry Act”	the Act Concerning Book-Entry Transfer of Corporate Bonds, Stocks, etc of Japan (Act No. 75 of 2001, as amended)
“bricks and mortar”	refers to businesses that have physical (rather than virtual or online) presences
“Business Day”	a day (other than a Saturday, a Sunday or a public holiday) on which banks in Hong Kong are normally open for normal banking business
“CAGR”	compound annual growth rate
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant

DEFINITIONS

“CCASS Rules”	General Rules of CCASS and CCASS Operational Procedure as amended, supplemented or otherwise modified from time to time
“China” or “PRC”	the People’s Republic of China, which for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“Commercial Code”	the Commercial Code of Japan (Act no. 48 of 1899, as amended), which was consolidated into the Companies Act in 2005
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, “we”, “our” or “us”	SBI Holdings, Inc., a company incorporated in Japan with limited liability on 8 July 1999, or where the context requires, the Company and its portfolio companies collectively
“Companies Act”	the Companies Act of Japan (Act No. 86 of 2005, as amended)
“Compensation Rules”	rules promulgated by the Board of Directors of our Company setting forth rules for the compensation of the Company’s officers
“Controlling Shareholder”	has the meaning ascribed thereto under the Listing Rules. The Company does not have any Controlling Shareholder
“Custodian”	Mizuho Corporate Bank, Ltd. in its capacity as custodian of the Shares, the nominee(s) from time to time designated by the Depositary or any successor appointee in that capacity from time to time
“Daiwa Securities”	Daiwa Securities Co. Ltd., an affiliate of the Sole Global Coordinator
“Deed Poll”	the deed poll executed by our Company and the Depositary in favour of the HDR Holders on 30 March 2011 relates to the HDSs
“Depositary”	JPMorgan Chase Bank, N.A., in its capacity as depositary for our HDRs, or any successor appointee in that capacity from time to time
“Deposit Agreement”	the deposit agreement entered into between the Company and the Depositary on 30 March 2011 in relation to the HDRs
“DGLFB”	the director general of the local finance bureau in Japan

DEFINITIONS

“Director(s)” or “our Director(s)”	the director(s) of our Company or any one of them
“Discounted TSE Market Price”	the Hong Kong Dollar equivalent of a price representing a discount of not more than 10% to the TSE Market Price
“EDINET”	Electronic Disclosure for Investors’ NETwork under the FIEA
“Euro” or “€”	Euros, the lawful currency of the euro area, which comprised of 16 European Union members as at the Latest Practicable Date
“Executive Officer(s)”	the executive officer(s) of our Company or any one of them. For more information on Executive Officers, please see the section in this prospectus headed “Directors and Senior Management — Senior Management — Executive Officers”
“FIEA”	the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, as amended)
“FSA”	Financial Services Agency of Japan
“general partner”	any person who shall manage the operations of a limited partnership and shall be jointly and severally liable for all obligations of the partnership
“Global Offering”	the Public Offering and the International Placing
“Group” or “our Group”	our Company and its subsidiaries at the relevant point of time (including where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company)
“HDR(s)”	Hong Kong depositary receipt(s) of our Company
“HDR Holder(s)”	a registered holder of any HDR(s), being their legal owner
“HDR Register”	the register of HDR Holders maintained in Hong Kong by the HDR Registrar
“HDR Registrar”	Computershare Hong Kong Investor Services Limited or successor appointee from time to time
“HDS(s)”	Hong Kong depositary shares deposited with the Custodian for the account of the Depositary
“HK\$” or “HK dollars” and “HK cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Underwriters”	the underwriters of the Public Offering named in “Underwriting — Underwriters — Hong Kong Underwriters” of this prospectus
“Hong Kong Underwriting Agreement”	the conditional Hong Kong Underwriting Agreement dated 30 March 2011 relating to the Public Offering entered into by, among others, our Company and the Hong Kong Underwriters
“IFRS”	International Financial Reporting Standards
“Independent Third Party”	a party which is not connected (as defined in the Listing Rules) to our Directors, substantial shareholders or chief executives of our Company
“International Offer HDRs”	the 15,750,000 HDRs initially being offered for subscription by our Company at the Offer Price under the International Placing (subject to adjustment as described in “Structure and Conditions of the Global Offering”) together with (unless the context otherwise requires) any HDRs issued pursuant to any exercise of the Over-allotment Option
“International Placing”	the conditional placing by the International Underwriters of the International Offer HDRs for cash at the Offer Price plus brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005% of the Offer Price, details of which are described in “Structure and Conditions of the Global Offering” on and subject to the terms and conditions stated herein and in the International Underwriting Agreement
“International Underwriters”	the underwriters of the International Placing, led by the Sole Global Coordinator, who are expected to enter into the International Underwriting Agreement
“International Underwriting Agreement”	the conditional placing and underwriting agreement relating to the International Placing and to be entered into by, among others, our Company and the International Underwriters on or about the date of the Price Determination Agreement
“JASDAQ”	Japan Association of Securities Dealers Automated Quotation System
“JASDEC”	Japan Securities Depository Center, Inc.
“JGAAP”	Japanese Generally Accepted Accounting Principles
“Joint Bookrunners” or “Joint Lead Managers”	Daiwa Capital Markets Hong Kong Limited and CCB International Capital Limited

DEFINITIONS

“Joint Policy Statement”	the Joint Policy Statement Regarding the Listing of Overseas Companies dated 7 March 2007 and issued by the SFC and the Hong Kong Stock Exchange
“JSDA”	Japan Securities Dealers Association
“J-SOX”	a legislative framework known which obliges all listed companies in Japan to strengthen internal controls and ensure full and accurate disclosure of financial information, provide additional rules and guidelines for the Statutory Auditors to follow
“KOSDAQ”	Korean Securities Dealers Automated Quotations
“Latest Practicable Date”	23 March 2011, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“limited partner”	any person who shall be liable for the obligations of a limited partnership only to the extent of that person’s capital investment
“Listing Date”	the date expected to be on or about Thursday, 14 April 2011, on which the HDRs are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Offer HDRs”	the Public Offer HDRs and the International Offer HDRs
“Offer Price”	the final Hong Kong dollar price per Offer HDR (before brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%) at which Offer HDRs are to be subscribed or purchased pursuant to the Global Offering, which will be not more than HK\$145.52 and is currently expected to be not less than the Discounted TSE Market Price, to be determined as described in “Structure and Conditions of the Global Offering — Pricing and Allocation”
“OSE”	Osaka Securities Exchange
“OSE Delisting Rules”	the Criteria for Delisting of Shares of the OSE (Kabuken Johjou haishi Kijun)
“OSE Listing Regulations”	the Listing Regulations of the OSE
“Over-allotment HDRs”	up to 2,500,000 HDRs which our Company may be required to issue at the Offer Price pursuant to the Over-allotment Option

DEFINITIONS

“Over-allotment Option”	the option to be granted by our Company to the Sole Global Coordinator under the International Underwriting Agreement pursuant to which our Company may be required by the Sole Global Coordinator to allot and issue up to 2,500,000 additional HDRs, representing approximately 14.3% of the Offer HDRs initially available under the Global Offering, at the Offer Price to cover over-allocations in the International Placing
“Pre-IPO SAR Resolutions”	the resolutions that approved the issuance of the Pre-IPO SARs
“Pre-IPO SARs”	outstanding SARs and Warrants issued by the Company or assumed by the Company due to mergers and/or acquisitions and outstanding SARs and Warrants issued by the consolidated subsidiaries of the Company in accordance with the Commercial Code or the Companies Act (depending on the time of issue)
“Price Determination Agreement”	the agreement to be entered into among our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) at or about the Price Determination Date to fix the Offer Price
“Price Determination Date”	the date, expected to be on or about Wednesday, 6 April 2011 (Hong Kong time), when the Offer Price is determined and in any event no later than Friday, 8 April 2011
“Public Offer HDRs”	the 1,750,000 HDRs initially being offered for subscription by our Company at the Offer Price under the Public Offering (subject to adjustment as described in “Structure and Conditions of the Global Offering”)
“Public Offering”	the offer by our Company of the Public Offer HDRs for subscription by the public in Hong Kong as described in “Structure and Conditions of the Global Offering” at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005% of the Offer Price) and on and subject to the terms and conditions stated herein and in the Application Forms relating thereto
“Regulation S”	Regulation S under the US Securities Act
“Related Party”	as defined in Article 15-4 of the Regulation for Terminology, Forms and Preparation of Consolidated Financial Statements
“Related Party Transaction”	as defined in Article 15-4-2, paragraph 1 of the Regulation for Terminology, Forms and Preparation of Consolidated Financial Statements

DEFINITIONS

“SARs”	share acquisition rights (<i>shinkabu yoyaku ken</i>) under the Companies Act or the Commercial Code
“SBIH Pre-IPO SARs”	outstanding SARs and Warrants issued by the Company or assumed by the Company due to mergers and/or acquisitions in accordance with the Commercial Code or the Companies Act (depending on the time of issue)
“SBI VeriTrans”	SBI VeriTrans Co., Ltd. (formerly known as VeriTrans Inc.), a consolidated subsidiary of the Company
“Secondary Listing”	the secondary listing we are seeking on the Hong Kong Stock Exchange
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of our Company
“Shareholder(s)”	holder(s) of Shares
“Sole Global Coordinator” or “Sole Sponsor”	Daiwa Capital Markets Hong Kong Limited
“sq.ft”	square feet
“sq.m.”	square meter
“SRS”	securities registration statement under the FIEA
“Statutory Auditor(s)”	the statutory auditor(s) of our Company or any one of them. For more information on Statutory Auditors, please see the section in this prospectus headed “Directors and Senior Management — Statutory Auditors”
“Statutory Transaction”	pursuant to the Companies Act, a merger, corporate split, share exchange, share transfer, business transfer and business assumption
“Stock Borrowing Agreements”	the stock borrowing agreement and the supplemental stock borrowing agreement which is expected to be entered into between Yoshitaka Kitao, who is one of our executive Directors, and Daiwa Securities on or around 28 March 2011 as described in the section headed “Structure and Conditions of the Global Offering — The International Placing — Stock Borrowing Agreements” in this prospectus
“Track Record Period”	the periods comprising the three fiscal years ended 31 March 2008, 2009 and 2010 and the six months ended 30 September 2010
“TSE”	Tokyo Stock Exchange

DEFINITIONS

“TSE Market Price”	refers to the closing price for trades of the Shares done on the TSE for the full market day on which the Offer Price is determined, as may be determined between the Company and the Underwriters. If trading in the Shares is not available for a full market day as at the time the Offer Price is determined, or if the Offer Price is determined before trading on the TSE commences, the TSE Market Price shall be based on the closing price of the Shares on the market day immediately preceding the date the Offer Price is determined
“TSE Listing Regulations”	the Listing Regulations of the TSE
“Underwriters”	the International Underwriters and the Hong Kong Underwriters
“Underwriting Agreements”	the International Underwriting Agreement and the Hong Kong Underwriting Agreement
“States” or “US”	the United States of America
“US\$” or “US dollars”	United States dollars, the lawful currency of the United States
“US Person”	has the meaning given to it in Regulation S
“US Securities Act”	the United States Securities Act of 1933 (as amended)
“Warrants”	warrants (<i>shinkabu hikiuke ken</i>) under the Commercial Code
“White Form eIPO”	applying for Public Offer HDRs to be issued in your own name by submitting applications online through the designated website at www.eipo.com.hk
“White Form eIPO Service Provider”	the White Form eIPO service provider designated by our Company, as specified on the designated website www.eipo.com.hk
“%”	per cent.
“¥” or “Yen”	Japanese Yen, the lawful currency of Japan

Unless otherwise specified, statements contained in this prospectus assume no exercise of the Over-Allotment Option.

All times refer to Hong Kong local time, except as otherwise stated.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and our various measures to implement such strategies;
- our dividend distribution plans;
- our commitment plans;
- our operations and business prospects, including development plans for our existing and new businesses;
- our financial condition and results of operation;
- the future competitive environment for the industries in which we operate;
- the regulatory environment as well as the general industry outlook for the industries in which we operate;
- our dividend policy;
- future developments in the industries in which we operate; and
- the general economic trend of Japan.

Forward-looking statements are based on our current expectation and assumptions regarding our business, the economy and other future conditions. We can give no assurance that these expectations and assumptions will prove to have been correct. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our results may differ materially from those contemplated by the forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. We caution you therefore against relying on any of these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include regional, national or global political economic, business, competitive, market and regulatory conditions.

The words “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “ought to”, “may”, “plan”, “project”, “seek”, “should”, “will”, “would” and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. One or more of these risks or uncertainties may materialise, or underlying assumptions may prove incorrect.

Subject to the requirements of the Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

In this prospectus, statements of or references to the intentions of our Company or any of our Directors are made as at the date of this prospectus. Any such intentions may potentially change in light of future developments.

RISK FACTORS

This offering involves certain risks. Prior to making an investment decision in relation to the Offer HDRs, you should carefully consider all of the information in this prospectus, including, but not limited to, the risk factors described below, which may not be typically associated with investments in the equity securities of companies from other jurisdictions. Our business could be materially and adversely affected by any of the risks and uncertainties described below. The trading price of our HDRs may decline due to any of these risks and uncertainties and may cause you to lose all or part of your investment. Additional risks and uncertainties not presently known to the Group or which the Group deems immaterial may arise or become material in the future and may have a material adverse effect on the Group.

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorised these risks and uncertainties into: (i) risks relating to our businesses; (ii) risks relating to our Secondary Listing; (iii) risks relating to Japan; and (iv) risks relating to the Global Offering. Additional risks and uncertainties that are not presently known to us, or not expressed or implied below, or that we deem immaterial, may also harm our results of operations, financial condition and business.

RISKS RELATING TO OUR BUSINESSES

Risks relating to our general operations

Our corporate structure, which consists of a large number of public and private companies in multiple business lines, exposes us to challenges not found in companies with a single business line

Our Group consists of portfolio companies operating in multiple industries, including asset management, brokerage and investment banking, financial services, housing and real estate and other businesses. Our Group also comprises of six publicly traded subsidiaries. Due to the diverse characteristics of our portfolio companies, we face challenges not found in companies with a single business line. In particular:

- we are exposed to business, market and regulatory risks relating to different industries. We need to devote substantial resources to monitor changes in different operating environments, so that we can react with appropriate strategies that fit the needs of the portfolio companies affected;
- due to our large number of portfolio companies involved (101 consolidated subsidiaries as of 30 September 2010), successful operation of our Group requires an effective management system that emphasises accountability, imposes financial discipline on portfolio companies, and creates value-focused incentives for management. As we continue to grow through acquisitions of businesses in an increasing number of different industries, our operations will become more complex, which increases the difficulty of implementing our management system;
- as at 30 September 2010, ¥2.0 billion of the borrowings of our portfolio company, HOMEOSTYLE Inc., were guaranteed by our Group. The guarantee provided by the Group to HOMEOSTYLE Inc. was not in proportion to the Group's equity interest in HOMEOSTYLE Inc. If the portfolio company defaults in any such borrowings, the relevant lender may exercise its right under the guarantee to demand payment from our Group. This may result in a funding shortage at the holding company level and adversely affect the financial support that our Group may offer to its portfolio companies in other segments; and

RISK FACTORS

- our portfolio companies in different operating segments may determine that it is in their respective shareholders' interests to pursue business ventures together. We cannot assure you that such business ventures will be successful or generate the synergies expected, if any.

Our voting interests in our portfolio companies may be diluted

Our portfolio companies may become publicly traded, which will dilute our voting interests in these entities. In addition, our portfolio companies may from time to time need additional capital to achieve their expansion plans or other business objectives and may issue additional shares or other equity securities to meet their capital needs. We may choose not to, or be unable to, subscribe for the securities offered in any such additional issuances by our portfolio companies. If we fail to subscribe for additional securities of a portfolio company on a pro-rata basis to our existing shareholding in such company, our equity interest in the portfolio company will be diluted.

A dilution in our equity interest in a portfolio company would reduce our share of the profits earned by such portfolio company, which may have an adverse effect on our results of operations. Further, if our ownership were reduced significantly, it may cause our representation on such company's board of directors to be reduced, or otherwise reduce our ability to direct or influence the operations of that portfolio company.

The growth we expect in the market for our online products and services may not materialise

The market in Japan for online financial products and services continues to evolve. Our success depends substantially on continued growth in the use of online products and services, such as online brokerage services, Internet banking, Internet-based insurance products and services by individuals. If this growth does not materialise, our business will suffer. Factors that could discourage Japanese individuals from using online products and services include security or privacy concerns, inconsistent quality of service and frustration with actual or perceived difficulties in using the Internet to conduct brokerage and other financial transactions.

Changes in the legal or financial stability of, or cultural or business strategic differences with, any counterparties with whom we enter into joint ventures or alliances

We operate joint ventures and enter into alliances with foreign and domestic counterparties and the success of these operations is often dependent upon the financial and legal stability of our counterparties. If one of the counterparties with whom we operate a joint venture or continue a business alliance suffers a decline in its financial condition for any reason, or is subject to instability owing to a change to the laws governing its operations after we have invested in the joint venture or the business alliance, we may be unable to successfully operate the joint venture or alliance, or we may be required to invest additional capital or cease operations altogether. Likewise, significant differences in corporate culture and business strategy between ourselves and such partners may come to light and may result in significant changes to the assumptions that we made when we decided to enter into the joint venture or alliance. If our joint venture or counterparties are unable to perform as expected, or if any unexpected events relating to the alliances occur, then we may be unable to continue those businesses successfully. Our inability to successfully operate joint ventures or alliances may adversely affect our reputation and our results of operations. As at the Latest Practicable Date, as far as our Company was aware, there were no joint venture partners or business alliance partners of the Group that suffer financial difficulties or are subject to instability, which may adversely affect the business operations or financial position of the Group.

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Risks relating to business reputation

We are vulnerable to poor market perception and reputational risk since we operate in industries where integrity and the trust and confidence of our clients are of utmost importance. Negative publicity (whether or not justified) associated with us or any of our funds, products, services, officers or employees, partners or alliances, or the occurrence of any of the risks set out in this section could result in a loss of clients and/or mandates. Our business operations are highly dependent on our officers, employees, partners and/or alliances. The actions, misconduct, omissions, failures or breaches of any of our officers or employees, partners and/or alliances may, by association, create negative publicity in relation to our Group. Accordingly, any mismanagement, fraud or failure to discharge legal, contractual, regulatory or fiduciary duties, responsibilities, liabilities or obligations, or the negative perception resulting from such activities or any allegation of such activities, could have a material adverse effect on our Group's business, growth prospects, results of operations and/or financial condition.

In addition, customers may engage in fraudulent activities, including fraudulent use of customer accounts or the use of a false identity to open an account. Such types of fraud may be difficult to prevent or detect and we may not be able to recover the losses caused by such activities. Our reputation may also be damaged by such activities. In particular, if customers fraudulently use our accounts for money-laundering or other illegal activities, our reputation could be seriously damaged and we could become subject to significant legal liabilities and regulatory sanctions.

Risks relating to business restructuring and expansion

In addition to internal business restructuring, such as the share exchange in August 2008 and the share exchange in August 2009 through which respectively SBI SECURITIES Co., Ltd. and SBI Futures Co., Ltd. became our wholly-owned subsidiaries, we intend to aggressively pursue business expansion, including mergers and acquisitions of businesses that we believe offer favourable synergies with our core businesses. We face the risk that our restructuring and business expansion activities may not produce the results that we expect. Failure to achieve expected results could have an adverse effect on our financial condition and results of operations.

As of the Latest Practicable Date, we have no definitive commitment or agreement for any material investment, partnership or acquisition. The total amount of outstanding planned investment to be made on the existing overseas and domestic funds of the Group was approximately ¥51,800 million as at 30 September 2010 and ¥47,500 million as at the Latest Practicable Date. The materiality threshold adopted by the Directors in determining whether an investment, partnership or acquisition is material or not is based on an assessment of the amount involved for such investment, partnership or acquisition, how material such investment, partnership or acquisition is in relation to the overall strategy of the Group and the effect or size of the impact such investment, partnership or acquisition would have on the Group's income, profit/loss and financial position if such investment, partnership or acquisition were to proceed. We may not be able to identify suitable investment opportunities, partners or acquisition candidates. Even if we do identify suitable investment opportunities, partners or acquisition candidates, we may be unable to negotiate terms that are commercially acceptable to us or complete those transactions at all. With respect to our recent and future acquisitions, we could have difficulty in integrating these companies or businesses, including internal operations, distribution networks, product lines and personnel, with our existing business, and there is no assurance that the expected strategic benefits of any recent and future acquisitions or alliances will be realised. The acquired companies may have low margins and require significant restructuring to increase efficiency. In addition, the key personnel of an acquired company may decide not to work for us. Any potential investment, partnership, acquisition, alliance or joint venture could involve a number

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of specific risks, including diversion of management's attention, higher costs, unanticipated events or circumstances, legal liabilities, failure of the business of the acquired company, fall in value of investments and amortisation of acquired intangible assets, some or all of which could have a material adverse impact on our business, financial condition and results of operations. In the event that we plan to acquire or invest in an overseas company, we may be required to obtain the prior approval of the relevant regulators and/or the government and there can be no assurance that such approvals will be obtained in a timely manner or at all. In addition, any acquisition of an overseas company will expose us to foreign exchange risks, foreign regulations applicable to its business and different environments that we are not familiar with.

We may finance future acquisitions of companies with a portion of the net proceeds from the issue of equity, as well as with cash from operations, our existing cash balances, debt financing, the issuance of additional shares or any combination of these. We cannot guarantee that we will be able to arrange financing on acceptable terms, if at all, to complete any such transaction. Any debt financing for investments, partnerships or acquisitions could significantly increase our debt leverage and may subject us to interest rates fluctuations and other financial risks. Investments, partnerships or acquisitions financed by the issuance of our Shares would dilute the ownership interest of our Shareholders.

Risks relating to entering new businesses

We are aggressively creating and nurturing new businesses. If our new businesses are unable to achieve their business plans as originally formulated, and if they are unable to record earnings commensurate with their initial investments, such failure could have an adverse impact on our financial condition and results of operations. In addition, our new businesses could become subject to new laws and regulations or be placed under the guidance of particular regulatory authorities. Any violations by our new businesses of the laws, regulations or guidance that is applicable to them, and any administrative or legal actions directed at them, could impede the conduct of their operations and have an adverse impact on our financial condition and results of operations.

Risks relating to being a financial conglomerate

From the fiscal year ended 31 March 2008, we are a "financial conglomerate" under the Guidelines for Supervision of Financial Conglomerate issued by the FSA. As a financial conglomerate, our Company and the Group are subject to the supervision of the FSA with respect to business administration, soundness of financial base and adequacy of business operation, and subject to certain regulatory requirements in respect of capital adequacy, liquidity and solvency. Any administrative action that we become subject to by supervisory authorities could impede our operations and have an adverse impact on our financial condition and results of operations.

Risks relating to investment securities

We hold a large amount of investment securities, including investments in unconsolidated subsidiaries and affiliated companies. As at 30 September 2010, we had an aggregate of ¥54.4 billion of investment securities, of which ¥44.3 billion was investments in unconsolidated subsidiaries and affiliated companies. We could experience impairment losses on our investment securities as a result of declines in their value, which could adversely affect our results of operations and financial condition.

Litigation risk

We are exposed to litigation risk relating to the operations of our business segments on an ongoing basis. While we cannot predict the outcome of any pending or future litigation, given the inherent unpredictability of litigation, it is possible that an adverse outcome in any one or more matters could have a material adverse effect on our results of operations and financial condition.

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Risk relating to risk management and internal control

We have established risk management and internal control systems and procedures. Certain areas within our risk management and internal control systems may require constant monitoring, maintenance and continual improvements by our senior management and staff. If our efforts to maintain these systems are provided to be ineffective or inadequate, we may be subject to sanctions or penalties and our business prospects and reputation may be adversely affected.

Deficiencies in our risk management and internal control systems and procedures may adversely affect our ability to record, process, summarise and report financial and other data in an accurate and timely manner, as well as adversely impact on our ability to identify any reporting errors and non-compliance with rules and regulations. In February 2010, the Securities and Exchange Surveillance Commission and the FSA identified deficiencies in the operations of the electronic data processing systems of SBI SECURITIES Co., Ltd. (a Financial Instruments Business Operator), including deficiencies in its risk management system. For further details related to the regulatory proceeding with respect to SBI SECURITIES Co., Ltd, please refer to the section headed “Business — Legal proceedings and compliance” in this prospectus.

Our internal control system, no matter how sophisticated in design, still contains inherent limitations caused by misjudgment or fault. As such, there is no assurance that our risk management and internal control systems are adequate or effective notwithstanding our efforts and any failure to address any internal control matters and other deficiencies could result in investigations and/or disciplinary actions or even prosecution being taken against our Group and/or our employees, disruption to our risk management system, and material and adverse effects on our financial condition and results of operations.

Risks relating to funding liquidity

We raise working capital through various means, including equity finance in the capital markets, loans from financial institutions, and issuances of corporate bonds. Due to the ongoing global economic crisis and the resulting deterioration in the global credit markets, including reduced lending by financial institutions, we may face difficulty raising funds under favourable conditions or at all. In addition, potential downgrades to our credit ratings could interfere with our ability to raise funds from external sources. In such circumstances our access to funds could be restricted, and our financing costs could increase. Any such events could adversely affect our financial condition and results of operations.

The ongoing global economic crisis has had a significant impact on our results of operations in recent periods and our cash flows from operations for past periods are not necessarily indicative of the cash flows from operations to be expected for the fiscal year ending 31 March 2011 or for other future periods.

The current portion of our long-term debt of ¥125.4 billion as at 30 September 2010 consisted of borrowings from banks and bonds issued based on the Euro-MTN programme. For further information about our liquidity and liquidity management, please refer to the section headed “Financial Information — Liquidity and Capital Resources” and the Accountants’ Report in Appendix I to this prospectus.

Derivatives risk

We utilise derivative instruments to reduce investment portfolio price fluctuations and to manage interest rate and foreign exchange rate risk. However, we may not be able to successfully manage our risks through the use of derivatives. Counterparties may fail to honor the terms of their derivatives contracts with us. Alternatively, our ability to enter into derivative transactions may be adversely affected if our credit ratings are downgraded.

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We may also suffer losses from trading activities, a part of which includes the use of derivative instruments. As a result, our financial condition and results of operations could be adversely affected.

During the Track Record Period, we have entered into derivative instruments, which included currency forward contracts, interest rate swaps, stock-index futures, commodity futures, bond futures and foreign exchange margin transactions. As of 31 December 2010, we had a net asset of ¥9,588 million on our outstanding derivative instruments, with total contract amounts of ¥550,689 million under such derivative instruments. For a discussion of derivative financial instruments and hedging, please refer to note XII of the Accountants' Report in Appendix I to this prospectus.

Our use of these derivatives may adversely affect our financial condition and results of operations.

We depend in part on payments from our subsidiaries and other entities

We depend in part on dividends, distributions and other payments from our subsidiaries and other entities, such as partnerships and other investment vehicles, to fund payments on our obligations, including our debt obligations. Regulatory and other legal restrictions, including contractual restrictions, may limit our ability to transfer funds to or from our subsidiaries and other entities, particularly our consolidated investment funds. Some of our subsidiaries and other entities which we depend on, in part, for payments are subject to laws and regulations that authorise regulatory bodies to block or reduce the flow of funds to us, or that prohibit such transfers altogether in certain circumstances. These laws and regulations may hinder our ability to access funds that we may need to make payments on our obligations.

Reliance on key personnel

Our business operations depend on the leadership of our Representative Director and Chief Executive Officer, Mr. Yoshitaka Kitao, and other key members of our management team. If one or more of our current management teams becomes unable to continue to operate our businesses, such event could adversely affect our financial condition and results of operations. Any remedial action adopted by management to deal with a loss of key personnel may not take effect immediately or at all.

Risks relating to employees

We employ who we consider highly skilled and qualified personnel to work under our management team. If we are unable to continue to engage highly skilled and qualified personnel of the requisite caliber and skills, this could adversely affect our financial condition and results of operations.

Risks relating to trademarks and other intellectual property rights

Our businesses involve various types of intellectual property, including patents, copyrights and other forms of intellectual property, particularly those related to our "SBI" brand. We rely on our ability to protect the intellectual property we own and use in our business. If we fail to sufficiently protect our intellectual property, or if we are unable to acquire the necessary licences for the use of third-party intellectual property, we may experience difficulty in developing technologies or providing services. Also, we may be the subject of legal actions brought by third parties alleging infringement of their intellectual property. In addition, we may experience increased costs in connection with intellectual property, especially those related to copyright. Such additional costs could have a material adverse effect on our financial condition and results of operations.

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Risks relating to enactment of, or changes in, laws, regulations and accounting standards

Enactment of, or changes in, laws and regulations (for example, regulations concerning the gradual reduction of margin rate from 1 August 2010 with respect to foreign exchange margin transactions announced by the FSA) may affect the way that we conduct our business, the products or services that we may offer in Japan or overseas, as well as our customers, borrowers, portfolio companies and funding sources. Such enactment or changes are unpredictable and may cause our costs to increase. As a result of such enactment or changes, our business activities, financial condition and results of operations could be adversely affected.

Withdrawal or amendment of any regulatory approval or of any exemption from registration in respect of any part of our Group's activities or any of our funds in any jurisdiction might oblige us to cease conducting a particular business or change the way in which it is conducted. Similarly, the withdrawal of either a licence or an approval of one or more individuals would hinder their ability to perform their current role. The carrying on of regulated activities by unauthorised persons could have a number of consequences including the possibility of agreements made in the course of carrying on such activities being unenforceable.

Enactment of, or changes in, accounting standards may have a significant effect on how we record and report our financial condition and results of operations, even if our underlying business fundamentals remain the same. As a result of such enactment or changes, our business activities, financial condition and results of operations could be adversely affected.

Risks relating to insurance coverage

To manage operating risks, we maintain in our portfolio companies insurance coverage of various kinds. However, we cannot assure you that all claims under their insurance policies will be honored fully or on time. Furthermore, we are generally unable to insure against certain types of losses, including losses caused by earthquakes, typhoons, floods, wars and riots, and we do not have business interruption insurance. To the extent that any of our portfolio companies suffer loss or damage that is not covered by insurance or that exceeds the limit of its insurance coverage, our results of operations and cash flow may be adversely affected.

Past results may not be indicative of future performance

The historical financial information included in this prospectus may not necessarily reflect our results of operations, financial condition or cash flows in the future. We may experience slower growth in some of our businesses and we may not be successful in launching new businesses. New businesses may not achieve as quick or as large growth as anticipated, and our multiple business strategy may not be successful and we may not be able to successfully integrate future businesses or assets into our existing operations.

We may be unable to use the name "SBI Holdings" or the mark "SBI" in Hong Kong and may be unable to register certain new trademarks in Hong Kong

Our Company does not currently conduct business in Hong Kong. The partner in a former Singapore joint venture in which we had a share has taken an assignment of trademark registrations in Hong Kong for a logo form of which the words "SBI E2-Capital" (in the English language) are a significant component. The former joint venture partner is called E2-Capital Inc. These trademark registrations have been made in respect of a range of services that overlap with our core business offering in the other countries in which we operate as set out in the section headed "Business" — Overview" in this prospectus. Our Company no longer owns any shares or has any contractual relationship with E2-Capital Inc. We are aware that E2-Capital Inc. trades in Hong Kong using the logo form it has registered as a trademark.

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If our Company decided to conduct business in Hong Kong under the name “SBI Holdings” and/or the mark “SBI” then the use of this name and this mark could infringe the trademark rights of SBI E2-Capital in Hong Kong. To avoid this risk of conflict, our Company would have either to choose a different name for its business in Hong Kong or would alternatively have to bring a legal challenge to E2-Capital Inc.’s entitlement to its trademark registrations. There is no guarantee that a legal challenge against E2-Capital Inc. would be successful. If we were required to operate our business in Hong Kong under a different name and mark to the name and mark that we use in other countries, our business, financial conditions and results of operations could be materially and adversely affected and this would have a material bearing on any decision to begin to conduct business in Hong Kong.

Our Company has, as at the Latest Practicable Date, made two trademark applications in Hong Kong for two new trademarks, as set out in the section headed “Statutory and General Information — Intellectual property rights of the Group — Trademarks” in Appendix VIII to this prospectus, in respect of services that we offer in the other countries in which we operate. One trademark application has been made in respect of a Chinese language trademark, the other trademark application has been made in respect of a logo form. These trademark applications are unrelated to the name and mark “SBI”. There is no guarantee that these pending applications for new trademarks will be granted or that they will be granted for a specification of services that protects all of our normal business activities. Despite our efforts, we may ultimately be unsuccessful in applying for registration of those new trademarks. There is a possibility that our Company would decide to use these new trademarks in China, Taiwan and in Singapore. We have not yet taken any decision in this respect and we have, therefore, not applied for registration of trademarks in those countries. In addition, our introduction of new brands in these countries may not gain immediate success, including by customers’ failing to recognise our new brand names. If we fail to implement and manage our introduction of new brands our business, financial conditions and results of operations could be materially and adversely affected.

Risks relating to our asset management segment

Impact of changes in the business environment on our asset management segment

The main investment revenue sources for our asset management segment and investment partnerships managed by our Group, are capital gains on the disposal of shareholdings and management revenue from investment partnerships. For the fiscal years ended 31 March 2008, 2009 and 2010 and the six months ended 30 September 2010, capital gains on disposal of shareholdings and management revenue from investment partnerships accounted for 94.2%, 81.0%, 86.0% and 90.3%, respectively, of the revenue from customers of our asset management segment. However, these revenue sources are easily affected by fluctuations in the political, economic and industrial situation and in stock market conditions, particularly the market for initial public offerings. For example, adverse market conditions could result in reduced capital gains or capital losses on the sale of operational investment securities or require us to record valuation losses on operational investment securities. These external factors beyond our control may contribute to fluctuations in the performance of our asset management segment, and thereby exert a substantial influence on the performance of the entire Group. Our performance may also be subject to large fluctuations as the realisation of investment profits may be concentrated in a fixed period.

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Risks associated with outside investors in our funds

Approximately 54% of our funds depend in part on funding contributions from outside investors. We could experience difficulty raising new capital, both from existing and new outside investors, if our funds perform poorly. In addition, we may not be able to draw upon the commitments of existing outside investors, if those investors experience decreased liquidity, impaired financial soundness or other financial hardships. Difficulty in raising new funds in our asset management business, whether due to the reasons discussed above or for other reasons, may interfere with our ability to operate our funds as planned, which could have a material adverse effect on our financial condition and results of operations.

Investment risk

We, and investment partnerships managed by us, have invested in many venture companies and companies undergoing restructuring. The future prospects of these companies are affected by many uncertainties and various potential future events that could cause fluctuations in their performance. These factors include, but are not limited to:

- changes in the competitive environment caused by the rapid progress of technological innovation and fluctuations in industrial standards;
- the hiring and retention of exceptional managers and staff;
- vulnerabilities in these companies' financial structure; and
- the non-disclosure of important information by the companies.

In addition, some of the businesses that we invest in operate in industries that are inherently speculative and risky. The investment risks associated with such uncertainty could lead to losses that could have a material adverse effect on our financial condition and results of operations.

(i) *Investments by us or our funds may rank junior to or have lesser rights or preferences than investments made by others*

The companies in which we or our funds invest may in certain cases incur indebtedness or issue equity securities, or may be permitted to incur indebtedness or to issue equity securities, that rank senior to or have more rights and preferences than our investments. Such instruments may provide that their holders are entitled to receive payments of dividends, interest or principal on or before the dates on which payments are to be made in respect of our investment. Moreover, in the event of insolvency, liquidation, dissolution, reorganisation or bankruptcy of a company in which an investment is made, holders of securities ranking senior to or having distribution preferences over our funds' investment would typically be entitled to receive payment in full before distributions could be made in respect of our investment. Holders of claims that rank equal with or are in the same class as our investment would be entitled to share on an equal and ratable basis in distributions that are made out of assets remaining after payment to holders of senior securities.

(ii) *Our investment funds may invest in companies that we do not seek to control*

Our investment funds have in the past invested, and may in the future invest, in companies that we do not seek to control. Our funds may acquire such instruments and securities through trading activities or through purchases of securities or instruments directly from the issuer. In addition, our funds may acquire minority equity interests and may also dispose of a portion of their majority equity investments in investee companies over time in a manner that results in the investment funds retaining a minority investment. Those investments will be subject to the risk that the company in which the investment is made may make business,

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financial or management decisions with which we do not agree or that the majority stakeholders or the management of the company may take risks or otherwise act in a manner that does not serve our interests. If any of the foregoing were to occur, the values of investments by our funds could decrease and our financial condition, results of operations and cash flow could suffer as a result.

Moreover, as some of our Group companies and funds are subject to different overseas jurisdictional regulatory oversight in view of their overseas portfolio investments, our Group might be affected by the regulatory environment of various jurisdictions including those of Brazil, China, India and United States.

Foreign currency risk

We, and investment partnerships managed by us, are exposed to foreign currency risk when making investments denominated in foreign currencies. Fluctuations in exchange rates may affect our performance due to uncertainty over both the timing of the recovery of the investment and the amount recovered. For example, during the six months ended 30 September 2010, the Yen generally appreciated against major foreign currencies, resulting in a foreign currency translation loss with respect to our loans to our subsidiaries which are denominated in a foreign currency. Likewise, as our investment assets are held at carrying value in accordance with JGAAP, sales of our investment assets for foreign currencies during the six months ended 30 September 2010 led to foreign currency translation losses or lower than expected gains as a result of their decreased value against the Yen. In the future, we expect foreign exchange fluctuations will continue to have an effect on our results of operations, assets and liabilities and cash flows.

Overseas investment risk

When investing overseas, we, and investment partnerships managed by us, face potential social unrest caused by changes in local economic conditions, changes in political factors, changes in the legal system or terrorism. Country risk may be difficult to minimise or avoid and may affect our financial performance.

In particular, our funds invest in companies in emerging markets, including China and other countries in Asia. Many emerging market countries are developing economically and politically and do not have firmly established securities markets. Investments in companies in emerging markets may involve a high degree of risk and may be speculative. Risks include:

- political or economic developments such as nationalisation of key industries;
- lack of liquidity coupled with high levels of price volatility, which result from the relatively small size of some of the markets for securities and relatively low volume of trading in the individual stocks;
- certain national policies which may restrict a fund's investment opportunities including restrictions on investing in companies or industries deemed sensitive to relevant national interests;
- the potential for significantly higher rates of inflation;
- currency risk and the imposition, extension or continuation of foreign exchange controls (for example, the PRC currently operates foreign exchange controls);
- changes in, or enactments of, laws and/or regulations, including those relating to taxation;

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- differences in accounting standards and auditing practices which may result in unreliable financial information; and
- lack of depth of management or strict corporate governance control.

We cannot guarantee that we will be able to achieve satisfactory investment performance for our funds in emerging markets in the future. Failure to do so could have a material adverse effect on our business, growth prospects, net inflows of asset under management, fee income, results of operations and/or financial condition.

Competition in our asset management segment

At a time of intense competition in the venture investment business and restructuring investment business, including from new entrants, and with domestic and overseas financial institutions and investment companies launching numerous funds, there is no assurance that we will be able to maintain our competitiveness. We may not be able to raise investment funds of a sufficient scale in line with our plans, or to find promising investee companies that would provide adequate returns on investment, as a result of industry rivals deploying revolutionary new services or due to mergers and collaborations between industry rivals.

Legal regulations affecting our asset management segment

The investment partnerships we manage are subject to, and must comply with, the FIEA, the Money Lending Business Act of Japan (Act No. 32 of 1983, as amended) (the “**Money Lending Business Act**”), the Companies Act, the Civil Code of Japan (Act No. 89 of 1896, as amended), the Limited Partnership Act for Investment of Japan (Act No. 10 of 1998, as amended) and other laws, domestic and foreign. We also operate investment trust management companies that are registered as investment management businesses or as investment advisory or agency businesses in accordance with the FIEA. The business operations of our asset management segment may be hindered, and its performance may be adversely affected, in the event of revisions to the FIEA or other related laws, or in the event that required registrations are revoked.

Risks relating to our brokerage and investment banking segment

Impact of changes in the business environment affecting our brokerage and investment banking segment

Brokerage commissions account for the majority of the revenue from customers of our brokerage and investment banking segment. For the fiscal years ended 31 March 2008, 2009 and 2010 and the six months ended 30 September 2010, brokerage commissions accounted for 48.0%, 46.2%, 39.0% and 33.2%, respectively, of the revenue from customers of our brokerage and investment banking segment. This segment is, therefore, highly exposed to fluctuations in the trading volume and trading values of stock markets. Trading volume and trading values on stock markets are affected by various factors, such as corporate profits, exchange rate fluctuations, interest rates, international political conditions, fluctuations in the main global markets and investor sentiment. A fall in share prices tends to lead to a contraction in trading volume. There can be no guarantee of favourable stock market conditions in the future, and the performance of our brokerage and investment banking segment could be adversely affected by declines in share prices and any resulting drop in trading volumes.

The Japanese government, certain foreign governments and various financial instruments exchanges are currently promoting financial and stock market reforms. The substance of these reforms could have an adverse effect on the future performance of our brokerage and investment banking segment. For example, as of 1 August 2010, the new foreign exchange trading regulation

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was implemented under the amendment of Cabinet Office Ordinance on FIEA, which gradually reduces the maximum allowable leverage (50 times on 1 August 2010 and 25 times on 1 August 2011). The Group has not yet been affected, but it is possible that it will experience a decline in the foreign exchange market.

Credit risk

Margin transactions for domestic stocks are one of the revenue sources for our brokerage and investment banking segment. However, the value of the collateral deposited by a customer for a margin transaction may be inadequate if the customer suffers a loss on the margin transaction or if the value of the securities posted as collateral declines. In addition, the funds required for margin transactions are primarily financed through borrowings from securities finance companies. However, the value of securities pledged by us to securities finance companies as collateral for such borrowings may also fluctuate. In the event of a decline in the value of securities pledged by us as collateral, the securities finance companies from which we have borrowed may request that we pledge additional collateral, in which case we would be required to borrow from other lenders in order to fund such additional collateral requirements.

We borrow shares from our customers and lend such shares to other broker-dealers. We may suffer losses if there are sharp changes in market values of securities and our counterparties to borrowing and lending transactions fail to honor their commitments. Any fluctuation in public equity markets may lead to a greater risk that parties to stock lending transactions may fail to meet their commitments. In addition, if we fail to expand our customer base for stock lending services and maintain good relationships with other securities companies to which we lend securities, it may have a material adverse impact on our reputation and results of operations.

Moreover, over-the-counter foreign exchange margin transactions are transactions conducted by depositing certain amount of margin as collateral. Our customers may make large amount of profits or suffer large amount of losses compared to the amount of margin deposited. Subject to changes in foreign exchange market conditions, in cases where losses suffered exceed the amount of margin deposited, depending on the total amount or the number of incidences, our results of operations could be materially and adversely affected, as bad debt losses may be incurred and further increase in loan loss provision may be necessary due to an increase in unsecured accounts receivable. For the periods ended 31 March 2008, 2009, 2010 and 30 September 2010, we made no loan loss provision and there were no bad debt losses incurred in relation to over-the-counter foreign exchange transactions.

Foreign currency and counterparty risk

We face counterparty risk with respect to over-the-counter foreign exchange transactions with counterparties, which we perform in order to hedge foreign exchange fluctuations in the positions that we take in relation to our customers. If unforeseen circumstances should occur such as systemic damage to, or the deterioration of the business and financial condition of, a counterparty, we may not be able to hedge market risk for our customers, which could have an adverse effect on our results of operations and financial condition.

Underwriting risk

In order to diversify our revenue sources, we are increasing the resources devoted to the underwriting of shares. Due to this we face increased underwriting risk in the event that underwritten securities cannot be resold. Price fluctuations of securities offered but not resold may have an adverse impact on our financial condition and results of operations. A decline in the

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reputation of an issuer, either during or after a public offering for which we have acted as lead managing underwriter, could damage our reputation and hinder the development of our underwriting business, which would adversely affect our financial condition and results of operations.

Risks relating to proprietary trading system (PTS) business

Our equity-method non-consolidated subsidiary, SBI Japannext Co., Ltd., commenced operations of its proprietary trading system in August 2007. Japannext PTS is an off-exchange electronic trading market to which multiple securities companies can connect. Any potential operational difficulties, whether caused by unexpected events such as system failures, non-settlement or late settlement, or the bankruptcy of participating securities companies, could damage the confidence of investors and participating securities companies in the reliability and security of the proprietary trading system, which would adversely affect our financial condition and results of operations.

Competition in brokerage and investment banking segment

Competition among brokerage companies has been intensifying. We expect competition to continue to intensify as more companies from other industries enter the online securities brokerage market in response to deregulation, as well as due to the emergence of foreign companies. Furthermore, large securities companies are developing and improving their online securities brokerage businesses. In addition, the minimum unit cost needed to acquire a single new customer account is also projected to increase due to such competition. These factors could have a large impact on the operating performance of our brokerage and investment banking segment.

In addition, though we are striving to improve the level of convenience enjoyed by investors who use our proprietary trading system platform, if the services we offer do not compare favourably to those offered by our competitors' proprietary trading system platforms, trading activity on our proprietary trading system may decline, which could have a material adverse effect on our financial condition and results of operations.

Legal restrictions on the brokerage and investment banking segment

We are registered as a financial instruments business operator in accordance with the FIEA, allowing us to engage in the trading of financial instruments. This business area is subject to the provisions of the FIEA and related laws such as the Financial Instruments and Exchange Act Enforcement Ordinance of Japan. Please refer to the section headed "Supervision and Regulation" in this prospectus for a summary of the key regulations in Japan to which our brokerage and investment banking business is subject.

In addition to the rules of the TSE, OSE, Nagoya Stock Exchange, Fukuoka Stock Exchange and Sapporo Securities Exchange of which we are a general trading member, we are subject to the rules and regulations established by the JSDA and Financial Futures Association of Japan, which are organisations established under the FIEA.

In the event that we or our employees violate any of these laws, rules or regulations, our licence to operate may be revoked or a court order may be issued requiring that we take administrative action in order to achieve specified improvements. Any such action or event could adversely affect our financial condition and results of operations. Even if there are no violations of laws or regulations, if we are investigated by government authorities and the investigation becomes publicly known, our reputation may be harmed and our business activities may be adversely affected.

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Systems risks affecting our brokerage and investment banking segment

The Internet is our primary sales channel. Accordingly, we are exposed to various systems risks, including the risk of hardware and software failures, human error, communication failures, computer viruses, cyber terror and natural disasters. We may be liable for damages resulting from an insufficient or poorly executed response to any such failure or disaster, which could result in a loss of trust in the reliability of our systems and our support, causing damage to our customer base. In addition, we are developing new systems and increasing capacity in response to expected increases in the number of accounts and trading volume. However, if such number of accounts or trading volume increase less than our expectation, increased costs in relation to our systems such as depreciation and lease fees which do not contribute to our profit could have an adverse effect on our financial condition and results of operations.

Security of customer information in our brokerage and investment banking segment

Any unauthorised orders for securities trades, leaks or destruction of important customer data could give rise to liabilities and in turn have a material adverse effect on our financial condition and results of operations. Any violations of the Personal Information Protection Act of Japan or any leaks or destruction of important customer data could have negative consequences, including a loss of customer trust, which would have a material adverse effect on our financial condition and results of operations.

Risks relating to our financial services segment

Impact of changes in the business environment on our financial services segment

(i) Effects of interest rate fluctuations

Because we obtain much of the funding required for purchases of leased assets in our leasing business through borrowing, we are exposed to the risk of fluctuations in interest rates. Dramatic increases in the interest rates at which we are able to borrow would result in increased costs in our leasing business. Increases in interest rates could also lead to increased expenses in our consumer loan business. Accordingly, increases in interest rates could have a material adverse effect on our financial condition and results of operations.

(ii) Responding to technical innovations

Because the Internet is the primary channel through which we provide services to our customers, it is imperative for our future growth prospects that we maintain thorough familiarity with the Internet and related technology. With technological innovation comes changes in the technical standards and user environments in which our customers operate. If we are slow to respond to technological advancements, the services we provide are likely to suffer and become inferior or obsolete, resulting in a loss of competitive advantage within the industry. Our financial condition and results of operations could be negatively affected if we lag behind in our efforts to keep up with changes in our technological environment. In addition, we could incur significant expenses to develop new internal systems or perform major system upgrades in order to keep pace with important technological changes.

Competition in the financial services segment

Because initial capital investment requirements for comparison shopping websites, such as those that compare financial, insurance and loan products, are low and because such businesses may be launched with relatively low personnel costs, competition in this business is intensifying as more companies enter into the market. Such competitive pressures could have a negative impact on the profitability of our financial services segment. In addition, there are a number of

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competing websites in the non-financial services area, where three of our group companies are active. As the number of our competitors in these fields increases, the number of users who visit our websites could decrease, which could cause additional downward pressure on revenues. Any of these factors could have an adverse effect on our financial condition and results of operations.

Risk relating to banking business

In the banking industry, it is necessary to respond to a great variety of risks: credit risk, market risk, liquidity risk, compliance risk, administrative risk, system risk, information security risk, risks associated with contracting with third parties, event risk, reputation risk, capital ratio risk, strategic risk, and risk associated with regulatory change. Any failure to adequately address these risks could be disruptive to business operations. In addition, if we are unable to achieve the targets projected in our initial business plan for this sector, and if future income is inadequate to cover our initial investments, operating results could be adversely affected. We own 50% of SBI Sumishin Net Bank, Ltd. which is required by Japanese law to maintain at all times a minimum capital adequacy ratio. SBI Sumishin Net Bank, Ltd. may require additional funding in the future in connection with maintaining such capital adequacy ratio, and if so, we may be required to provide additional funds (whether as equity contribution or otherwise) to SBI Sumishin Net Bank, Ltd.

Risk relating to insurance business

In the non-life insurance industry, it is necessary to respond to a great variety of risks: insurance underwriting risk, market risk, credit risk, liquidity risk, administrative risk, system risk, information security risk, legal risk and casualty risk. Any failure to adequately address any of these risks could be disruptive to our business operations. In addition, if we are unable to achieve the targets projected in our initial business plan for this sector, and if future income is inadequate to cover our initial investments, operating results could be adversely affected.

Legal risks affecting our financial services segment

Licences, permits or registrations are required to conduct businesses under our financial services segment under the Money Lending Business Act, the Banking Act of Japan (Act No. 59 of 1981, as amended) (the “**Banking Act**”), Insurance Business Act of Japan (Act No. 105 of 1995, as amended) (the “**Insurance Business Act**”) and their respective related ordinances and regulations, the Insurance Act of Japan (Act No. 56 of 2008, as amended) (the “**Insurance Act**”) and the Act on Special Measures regarding Servicer Business of Japan (Act No. 126 of 1999, as amended). Our business would be materially adversely affected if any necessary licences, permits or registrations were revoked for any reason. In addition amendments to the Money Lending Business Act that are currently being phased in include changes to the regulation of maximum loan interest rates and other aspects of the consumer loan business which could have a negative impact on our financial condition and results of operations.

Systems risks affecting financial services segment

Because our financial services segment relies heavily on computer systems, if unforeseeable events such as earthquakes, floods, fires, computer viruses, power outages, communications failures, work-stoppages by third-party service providers or unpredictable system failures were to result in a delay, suspension or cessation of services to our customers, such events could have a material adverse effect on our financial condition and results of operations.

Security of customer information in our financial services segment

Although to date there have been no occurrences of, and we have suffered no liabilities arising from, any leaks or destruction of customer information, if any such event should occur, we

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could lose the trust of our customers and incur significant legal and other costs, either of which could have a material adverse effect on our financial condition and results of operations. In addition, any violation of the Personal Information Protection Act of Japan or any leaks of customer information could lead to a loss of trust by our customers and could have a negative impact on our operating results.

Risks relating to our housing and real estate segment

Impact of changes in the business environment on our housing and real estate segment

(i) *Effects of real estate market conditions*

Changes in real estate market conditions, such as land prices and lease rates, could affect our real estate holdings, including our direct holdings and our holdings through investment partnerships. For example, we may be required to increase allowance for doubtful accounts with respect to real estate we hold as collateral for loans if the appraised value of such real estate decreases. In addition, since the housing loan business in our housing and real estate segment concentrates primarily on the provision of housing loans to consumers who are building or buying new homes, fluctuations in the volume of housing loans subject to external factors such as new housing starts could impact our financial condition and results of operations.

(ii) *Effects of fluctuations in interest rates and related market conditions*

We are exposed to interest rate fluctuations in our housing and real estate segment. An increase in interest rates leads to higher procurement costs, including procurement costs for non-recourse loans. In addition, in the real estate financing business in our housing and real estate segment, changes in interest rates could impact the interest rates on housing loans and mortgages, affect the number of new borrowers and refinancing borrowers and affect the entry hurdles for new entrants into the housing loan market.

Investment risk

If problems or defects that were not identified in the pre-purchase diligence process for a property are later revealed following the acquisition of that property, such as unusual rights relationships, poor soil quality, inadequate construction or environmental problems, those problems could have a material adverse effect on the value or cash flow from that property. Other factors that could have a negative effect on a property's price and cash flow include fires, riots, terrorism, earthquakes, volcanic eruptions, tidal waves and other unforeseeable natural disasters.

Foreign currency risk

Investments in our housing and real estate segment that are denominated in foreign currencies are subject to risk caused by fluctuations in foreign exchange rates. Because both the timing and amount of recovery from real estate properties are inherently uncertain, the operating results of our housing and real estate segment could be adversely affected by fluctuations in foreign exchange rates.

Risks relating to investment in overseas real estate

Investments in overseas real estate expose us to risks including losses due to disruptions in economic and political conditions, changes in the local legal system and social disruptions resulting from terrorism and other factors. There can be no assurance that country risk will not have a negative impact on our financial condition and results of operations.

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Competition in businesses relating to residential real estate

Competition in the residential real estate market is expected to intensify as the number of new entrants increases in response to greater business opportunities. If our efforts to maintain and strengthen our competitive position are unsuccessful, price competition in the real estate market could put downward pressure on our revenues, which could have a negative impact on our financial condition and results of operations.

Legal regulatory risk relating to residential real estate and lifestyle networks

In addition to the Building Lots and Building Transaction Business Act of Japan (Act No.176 of 1952, as amended), which requires a licence to act as an agent and broker in the purchase or lease of real estate, other laws in Japan such as the National Land Use Planning Act of Japan (Act No.92 of 1974, as amended), Building Standards Act of Japan (Act No.201 of 1950, as amended), City Planning Act of Japan (Act No.100 of 1968, as amended), Act Concerning Specified Joint Business in Real Estate of Japan (Act No.77 of 1994, as amended), Leased Land and House Lease Act of Japan (Act No.90 of 1991, as amended), Construction Business Act of Japan (Act No.100 of 1949, as amended), Architect Act of Japan (Act No.202 of 1950, as amended), Labor Health and Safety Act of Japan (Act No.57 of 1972, as amended) and the FIEA also apply to us. In addition, the Money Lending Business Act also applies to our real estate financing business. With respect to the method of payment settlement, laws in Japan such as the Act for Regulation of Receiving Capital Subscription, Deposits, and Interest Rates, etc. of Japan (Act No.195 of 1954, as amended), the Banking Act, and the Payment Services Act of Japan (Act No.58 of 2009, as amended) are also applicable.

Our lifestyle networks business is subject to laws in Japan such as the Act on Specified Commercial Transactions of Japan (Act No.57 of 1976, as amended), the Consumer Contract Act of Japan (Act No.61 of 2000, as amended), the Pharmaceutical Affairs Act of Japan (Act No.145 of 1960, as amended), the Product Liability Act of Japan (Act No.85 of 1994, as amended), the Unauthorized Computer Access Act of Japan (Act No.128 of 1999, as amended), and anti-nuisance ordinances.

Any administrative action that would require us to take steps to alter our operations, or any revocation of a licence, permit or registration required under these various legal requirements, could adversely affect our financial condition and results of operations.

Systems risks affecting our residential real estate related business

Any computer failure causing a delay, suspension or cessation of services due to unforeseeable factors such as widespread earthquake or flood damage, fires, computer viruses, power outages, communications failures or work-stoppages by third-party service providers, could adversely affect our financial condition and results of operations.

Security of customer information in our real estate related businesses

If any leak or destruction of customer information were to occur, it could result in significant legal liability and a loss of trust and credibility, either of which could have a material adverse effect on our financial condition and results of operation.

In addition, any violation of the Act on Protection of Personal Information of Japan (Act No. 57 of 2003, as amended) or any other applicable laws relating to the protection of personal information could lead to legal liability and administrative sanctions and the loss of our customer trust, which could have negative impact on our financial condition and results of operations.

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Risks relating to our other businesses

Risks relating to system solution business

Our system solution business is primarily engaged in system development and operation and maintenance of system.

The information technology industry continues to bring about technological innovation and industry technical standards and customer usage conditions continue to evolve through the constant introduction of new technologies. If we were to lag behind in our response to these new technologies, our services could become unattractive or obsolete, which could adversely affect our competitiveness in this industry.

In addition, if our system solution business is unable to achieve the goals set out in its business plans as originally formulated, and if it is unable to record earnings commensurate with its initial investments, such failure could have an adverse impact on our financial condition and results of operations.

Risks relating to biotechnology business

Our biotechnology business is primarily focused on developing new immunotherapy and cancer treatment through the combination of antibody, nucleic acid and low-molecular drugs with cell remedies.

As the biotechnology industry is monitored closely by the Japanese government, our operations are constrained in many ways. We must obtain all the necessary permits and product certifications to introduce a new product to the market and there is no assurance that regulatory authorities will approve any or all of our new products. Changes in regulations may also make the application process more difficult.

We focus on the research and development of proprietary drugs. However, we cannot assure you that our research and development efforts will result in the development of commercially successful products or innovative production technologies, or that any such research projects will generate the expected results. Substantially all of our biotechnology products must undergo a clinical trial process before they can be introduced into the market for commercial sale. The process is expensive, lengthy and uncertain. Our biotechnology business may be adversely affected if after we devote significant time and expense on research and development and the clinical trial process, a product under development fails to achieve approval for commercial sale.

In addition, we may be subject to product liability claims in respect of our biotechnology products. In the event that the use or misuse of our potential biotechnology products results in personal injury or death, claims may be brought against us for damages and the Japanese government may close down the related operations.

RISKS RELATING TO OUR SECONDARY LISTING

The characteristics of the Japanese capital markets and the Hong Kong capital markets are different

The TSE, the OSE and the Hong Kong Stock Exchange have different trading hours, trading characteristics (including trading volume and liquidity), trading and listing rules, and investor bases (including different levels of retail and institutional participation). As a result of these differences, the trading prices of Shares listed in Japan and HDRs, might not be the same, even allowing for currency differences.

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Fluctuations in the price of our Shares due to circumstances peculiar to their local capital markets could materially and adversely affect the price of the HDRs, and vice versa. Because of the different characteristics of the Japanese and Hong Kong equity markets, the historic market prices of Shares might not be indicative of the performance of our securities (including the HDRs) after the Listing.

We are a Japanese company principally governed by Japanese laws and regulations

We are primarily governed by Japanese laws and are principally subject to the Companies Act and the TSE Listing Regulations and the OSE Listing Regulations. Japanese laws and regulations differ in a number of respects from comparable laws and regulations in Hong Kong. For further details, please refer to the section headed “Waivers and Voluntary Measures” in this prospectus. There are residual differences between the shareholder protection regimes in Japan and Hong Kong. Please refer to the section headed “Appendix V — Summary of the Constitution of our Company, Certain TSE and OSE Listing Regulations and Japanese Corporations Law” and “Appendix VI — Shareholder Protection Matters” in this prospectus for details of the differences in respect of material shareholder protections.

We have obtained a ruling from the SFC that we will not be treated as a public company in Hong Kong for the purposes of the Takeovers Code and the Share Repurchases Code and hence, these codes will not apply to our Company. In addition, we have applied for, and been granted, waivers or exemptions by the Hong Kong Stock Exchange from certain requirements under the Listing Rules. Neither our Shareholders nor the HDR Holders will have the benefit of those Hong Kong rules, regulations and Listing Rules for which we have applied, and been granted, waivers or exemptions by the Hong Kong Stock Exchange and SFC. Additionally, if any of these waivers or exemptions were to be revoked in circumstances including our non-compliance with applicable undertakings for any reason, additional legal and compliance obligations might be costly and time consuming, and might result in issues of interjurisdictional compliance, which could adversely affect us and HDR Holders.

As the SFC does not have extra-territorial jurisdiction on any of its powers of investigation and enforcement, it will also have to rely on the regulatory regimes of the TSE, OSE and FSA to enforce any corporate governance breaches committed by us in Japan. Investors should be aware that it could be difficult to enforce any judgment obtained outside Japan against us or any of our associates.

Suspension for Disclosure during Trading Hours

Rule 2.07C(4)(a) of the Listing Rules provides that electronic copies of announcements or notices must not be submitted to the Exchange between 8:30 a.m. and 12:00 p.m. or between 1:00 p.m. and 4:15 p.m. on a normal Business Day, or between 8:30 a.m. and 12:00 p.m. on the eves of Christmas, New Year and the Lunar New Year when there is no afternoon session, for publication on the Hong Kong Stock Exchange’s website (“**Trading Hours**”). However, in the event that any such announcement is made on a Business Day during Trading Hours, the Hong Kong Stock Exchange retains the discretion to impose a temporary suspension of the Company’s securities listed on the Hong Kong Stock Exchange.

Compliance with the TSE Listing Regulations and the OSE Listing Regulations by the Company may require us to make announcements of price sensitive information on a timely basis and outside the permitted periods for submitting announcements to the Hong Kong Stock Exchange under Rule 2.07C(4)(a) of the Listing Rules. Under the TSE Listing Regulations and the OSE Listing Regulations an announcement as a result of certain events, including any material event affecting an issuer, is required to be made immediately and regardless of whether such announcement is made during normal trading hours. No suspension in trading of our securities

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would generally be imposed by the TSE or the OSE if trading of our HDRs on the Hong Kong Stock Exchange were to be suspended as a result of the Hong Kong Stock Exchange exercising its discretion to impose a temporary suspension of the Company's securities. This scenario could have an adverse impact on the trading of our HDRs, as it could potentially put Hong Kong investors at a disadvantage compared to investors in Japan, who may be able to deal in the Company's securities whilst Hong Kong investors would be prevented from doing so.

The Companies Act empowers the Board of Directors to issue additional Shares and should the Board of Directors decide to do so, such issue of additional Shares may result in dilution

Under the Companies Act, when a company is offering newly-issued shares either to the public or a third party, a company is required to determine the number of offered shares, the price to be paid in or the method of calculating it, the content of the contribution and its value if there is an in-kind contribution, and matters related to the increase of the capital and capital reserve when issuing shares. In public companies, such as our Company, these matters can be determined by the board of directors. However, this does not apply when the shares are issued at an especially favourable price to the subscribers. We do not have any internal rules which require us to obtain an opinion from our Statutory Auditors or independent experts outside the Company, or require our Directors to demonstrate that an issue of new Shares is not made at an "especially favourable" price to the subscribers, when we determine the issuance of new Shares without Shareholders' approval. Please refer to the section headed "Summary of the Constitution of our Company, Certain TSE and OSE Listing Regulations and Japanese Corporations Law — Japanese Corporations Laws — (j) Financing of companies" in Appendix V to this prospectus for more information with regard to what constitutes "an especially favourable price to the subscribers".

In the event the Board of Directors resolves to issue additional Shares or other equity securities to meet our capital needs, and if you choose not to, or are unable to, subscribe for the securities offered in any such additional issuances, your equity interest in our Company may be diluted.

The Company may issue SARs or dispose of its Treasury Shares without obtaining Shareholders approval, which may result in dilution

We may issue SARs (the aggregate number of Shares to be issued upon exercise of SARs, the exercise period of which has commenced, is restricted by the number of authorised Shares less the total number of outstanding Shares) without Shareholder approval, unless such issue is made at an especially favourable price or especially favourable conditions pursuant to Articles 238 and 240 of the Companies Act, which requires pre-approval by a special resolution of a Shareholders' meeting in those circumstances. However, we do not have any internal rules which require us to obtain an opinion from our Statutory Auditors or independent experts outside the Company, or require our Directors to demonstrate that an issue of SARs is not made at an "especially favourable" price or conditions to the subscribers, when we determine the issuance of SARs without shareholders' approval. If we decide to issue SARs, your approval may not be necessary, and your equity interest in our Company may be diluted.

Please refer to the section headed "Summary of the Constitution of our Company, Certain TSE and OSE Listing Regulations and Japanese Corporations Law — Japanese Corporations Laws — (b) Share Capital" in Appendix V to this prospectus for more information with regard to what constitutes an "especially favourable" price or condition to the subscribers.

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We may dispose of Treasury Shares to any person, subject to a resolution of the Board of Directors, at such times and on such terms as the Board of Directors may determine, so long as the price of the re-issued Shares is not “especially favourable” to subscribers of the Shares. If the price of the re-issued Shares is “especially favourable,” a special resolution of the general meeting of Shareholders is required. However, we do not have any internal rules which require us to obtain an opinion from our Statutory Auditors or independent experts outside the Company, or require our Directors to demonstrate that a disposal is not made at an “especially favourable” price to the subscribers, when we determine the disposal of our Treasury Shares without Shareholders’ approval. If the Board of Directors decide to dispose of Treasury Shares, they may not require Shareholder approval to do so, and your equity interest in our Company may be diluted.

Please refer to the section headed “Summary of the Constitution of our Company, Certain TSE and OSE Listing Regulations and Japanese Corporations Law — Japanese Corporations Laws — (j)Financing of companies” in Appendix V to this prospectus for more information with regard to what constitutes an “especially favourable” price to the subscribers.

HDR Holders that are not Japan residents are subject to Japanese withholding tax on cash distributions

Our tax advisors have advised us that HDR Holders that are not resident in Japan are subject to Japanese withholding tax on any cash distributions received from Japanese corporations. The rate of such withholding tax is 20%, except that for any individual HDR Holder who holds 5% or more of the shares issued by a Japanese corporation, the rate is reduced to (i) 7% for dividends due and payable on or before December 31, 2011 and (ii) 15% for dividends due and payable on or after January 1, 2012. There is some uncertainty under Japanese law as to whether CCASS would be treated as one shareholder for purposes of calculating the Japanese withholding tax.

For more information, please refer to “Appendix V - Summary of the Constitution of Our Company, Certain TSE and OSE Listing Regulations and Japanese Corporations Law, - 5. Taxation” to this prospectus.

We have sought waivers from strict compliance with Articles Requirement 4(4) and Rule 13.70 of the Listing Rules as they require minimum notice periods for certain shareholder actions, which are not permitted under the Companies Act

Articles Requirement 4(4) requires that the minimum length of the period for which notice must be given to the issuer regarding an intention to propose a person for election as a director, and for which such person must notify the issuer of his willingness to be elected, is seven days. Similarly, Rule 13.70 of the Listing Rules requires an issuer to publish an announcement or issue a supplementary circular upon receipt of a notice from a shareholder to propose a person for election as a director at the general meeting where such notice is received by the issuer after publication of the notice of meeting. Under the Companies Act, however, a shareholder is permitted to propose an amendment of any agenda item, including the election of directors, without any prior notice as long as such agenda item is scheduled to be discussed and determined at the meeting. The agenda may be amended and Shareholders may propose a person for election as a Director at any time before the relevant Shareholders’ meeting or even at the meeting, if the original agenda proposed the appointment of a new Director, or Directors, to our Board.

We have applied for a waiver from strict compliance with certain provisions of Practice Note 15 with respect to any spin-off listings of any of our subsidiaries on any stock exchange, and such spin-off listings may result in dilution

Practice Note 15 sets out the principles which the Hong Kong Stock Exchange applies when considering proposals submitted by a listed issuer to effect a separate listing of any of its

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subsidiaries. We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the provisions of Practice Note 15 with respect to any such spin-off listings that we may decide to undertake from time to time, on the basis that we will comply with certain principles set out in Practice Note 15 and will provide certain confirmation and explanation in the announcement to be issued by our Company pursuant to Rule 13.09(1) of the Listing Rules disclosing the spin-off proposal. For further details, please refer to section headed “Waivers and Voluntary Measures — Practice Note 15 of the Listing Rules” in this prospectus.

The resultant impact of the granting of the waiver is that we will not be restricted from spinning-off our subsidiaries within three years of the Listing Date, no Shareholders’ approval will be required for a spin-off that exceeds certain ratio tests, and no provision by us to our Shareholders or HDR Holders of assured entitlement to our Shares or HDRs, which would otherwise be required under Practice Note 15 had there not been a waiver granted. Our Company is currently planning some spin-offs, and some of the major subsidiaries of the Group may cease to be under the Company’s control and be deconsolidated as a result.

In the event that we decide to spin-off any of our subsidiaries, Shareholders and HDR Holders may not have right to vote on such spin-off proposal or to receive any assured entitlement to our Shares or HDRs, which may result in dilution of their interests in our Company.

HDR Holders will experience dilution in their indirect interest in our Company in the event of (i) a private offering which is not extended to them or (ii) an issuance of new Shares or HDRs within six months of the Listing Date

If at any time after the listing of the HDRs on the Hong Kong Stock Exchange, our Company decides to undertake a private offering, it may, based on an assessment of the complexity of the compliance requirements which are applicable in Hong Kong, the time and costs likely to be involved in meeting those requirements, the number of HDR Holders involved and the size of their holdings, decide not to extend the offer to the HDR Holders through the Depositary. In such case, the HDR Holders will suffer a dilution in their indirect ownership and voting interest in the Shares, as represented by their holding of the depositary receipts immediately following the private offering.

Listing Rule 10.08 restricts the further issuance of securities by an issuer within six months from the date on which securities of the listed issuer first commence dealing on the Hong Kong Stock Exchange. We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the restrictions on further issue of securities within six months from the Listing Date. The resultant impact of the granting of the waiver is that we will not be restricted from issuing new Shares or HDRs within six months of the Listing Date. In the event that we decide to issue new shares or HDRs within six months of the Listing Date, Shareholders and HDR Holders may not have right to vote on such issuance, which may result in the dilution of their interests in the Company. The Company has undertaken that issuance of HDRs and Shares of the Company within six months of the Listing will be for specific use, future growth and capital adequacy purposes. For more information, please refer to the section headed “Waivers and Voluntary Measures — Issue of Securities within Six Months of Listing” in this prospectus.

RISKS RELATING TO JAPAN

Transfer of surplus funds into or out of the Group may be subject to regulatory restrictions

Transfers of funds into or out of the Group may be subject to regulatory restrictions. Transfers of funds into or out of our Group companies as a loan might be subject to the Money Lending Business Act. With respect to the surplus fund, transfers of such funds as a distribution of surplus may be subject to the Companies Act. The surplus fund of one part of the Group, especially listed

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subsidiaries, might not be readily available for use by those parts of the Group that are in need of funds because, in order to distribute surplus funds, an ordinary resolution of a Shareholders' meeting is required as a general rule, and it might take quite a long time for listed subsidiaries to obtain such Shareholders' approval.

For further details regarding the Money Lending Business Act and the Companies Act, please refer to the section headed "Supervision and Regulation — Money Lending Business Act" and "Appendix V — Summary of the Constitution of our Company, Certain TSE and OSE Listing Regulations and Japanese Corporations Law — Japanese Corporations Law — (e) Dividends and distributions" in this prospectus, respectively.

Pursuant to Japanese law, an offeror acquiring two-thirds of the voting rights of a company's shares may compulsorily acquire the shares held by the remaining shareholders

Pursuant to Hong Kong law, the minority shareholders of a company may be bought out or may require an offeror to buy out their interests if the offeror acquires nine-tenths in value of the shares for which the offer is made (or if the offer relates to shares of different classes, nine-tenths in value of the shares of that class). Pursuant to Japanese law, a shareholder having two-thirds of the voting rights of a company's shares may compulsorily acquire the shares held by the other shareholders. Theoretically, there is no restriction in relation to the compulsory acquisition price, however, if the compulsory acquisition price is low, the shareholder might, within three months from the day of resolution of the shareholders' meetings regarding the compulsory acquisition, claim revocation of them as grossly improper resolutions under the Companies Act. A shareholder who has objected and voted against a compulsory acquisition resolution at a shareholders' meeting or a shareholder who does not have a voting right at the shareholders' meeting, may request the company to repurchase his shares at a fair price under the Companies Act. For more information, please refer to the section headed "Shareholder Protection Matters — Shareholder Protections Under The Joint Policy Statement — Compulsory Acquisition" in Appendix VI to this prospectus.

Changes and other events in the operating environment could have a material adverse effect on our business activities, results of operations and financial condition

Although the uncertainty in the European, US and Japanese economies caused by the liquidity crisis appears to be gradually subsiding due to fiscal measures taken by numerous governments around the world, we believe that private demand is still weak, unemployment rates remain high and there are new concerns related to the financial stability of particular countries, such as Greece.

There may have been signs of economic recovery in Japan. However, funding requirements and capital expenditures of domestic companies still remain sluggish amid concerns about Japan's future economic growth, share price and exchange rate volatility, and high unemployment rates.

Our exposure to these Japanese and global economic problems could adversely affect our business activities, financial condition and results of operations.

Additionally, governments, government ministries and agencies, as well as various financial markets are proceeding with system reforms and amendments to laws concerning stock markets and other markets related to our businesses. Any major changes to system reforms and legal amendments in the future may have an impact on our business activities, results of operations and financial condition.

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We may suffer substantial losses in the event of a natural disaster, such as an earthquake, terrorist attack or other casualty event in Japan or other markets in which we operate

A substantial portion of our assets, as well as our head office, are located in Japan and a substantial portion of our net sales are derived from our operations in Japan. Japan has historically experienced numerous large-scale earthquakes that have resulted in extensive property damage. Our overseas operations are subject to similar or other disaster risks. Additionally, large disasters, outbreaks, terrorist attacks or other casualty events affecting our operational network, either in Japan or overseas, could disrupt our operations even in the absence of direct physical damage to our properties or cause a material economic downturn in the affected area or country, which in turn could result in significant interruptions to or material adverse impact on our businesses, results of operations and financial condition.

We do not have insurance against all earthquake damages or business interruption. With or without insurance, damage to any of our offices, branches or distribution network, due to fire, earthquake, typhoon, flood, terrorism, outbreaks such as the H1N1 pandemic, avian flu or other man-made or natural disasters or casualty events may materially and adversely affect our business, financial condition and results of operations.

On 11 March 2011, an earthquake measuring 9.0 degrees on the Richter scale occurred in Tohoku district, northeast of Tokyo which, coupled with aftershocks in the days after the earthquake, associated tsunami waves on the east coast of Japan and a nuclear plant crisis in Fukushima in Japan, caused considerable physical and economic damage to Japan. All of our properties are in the areas unaffected by the Recent Earthquake and have been unaffected, with the exception of the Affected Property located in Sendai, which has suffered what appears to be relatively minor exterior damage. The condition of the interior of the Affected Property has yet to be determined. Based on our initial investigation and site inspections, our office premises, operational quarters, and property interests have not suffered any material damage or incurred any significant loss as a result of the Recent Earthquake. Our main businesses, including our brokerage, internet bank, credit card and insurance businesses, are operating, and major websites operated by the Group are functioning normally. Furthermore, the Group maintains back up power systems for almost all systems to ensure that our online trading and other internet-based businesses are not disrupted in any material respects in the event of a power failure. The servers are located at multiple data centers and are functioning effectively. Moreover, none of our officers and employees suffered from any personal injuries or deaths.

As a result of the Recent Earthquake, there has been great uncertainty in the Japanese economy and great volatility on the Japanese stock market. Nikkei index dropped by 17.53% from 10,434.38 points on 10 March 2011 to 8,605.15 points at closing on 15 March 2011, and thereafter recovered by 9.8% from 15 March 2011 to 9,449.47 points at closing as at the Latest Practicable Date. Our Share price has also experienced great fluctuations since the Recent Earthquake. Our Share price on the TSE dropped by 28.10% from ¥12,740 per Share on 10 March 2011 to ¥9,160 per Share at closing on 15 March 2011, and thereafter recovered by 18.6% from 15 March 2011 to ¥10,860 per Share at closing at the Latest Practicable Date.

We anticipate that both the Japanese economy and the Japanese stock market, as well as our Share prices on the TSE and the OSE, will remain extremely volatile in the short-term until the potential consequential events (such as the possibility of aftershocks and nuclear leakage) as a result of the Recent Earthquake have stabilised or settled in Japan. Unless and until the current economic condition and uncertainty in Japan have improved and stabilised, we anticipate that

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there may be a temporary impact on the capital market conditions, which may affect our brokerage and investment banking business in the short-term. We believe that the Recent Earthquake will not have an impact on our insurance business as earthquake-related damage is not covered by SBI Insurance Co., Ltd.

Due to the significant volatility of the economic and capital market conditions, our financial results for the year ending 31 March 2011 may be adversely affected. However, we are currently unable to ascertain the specific impact which the fluctuations in the capital market might have on the Group's financial performance and position for the year ending 31 March 2011, because of the extreme volatility of the current economic and capital market conditions, the uncertainty of the aftermath of the Recent Earthquake mentioned above, the fact that our current financial year has not yet ended as at the Latest Practicable Date, the fair value of our equity interests in our listed subsidiaries, listed investment securities, property interests and other assets will be determined only after the Latest Practicable Date as at 31 March 2011 and our financial results will not become available until after the Listing Date and around the end of April 2011.

There are continuing transportation delays and disruptions and government imposition of energy conservation measures, including rolling blackouts in Tokyo and surrounding areas, which are anticipated to continue for the short-term. The Group is prepared with generators to ensure that there are no significant disruptions to the Group's businesses during the blackouts. This will affect our operations to the extent our employees living outside the immediate Tokyo metropolitan area are required to work from more remote locations.

We cannot assure you that there will not be any further subsequent events as a result of the Recent Earthquake, such as aftershocks, a tsunami, a nuclear power plant explosion, radiation leakage, and further government action, which may in turn result in new developments and significant interruptions to or material adverse impact on our businesses, results of operations and financial condition, depending on the magnitude of such subsequent events.

We cannot guarantee the accuracy of facts and statistics with respect to certain information obtained from official governmental sources and other data

Facts and statistics in this prospectus relating to Japan, the Japanese economy and the financial sector (including the financial services industry) and other sectors in which we operate derived from official government or other industry sources are generally believed to be reliable. However, we cannot guarantee the quality or reliability of such information. Neither we, the Sole Global Coordinator, the Sponsor, the Underwriters, nor any of our or their respective affiliates or advisers have prepared or verified the accuracy of the information received from such sources. We make no representation as to the accuracy or completeness of such facts and statistics from these sources. Furthermore, there can be no assurance that these sources have stated or compiled such facts and figures on the same basis or with the same degree of accuracy or completeness as may be the case elsewhere. In all cases, you should not unduly rely on these facts and statistics.

RISKS RELATING TO THE GLOBAL OFFERING

Significant differences exist between JGAAP and IFRS, which may be material to investors' assessments of our financial condition

Our financial information in this prospectus for the fiscal years ended 31 March, 2008, 2009 and 2010 and the six months ended 30 September 2009 and 2010 is presented under JGAAP, which differs in certain significant respects from IFRS. If our results of operations were presented

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under IFRS, they may be significantly different to the results of operations included in this prospectus. Although we have included a summary of material differences between JGAAP and IFRS in the Accountants' Report in Appendix I to this prospectus, it does not contain a full reconciliation of JGAAP to IFRS.

In particular, potential investors should note that we are unable to quantify, and have not quantified, the financial impact of non-fair valued available-for-sale investments arising from the differing accounting treatments of this item under JGAAP and IFRS. For a summary of the differences in accounting treatment of non-fair valued available-for-sale investments between JGAAP and IFRS, please see paragraph (viii) of section C of the Accountants' Report in Appendix I to this prospectus. We are unable to quantify the differences arising from the differences in accounting treatment under JGAAP and IFRS for non-fair valued available-for-sale investments for a number of reasons. The two key issues that have restricted the Group from quantifying these differences are as follows:

(i) Difficulty in gathering the necessary information.

Despite having stringent internal control and management systems to manage and monitor its investments, our management and financial reporting system has been set up to manage investment portfolios and to meet the financial reporting requirements required by JGAAP. These do not provide fair value assessments of non-fair valued available-for-sale investments and as a result our internal control and management systems have not captured all of the necessary information that would be required to carry out a fair value assessment under IFRS during the Track Record Period. As a practical matter, it would be extremely difficult and burdensome for us to attempt to gather the necessary information for an assessment in accordance with IFRS for the Track Record Period.

(ii) Difficulty in conducting the fair value assessment for the Track Record Period retrospectively.

To quantify the impact of the differences between JGAAP and IFRS in respect of non-fair valued available-for-sale investments for the purposes of this prospectus, we would have to conduct a fair value measurement on the basis that such a measurement had been conducted at the end of each financial year of the Track Record Period. Such valuation process would require the Group to collect forecasts previously prepared or alternatively to create such data as if it were available at that time. In addition, the Group has hundreds of non-fair valued available-for-sale investments, some of which had been disposed during the Track Record Period for which collection of back dated information would be extremely difficult and as a result would need to be created. The creation of any backdated information is inherently unreliable. The determination of methodologies to reliably measure the fair values of non-fair valued available-for-sale investments without being influenced by subsequent events which may impact upon the assumptions for valuation is difficult and may cause the ultimate fair value assessment to be unreliable. In particular, significant economic events have occurred during the Group's Track Record Period, such as the global economic downturn following the credit crisis in the US, which would pose further difficulties for the Group in determining reliable methodologies. As a result, any assessments may not be necessarily more meaningful to investors than the JGAAP treatment of non-fair valued available-for-sale investments.

Potential investors should therefore exercise caution when evaluating the non-fair valued available-for-sale investments item in our financial statements and how it might affect the financial information in this prospectus and the financial standing of the Group. The table below sets forth, for the Track Record Period, the effects of: (i) a 10% increase or decrease in the allowance for investment losses of the non-fair valued entities that we have invested in with less than 20% interests (including those held by our subsidiaries) on our net income (loss); (ii) a 5% increase or

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decrease in the carrying value of the unlisted entities that we have invested in with less than 20% interests (including those held by our subsidiaries) on our (a) net income (loss) and (b) total assets; and (iii) a complete write-off of the carrying value of the non-fair valued entities that we have invested in with less than 20% interests (including those held by our subsidiaries) on our (a) net income (loss) and (b) total assets.

	As of and for the fiscal years ended 31 March			As of and for the six months ended 30 September
	2008	2009	2010	2010
Percentage change in net income (loss) assuming a 10% increase or decrease in the allowance for investment losses of the unlisted entities that we have invested in with less than 20% interests (including those held by our subsidiaries) ⁽¹⁾	± 4.5%	± 1.5%	± 11.4%	± 32.2%
Percentage change in net income (loss) and total assets assuming a 5% increase or decrease in the carrying value of the unlisted entities that we have invested in with less than 20% interests (including those held by our subsidiaries):				
(a) net income (loss) ⁽²⁾	± 32.1%	± 7.7%	± 53.4%	± 208.7%
(b) total assets ⁽²⁾	± 0.2%	± 0.2%	± 0.2%	± 0.2%
Effect of a complete write-off of the carrying value of the unlisted entities that we have invested in with less than 20% interests (including those held by our subsidiaries) on:				
(a) net income (loss)	-642.8%	-153.2%	-1,067.3%	-4,174.1%
(b) total assets	-3.8%	-4.4%	-3.4%	-3.8%

Notes:

- (1) A positive percentage change indicates the effect a 10% increase in the allowance for investment losses of the unlisted entities that we have invested in with less than 20% interests (including those held by our subsidiaries) on our net income (loss). For a 10% decrease in the allowance for investment losses of the unlisted entities that we have invested in with less than 20% interests (including those held by our subsidiaries), there would be an equal and opposite impact on our net income (loss), and the percentage change would be negative.
- (2) A positive percentage change indicates the effect a 5% increase in the carrying value of the unlisted entities that we have invested in with less than 20% interests (including those held by our subsidiaries) on our net income (loss) and total assets (as the case may be). For a 5% decrease in the carrying value of the unlisted entities that we have invested in with less than 20% interests (including those held by our subsidiaries), there would be an equal and opposite impact on our net income (loss) and total assets (as the case may be), and the percentage change would be negative.

Potential investors should consult their own professional advisers for an understanding of the differences between JGAAP and IFRS and how these differences might affect the financial information in this prospectus and how these differences might affect any comparison with a company presenting financial information under IFRS.

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HDR Holders may be subject to additional obligations under the rules, regulations and laws of Japan and there are uncertainties and ambiguities as to what these additional obligations are

Among other things, the following requirements or regulations might apply to HDR Holders:

- takeover regulations and certain trading regulations including insider trading regulations under the FIEA;
- notification requirement prior to the acquisition of shares (might include HDR) under the Act Relating to Prohibition of Private Monopoly and Methods of Preserving Fair Trade of Japan (Act No.54 of 1947, as amended);
- filing requirement of large shareholding report and sale-purchase report and short-swing regulation for major shareholders under the FIEA;
- certain obligations and requirements as major shareholders of a bank, an insurance company or financial instruments business operators under the Banking Act of Japan (Act No. Act No. 59 of 1881, as amended), Insurance Business Act of Japan (Act No. 105 of 1995, as amended) or the FIEA;
- certain reporting requirements under the Foreign Exchange and Foreign Trade Act of Japan (Act No. 228 of 1949, as amended); and
- certain requirements regarding taxation under the Income Tax Act, the Corporation Tax Act and the Act on Special Measures concerning Taxation of Japan and related tax treaties.

For more information, see “Appendix V — Summary of the Constitution of Our Company, Certain TSE and OSE Listing Regulations and Japanese Corporations Law” to this prospectus.

The Depositary will not comply with such filing, tax reporting and/or disclosure of interest obligations as set out above or any other applicable additional obligations on behalf of the HDR Holders and the HDR Holders shall obtain independent professional advice in order to comply with the filing, tax reporting, disclosure of interest or other obligations under the then applicable Japanese law. However, whether and to what extent, a foreign shareholder of a Japanese corporation would be obliged to follow additional rules, regulations and laws of Japan are not definitively stated in regulatory or statutory provisions or guidelines issued by the relevant authorities, nor are they resolved by judicial precedents. The relevant laws and regulations relating to HDRs are complex, often ambiguous and may be subject to different interpretations. As the relevant provisions remain quite vague and their interpretation can involve a degree of uncertainty. HDR Holders may therefore be subject to additional obligations under the rules, regulations and laws of Japan.

HDR Holders are subject to additional obligations under the Deposit Agreement

The Deposit Agreement (which each holder of the HDRs is deemed a party to) provides for additional obligations on the part of the HDR Holders with respect to the payment of fees, and such obligations have been fully disclosed in the section in this prospectus headed “Description of Hong Kong Depositary Receipts — Fees and Expenses”.

We have applied for, and been granted, waivers from certain requirements of Hong Kong laws, rules and regulations, by the Hong Kong Stock Exchange and the SFC. Shareholders and HDR Holders will not have the benefit of those Hong Kong laws, rules and regulations that are waived. Additionally, those waivers could be revoked, exposing us, our Shareholders and HDR Holders to additional legal and compliance obligations

We have applied for, and the Hong Kong Stock Exchange and the SFC have granted, a number of waivers from Hong Kong laws and regulations, as highlighted in the section of this prospectus headed “Waivers and Voluntary Measures”.

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Our Shareholders and HDR Holders will not obtain the rights and benefits of those Hong Kong laws, regulations and Listing Rules for which we have applied, and been granted, waivers by the Hong Kong Stock Exchange and the SFC.

Additionally, if any of these waivers were to be revoked, additional legal and compliance obligations might be costly and time consuming, and may result in issues of interjurisdictional compliance, which could adversely affect us, our Shareholders and HDR Holders.

Our HDR price may be volatile or may decline regardless of our operating performance, and you may not be able to resell your HDRs at or above the initial Public Offering price

The prices and trading volumes of our Shares and HDRs may be highly volatile. Factors such as variations in our turnover, earnings and cash flows and announcements of new investments, strategic alliances and/or acquisitions, fluctuations in market prices for our products and services or fluctuations in market prices of the shares of comparable companies could cause the market price of our Shares and HDRs to change substantially. Any such developments may result in large and sudden changes in the volume and price at which our Shares and HDRs will be traded. In addition, from time to time, the Shares and HDRs will likely be subject to changes in price that may not be directly related to our financial or business performance.

After this offering, the market price for our HDRs is likely to be volatile, in part because our HDRs have not been traded publicly in Hong Kong. Our Company obtained a listing on the TSE in February 2002 and moved its listing from NASDAQ Japan to the OSE in November 2002. The securities markets in Hong Kong and Japan have different trading characteristics and investor bases, including different level or retail and institutional participation. As a result of these differences, the trading price of our HDRs representing Shares on the Hong Kong Stock Exchange and the trading price of our Shares on the TSE and the OSE may not be the same. Fluctuations in the Share price of our Shares on the TSE and the OSE may, however, adversely affect the trading price of our HDRs on the Hong Kong Stock Exchange. The historical prices of our Shares may not be indicative of the performance of our Shares or the Offer HDRs after the listing of the HDRs on the Hong Kong Stock Exchange. Investors should therefore not place undue reliance on the prior trading history of the Shares when evaluating an investment in the Global Offering.

In addition, the market price of our Shares and HDRs may fluctuate significantly in response to a number of factors, most of which we cannot control, including:

- market conditions or trends in our industry or the economy as a whole;
- the performance and successful integration of any new business that we operate;
- timing of promotional events;
- changes in key personnel;
- entry into new markets;
- announcements by us or our competitors of new product or service offerings or significant acquisitions;
- actions by competitors;
- changes in operating performance and stock market valuations of other financial services companies;

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- the public's response to press releases or other public announcements by us or third parties, including our filings with the Hong Kong Stock Exchange, the TSE and/or the OSE and announcements relating to litigation;
- the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;
- changes in financial estimates by any securities analysts who follow our Shares, our failure to meet these estimates or failure of those analysts to initiate or maintain coverage of our Shares;
- ratings downgrades by any securities analysts who follow our Shares and/or HDRs;
- the development and sustainability of an active trading market for our Shares and/or HDRs;
- future sales of our Shares and/or HDRs by our officers, Directors and significant Shareholders or HDR Holders;
- other events or factors, including those resulting from war, acts of terrorism, natural disasters or responses to these events; and
- changes in accounting principles.

Furthermore, the securities markets, including the Hong Kong Stock Exchange, the TSE and the OSE, have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies.

Management has broad discretion as to the use of the net proceeds from this offering, therefore, you may not agree with how we use them and such proceeds may not be applied successfully

We anticipate using the net proceeds from this offering, together with cash flow from operations, to make investments in domestic and overseas funds established with local partners, and financing of, and investment in, subsidiaries which operate in financial services business mainly through the Internet and overseas financial institutions and for other general corporate purposes.

Our management will have broad discretion in the application of the net proceeds to us from this offering and could spend the proceeds in ways that do not necessarily improve our operating results or enhance the value of our Shares and HDRs. You will be relying on the judgment of our management concerning these uses and you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used appropriately. The failure of our management to apply these funds effectively could result in unfavourable returns and uncertainty about our prospects, each of which could cause the price of our Shares and HDRs to decline.

If the use of proceeds of equity finance, including the Global Offering disclosed in disclosure documents under the FIEA or announcement under the TSE Listing Regulations or OSE Listing Regulations significantly changes, the Company is required to disclose such changes in the annual securities report under the FIEA and to announce such changes under the TSE Listing Regulations or OSE Listing Regulations. While all transactions are not required to be disclosed by an extraordinary report under the FIEA or announcement under the TSE Listing Regulations or OSE Listing Regulations, we voluntarily disclose the details of significant transactions by announcement under the TSE and OSE Listing Regulations.

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Although certain transactions are subject to shareholders' approval according to the Companies Act, investment decisions, in general, are not subject to shareholders' approval under Japanese law.

There has been no prior public market for our HDRs in Hong Kong and there can be no assurance that an active market will develop

Prior to the Global Offering, there has not been a public market for our HDRs in Hong Kong. An active public market may not develop or be sustained after the Global Offering. The maximum Offer Price for our HDRs was the result of negotiations between us and the Sole Global Coordinator, on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our HDRs following the Global Offering. We have applied to list and deal our HDRs on the Hong Kong Stock Exchange. However, even if approved, being listed on the Hong Kong Stock Exchange does not guarantee that an active trading market for our HDRs will develop. If an active market for our HDRs does not develop after the Global Offering, the market price and liquidity of our HDRs may be adversely affected. There can be no assurance as to the ability of the HDR Holders to sell their HDRs or the prices at which HDR Holders would be able to sell their HDRs. Consequently, Shareholders may not be able to sell their HDRs at prices equal to or greater than the price paid for their HDRs in the Global Offering.

We are a Japanese listed company principally governed by Japanese laws and regulations. Rights of shareholders under Japanese law may be different from rights of shareholders in other jurisdictions

Our Articles of Incorporation and the Companies Act govern our corporate affairs. Legal principles relating to matters such as the validity of corporate procedures, directors' and executive officers' fiduciary duties and liabilities, and shareholders' rights under Japanese law may be different from those that would apply to a company incorporated in any other jurisdiction. Our general meetings of Shareholders are held in Japanese, and a Shareholder may have more difficulty in asserting his rights as a Shareholder than he would as a shareholder of a corporation organised in other jurisdictions. In addition, there are differences between Japanese securities laws and the TSE and OSE listing regulations on the one hand and the Listing Rules and the Hong Kong securities laws on the other hand. The differences in the compliance requirements may subject us to additional regulatory burdens. Please refer to the section headed "Appendix V — Summary of the Constitution of Our Company, Certain TSE and OSE Listing Regulations and Japanese Corporations Law" in this prospectus for a discussion of the laws and regulations of Japan that are applicable to the Company.

You may experience difficulty in effecting service of legal process and enforcing judgments against us and our management

We are a joint stock corporation incorporated under the laws of Japan. All of our Directors, Executive Officers, Statutory Auditors and accounting auditors reside in Japan, and a substantial portion of our assets and most of the assets of these persons are located in Japan. As a result it may not be possible for holders or beneficial owners of HDR to effect service of process outside of Japan upon any of these persons or us, or to enforce against them or us, judgments obtained in courts outside of Japan. As a result, recognition and enforcement in Japan of judgments of a court in a foreign jurisdiction in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

Our HDR price may be affected if additional Shares are issued by us or there are substantial future sales or perceived potential sales of our HDRs in the public market

We cannot predict the effect, if any, that any future issuance of Shares by our Company may have on the market price of our HDRs. The sale or issuance of substantial amounts of Shares or HDRs by the Company, or the market perception that such issuance or sale may occur, could materially and adversely affect the prevailing market price of the HDRs.

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HDR Holders are not Shareholders and must rely on the Depositary to exercise on their behalf the rights that are otherwise available to the Shareholders

HDR Holders are not Shareholders and must rely on the Depositary to exercise, on their behalf, the rights that are otherwise available to the Shareholders. They only have the contractual rights set forth for their benefit under the Deposit Agreement that are analogous, but more restricted than the rights of the Shareholders. HDR Holders are not permitted to vote at Shareholders' meetings in the capacity of HDR Holders and they may only vote by providing instructions to the Depositary. There is no guarantee that HDR Holders will receive voting materials in time to instruct the Depositary to vote and it is possible that HDR Holders, or persons who hold their HDRs through brokers, dealers or other third parties, will not have the opportunity to exercise their right to vote, although our Company and the Depositary will endeavour to make arrangements to ensure as far as practicable that all HDR Holders will be able to vote. Pursuant to Japanese law, only a two week notice period is required for Shareholders' meetings, and a Shareholder is permitted to propose an amendment to any agenda item scheduled to be discussed and determined at a Shareholders' meeting up to and including at the meeting itself, which can include the nomination of a Director, which may further affect an HDR Holder's ability to vote through the Depositary. As the Depositary or its nominee will be the registered owner of the HDSs, HDR Holders must rely on the Depositary (or its nominee) to exercise the rights of a Shareholder on their behalf. For details of the differences in respect of the material Shareholder protections in Japan and Hong Kong, please refer to the section headed "Appendix VI — Shareholder Protection Matters" in this prospectus. If we ask for HDR Holders' instructions and upon timely notice from us, the Depositary will notify you of the upcoming vote and arrange to deliver our voting materials to HDR Holders. In addition, HDR Holders will also incur charges on any cash distribution made pursuant to the Deposit Agreements and on transfers of certificated or direct registration of our HDRs. For further details, see the section in this prospectus headed "Description of Hong Kong Depositary Receipts".

There is a time gap between the date of our AGM and the record date for determining the list of eligible Shareholders entitled to vote at our AGM, so HDR Holders who have applied or subscribed for, and subsequently been allotted with, our HDRs under the Global Offering will not have right to instruct the Depositary or its nominee to attend and vote at our next AGM under the terms of the Deposit Agreement

The record date for determining the list of eligible Shareholders entitled to vote at our AGM is 31 March each year under our Articles. Further, under the Companies Act, an AGM must be held within 3 months from the record date. In general it takes 2 to 3 months for a Japanese company, including the Company, to convene an AGM. Our next AGM will be held in June 2011. Therefore, the record date for determining a list of eligible Shareholders for our AGM purposes is much earlier than that which is generally adopted in accordance with the Hong Kong laws and regulations.

Shareholders who have acquired our Shares after the record date of 31 March 2011 will not have the right to vote at our next AGM in June 2011. Since our Listing Date is in April 2011 which is after the record date of 31 March 2011, HDR Holders who have applied or subscribed for, and subsequently been allotted with, our HDRs under the Global Offering will not have right to give instructions to the Depositary or its nominee to attend and vote at our next AGM under the terms of the Deposit Agreement. Under the Companies Act and our Articles, a record date for an extraordinary general Shareholders' meeting is set by the Board of Directors which is made public by public notice at least 14 days prior to the proposed record date. Shareholders who have acquired our Shares after such record date will not have the right to vote at the relevant extraordinary Shareholders' meeting.

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HDR Holders may not receive new HDRs, rights to subscribe for additional Shares or other distributions other than cash, Shares or rights

Our Company may make a gratuitous allocation of new Shares to Shareholders, and will issue and distribute new HDRs pursuant to the gratuitous allocation of Shares. We may make a gratuitous allocation of SARs to the Shareholders. We may also make a distribution other than cash, Shares or SARs. However, HDR Holders may not receive new HDRs, rights to subscribe for additional Shares or other distributions other than cash, Shares or rights if, the Company and/or the Depositary, after having considered, amongst others, the restrictions under the applicable law and regulations, the percentage shareholding of the HDSs represented by the existing HDRs and/or the administrative procedures to make such distribution, the Company and/or the Depositary to the extent that is reasonable may, on a case by case basis, determine that it is not practicable: (i) to distribute new HDRs pursuant to the gratuitous allocation of Shares; or (ii) to offer rights to subscribe for new HDRs pursuant to the gratuitous allocation of SARs; or (iii) to make distributions other than cash, Shares or SARs. We will furnish the Depositary with documents which may be reasonably requested by the Depositary on a case by case basis as required for the specific circumstances in each case under applicable law and regulations. In the absence of evidence satisfactory to the Depositary that it may lawfully distribute such rights, the Depositary will not distribute such rights to the HDR Holders. Any distribution of warrants or other instruments representing such rights is subject to the discretion of the Depositary. For further details, please refer to the section headed “Description of Hong Kong Depositary Receipts — Terms of HDRs — Share dividends and other distributions” in this prospectus.

The time required for HDRs to be exchanged into Shares (and vice versa) might be longer than expected and investors might not be able to settle or effect any sales of their securities during this period

There is no direct trading or settlement among the various stock exchanges on which the Shares and HDRs are traded. In addition, there is a time difference between Japan and Hong Kong. There might be unforeseen market circumstances or other factors which delay the exchange of HDRs into Shares (and vice versa) and investors will be prevented from settling or effecting the sale of their securities across the various stock exchanges during such periods of delay. In addition, there is no assurance that any exchange of HDRs into Shares (and vice versa) will be completed in accordance with the timelines investors might anticipate.

HDR Holders may not directly receive dividends or other distributions or have the same voting rights as the holders of Shares and may not receive voting materials in time to be able to exercise their right to vote

Under the Companies Act, only persons recorded as shareholders in the shareholder registry are treated as shareholders of a company, and only registered shareholders of a company are entitled to directly receive any dividends or distributions. Under the current structure, only the Custodian will be recorded as a Shareholder in the Shareholder registry of the Company. HDR Holders will not be recorded as Shareholders, and thus, dividends and other distributions will not be paid directly to them. As a result, HDR Holders will depend on the Depositary and terms of the Deposit Agreement in order to receive any dividends or other distributions payable to Shareholders. HDR Holders will also incur charges on any cash distribution made pursuant to the Deposit Agreement and on transfers of certificated or direct registration HDRs. For further details, please refer to the section headed “Description of Hong Kong Depositary Receipts — Fees and Expenses” in this prospectus.

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There is a time gap between the date of payment of dividends or other distributions and the record date for determining the list of eligible Shareholders entitled to directly receive dividends or distributions, if declared by our Company, so HDR Holders who have applied or subscribed for, and subsequently been allotted with, our HDRs under the Global Offering will not have right to indirectly receive any annual dividends or distributions through the Depositary in accordance with the terms of the Deposit Agreement, for the year ended 31 March 2011

The record date for determining the list of eligible Shareholders entitled to directly receive dividends or distributions, if declared by our Company, is 31 March (for annual dividends) and 30 September (for interim dividends) each year under our Articles. If any dividends or distributions are declared by our Company, there is a substantial time gap between the date of payment of dividends or distributions and the record date for determining a list of eligible Shareholders entitled to directly receive dividends or distributions from us.

Shareholders who have acquired our Shares after the record date of 31 March 2011 will not have the right to directly receive dividends or distributions from us if our Company is to declare any annual dividends or distributions to its Shareholders. Since our Listing Date is in April 2011 which is after the record date of 31 March 2011, HDR Holders who have applied or subscribed for, and subsequently been allotted with, our HDRs under the Global Offering will not have right to indirectly receive any annual dividends or distributions through the Depositary under the terms of the Deposit Agreement for the year ended 31 March 2011.

Some of our portfolio companies are publicly traded, and the trading price of our HDRs may be affected by the trading prices of their securities

Six of our subsidiaries are publicly traded on stock exchanges in Japan and Korea. Trading prices of their securities have fluctuated significantly in the past. Generally, the market values of these companies vary with their financial condition and results of operations, the market values of companies engaging in similar businesses, as well as investor sentiment and capital markets in general. For example, market prices of many companies listed on the stock exchanges in Japan fluctuated significantly as a result of the global financial crisis which began in 2007. If the market prices and trading volumes of the securities of our publicly-listed portfolio companies fluctuate significantly, the trading price of our HDRs may be affected.

Fluctuations in the exchange rates of the Yen may adversely affect your investment

The exchange rates between the Yen and the HK dollar, the US dollar and other foreign currencies are affected by, among other things, changes in political and economic conditions. Following the completion of the Global Offering, we expect a significant portion of our cash and cash equivalents to be denominated in currencies other than the Yen. As our functional currency is the Yen, such foreign currency-denominated cash and cash equivalents are exposed to fluctuations in the value of the Yen against the currencies in which these cash and cash equivalents are denominated. Any significant appreciation of the Yen against these foreign currencies may result in significant exchange losses.

WAIVERS AND VOLUNTARY MEASURES

The following waivers and exemptions have been applied for and granted by the Hong Kong Stock Exchange and/or the SFC. Further, we have adopted certain voluntary measures, as set out below, in order to provide equivalent protections to Shareholders and HDR Holders in the event that we are unable to comply with certain of the Listing Rules.

WAIVERS

We have been granted full or partial waivers (or modifications) and exemptions by the Hong Kong Stock Exchange and the SFC, as appropriate, from the rules summarised in the table below.

<u>Relevant Rule to be waived</u>	<u>Subject matter of the Rule</u>	<u>Page No.</u>
Listing Rules		
Rule 2.07A of the Listing Rules	Use of electronic means for corporate communications	80-81
Rule 3.21 to 3.22 of the Listing Rules	Requirement to establish an audit committee	110-112
Rules 5.01 and 5.06(1) and (2) and Paragraph 3(a) of Practice Note 16 of the Listing Rules	Prospectus disclosure requirements in respect of an issuer's properties	108-110
Rules 7.03 to 7.05 and 7.07 to 7.08 of the Listing Rules	Certain matters relating to offers for subscription and offers for sale	103
Rules 7.10 and 7.12 of the Listing Rules	Certain matters relating to placings	103
Rules 7.24 to 7.27 of the Listing Rules.	Certain matters relating to open offers	104
Rules 7.28 and 7.29 of the Listing Rules	Certain matters relating to capitalisation issues	104-105
Rule 8.12 of the Listing Rules	Requirement for an issuer to have a management presence in Hong Kong	78-79
Rule 8.17 of the Listing Rules	Requirement for an issuer to have a Hong Kong qualified Company Secretary	108
Rule 9.09 of the Listing Rules	Restrictions on dealing in shares prior to listing	79-80
Rule 9.11(10)(b) of the Listing Rules	Provision of a profit forecast to the Hong Kong Stock Exchange where not included in a prospectus	105
Rule 10.04 of the Listing Rules	Restrictions on purchases or subscriptions for shares for which listing is sought by existing shareholders	98
Rules 10.06(2)(a) and 10.06(2)(c) of the Listing Rules	Certain dealing restrictions relating to share repurchases	98-99
Rule 10.06(4)(a) of the Listing Rules	Publication of details in respect of share repurchases	99-101

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<u>Relevant Rule to be waived</u>	<u>Subject matter of the Rule</u>	<u>Page No.</u>
Rule 10.06(5) of the Listing Rules	Cancellation of shares upon a share repurchase	101-102
Rule 10.08 of the Listing Rules	Restrictions on issues of shares within six months of listing	80
Rules 13.11 to 13.23 of the Listing Rules	Certain specific public disclosure requirements	105-106
Rule 13.31(1) of the Listing Rules	Disclosure of share repurchases	99
Note 2 to Rule 13.38 of the Listing Rules	Certain matters relating to the appointment of proxies	106
Rule 13.39(4) of the Listing Rules	Requirement that all votes of shareholders be taken by way of a poll	106
Rule 13.46(2)(a) of the Listing Rules	Publication requirements for an issuer's annual report and accounts	106
Rule 13.70 of the Listing Rules	Announcement of a proposal to appoint a director at a shareholders meeting	107
Rules 14.33, 14.33A, 14.33B, 14.40, 14.49, 14.55, 14.60A to 14.62, 14.71, 14.76 and 14.87 of the Listing Rules	Certain matters relating to the shareholder approval requirements contained in Chapter 14 of the Listing Rules	81-86
Rules 14.44 to 14.45, 14.48 to 14.49, 14.51 to 14.53, 14.55 and 14.66 to 14.71 (with the exception of 14.66 to 14.69 in respect of a Reverse Takeover (as defined in the Listing Rules)) of the Listing Rules	Certain matters relating to the content requirements of certain shareholder communications contained in Chapter 14 of the Listing Rules	81-86
Rules 14.42 to 14.43 and 14.78 to 14.81 of the Listing Rules	Certain matters relating to shareholder meeting notices and takeovers and mergers as are contained in Chapter 14 of the Listing Rules	81-86
Rules 14A.11 to 14A.24, 14A.28 to 14A.41, 14A.46, 14A.48 to 14A.55, 14A.58 to 14A.66 and 14A.72 to 14A.73 of the Listing Rules (plus a partial waiver from Rules 14A.25 to 14A.27A (in that any aggregation will apply to Related Party Transactions as defined under the FIEA, opposed to "Connected Transactions" (as defined in the Listing Rules)))	Certain matters relating to Connected Transactions that are contained in Chapter 14A of the Listing Rules	86-88
Rule 15.02(1), 15.02(2), 15.03, 15.04, 15.05 and 15.06 of the Listing Rules	Certain matters relating to options, warrants and similar rights	105

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Relevant Rule to be waived	Subject matter of the Rule	Page No.
Chapter 17 of the Listing Rules	Certain matters relating to share option schemes	88-91
Rule 17.02(1)(b) and paragraph 27 of Appendix 1, Part E of the Listing Rules	Prospectus disclosure requirements in respect of share option schemes	89-91
Practice Note 15 of the Listing Rules	Rules relating to spin off listings	110
Paragraph 26 of Appendix 1, Part E and paragraph 20 of Appendix 1, Part F of the Listing Rules	Requirement to disclose in a prospectus changes to the share capital of an issuer and members of its group	107
Paragraph 13 of Appendix 1, Part E and paragraph 8 of Appendix 1, Part F of the Listing Rules	Requirement to disclose in a prospectus commissions, discounts, brokerages or other special terms paid by by an issuer or a member of its group	107-108
Paragraphs 1(1), 1(2), 1(3), 2(1), 2(2), 3(1), 3(2), 4(1), 4(3), 4(4), 4(5), 5, 6(1), 6(2), 7(2), 8, 10(1), 10(2), 11(2), 12, 13(1), 13(2) and 14 of Appendix 3 of the Listing Rules	Requirements relating to the constitutional documents of an issuer listed on the Hong Kong Stock Exchange	91-97
Appendix 16 to the Listing Rules	Certain disclosure requirements for financial statements to be included in certain reports, documents and circulars of an issuer	112-114
Companies Ordinance		
Paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance	Prospectus disclosure requirements in respect of share option schemes	89-91
Section 342A(1) in relation to Section 342(1)(b) and Paragraph 34(2) of the Third Schedule to the Companies Ordinance	Disclosure requirements in respect of an issuer's properties	108-110
Takeovers Code		
Section 4.1 of the Takeovers Code	Provides the definition of a "public company in Hong Kong", to whom the Takeover Code will apply	97

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Currently, none of our executive Directors reside in Hong Kong. Since our main operations are in Japan, we do not and, for the foreseeable future, will not have sufficient management presence in Hong Kong.

WAIVERS AND VOLUNTARY MEASURES

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 8.12 of the Listing Rules, subject to the conditions that, among other things, we maintain the following arrangements to maintain effective communication between us and the Hong Kong Stock Exchange:

- (a) We have appointed one authorised representative pursuant to Rules 2.11, 3.05 and 19.36(6) of the Listing Rules, who will act as the Group's principal channel of communication with the Hong Kong Stock Exchange. The authorised representative is Mr. Hideo Nakamura. Mr. Nakamura is an Executive Officer of the Company and his biography can be found at the section of this prospectus entitled "Directors and Senior Management — Senior Management." He has confirmed that he will be able to meet with the Hong Kong Stock Exchange within a reasonable time frame upon their request, if required. He will be readily contactable by telephone, facsimile and email, and is authorised to communicate on behalf of the Company with the Hong Kong Stock Exchange.
- (b) The authorised representative has means of contacting our Directors and Executive Officers promptly at all times and as and when the Hong Kong Stock Exchange wishes to contact our Directors and Executive Officers on any matters. To enhance communication between the Hong Kong Stock Exchange, the authorised representative, our Directors and the Company, we have implemented a policy whereby: (i) each Director will have to provide his/her office phone number, facsimile number and email address to the authorised representative; and (ii) in the event that a Director expects to travel or be out of the office, he/she will have to provide the phone number of the place of his/her accommodation to the authorised representative. Further, for convenience of communication, each Director has provided his/her means of contact to the Hong Kong Stock Exchange.
- (c) We have, in accordance with Rule 3A.19 of the Listing Rules, appointed Daiwa Capital Markets Hong Kong Limited as our compliance adviser, who will, among other things, act as an alternate channel of communication with the Hong Kong Stock Exchange.
- (d) All of our Directors who are not ordinarily resident in Hong Kong have confirmed that they possess valid travel documents to visit Hong Kong and will be able to meet with the Hong Kong Stock Exchange in Hong Kong, within a reasonable period, upon the request of the Hong Kong Stock Exchange.

DEALING IN SHARES PRIOR TO LISTING

Under Rule 9.09 of the Listing Rules, from four clear Business Days before the expected hearing date until listing is granted, there must be no dealing in the securities for which listing is sought by any connected person of our Company. We have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from Rule 9.09 of the Listing Rules in respect of any dealing by any Shareholder (other than the existing Directors and Executive Officers (and their respective associates) who have undertaken on behalf of themselves (and their respective associates) to comply with Rule 9.09 of the Listing Rules). At present, we have no substantial Shareholders (as defined in the Listing Rules) who constitute connected persons, although some Shareholders may deal in securities and become substantial Shareholders of our Company. We are unable to control such dealing. The waiver was granted on the understanding that: (i) we will release non-public price-sensitive information to the public as required by the relevant laws, rules and regulations applicable to the Company so that anyone who is permitted to deal in Shares as a result of this waiver will not be in possession of such non-public price-sensitive information; and (ii) we will not

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disclose any price-sensitive information required to be released by relevant laws, rules and regulations applicable to the Company to any potential or actual substantial shareholders of the Company. We will notify the Hong Kong Stock Exchange of any dealings or suspected dealings by any connected person of the Company when we become aware of the same.

ISSUE OF SECURITIES WITHIN SIX MONTHS OF LISTING

Having regard to the fact that we are a financial conglomerate and the Group is subject to regulatory requirements for capital adequacy and liquidity and solvency, it is important for us to maintain flexibility in fundraising through the issue of securities. Further, we need to protect our ability to fund acquisitions as and when they arise in order to organically develop our existing businesses. We have therefore applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the restrictions on further issues of securities within 6 months from the Listing Date, as required by Rule 10.08 of the Listing Rules. The Company has undertaken to the Hong Kong Stock Exchange that any issuance of HDRs and Shares of the Company within six months of the Listing Date will either be for cash (i) to fund a specific acquisition or as part or full consideration for an acquisition of assets or business that would contribute to the growth, development and furtherance of the business of our Company; or (ii) to fund the Group for capital adequacy purposes.

CORPORATE COMMUNICATIONS

Rule 2.07A of the Listing Rules provides that a listed issuer may send or otherwise make available to the relevant holders of its securities any corporate communication by electronic means, provided that either the listed issuer has previously received from each of the relevant holders of its securities an express, positive confirmation in writing or the shareholders of the listed issuer have resolved in a general meeting that the listed issuer may send or supply corporate communications to shareholders by making them available on the listed issuer's own website or the listed issuer's constitutional documents contain provision to that effect, and certain conditions are satisfied.

We do not currently produce or send out any corporate communications to our Shareholders (with the exception of convocation notices of Shareholders' meetings) in printed form. In accordance with the Articles, the Companies Act and the regulatory requirements of the TSE and the OSE, the Company may use electronic means for the issue of all Japanese corporate communications with certain limited exceptions.

As at 30 September 2010, we had more than 198,000 registered Shareholders with registered addresses in a number of countries worldwide and our proportion of overseas investors represented approximately 45.5% of our Shareholder base. Given our diverse Shareholder base and the number of countries in which our Shareholders are located, it would not be practicable for us to send printed copies of all our corporate communications (with the exception of convocation notices for Shareholders' meetings) to all of our Shareholders. Further, it would also not be practicable for us to approach our existing Shareholders individually to seek confirmation from them of their wish to receive corporate communications in electronic form, or to provide them with the right to request corporate communications in printed form instead.

With effect from the listing of the HDRs on the Hong Kong Stock Exchange, we will issue all future corporate communications (with the exception of convocation notices of Shareholders' meetings) on our own website in Japanese, English and Chinese and on the Hong Kong Stock Exchange's website in English and Chinese. We will continue to provide printed copies of our convocation notices of Shareholders' meetings (including a proxy form and copies of the business report and financial statements) to our Shareholders and we will provide HDR Holders and non-registered HDR Holders (as defined in Rule 13.56 of the Listing Rules to include such person

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or company whose listed securities are held in CCASS) with printed copies of all convocation notices and proxy forms (accompanied by a reference in the convocation notice to a URL link providing access to the full convocation notice of Shareholders' meeting, including the business report and financial statements) in English and Chinese.

We will provide HDR Holders and non-registered HDR Holders (as defined in Rule 13.56 of the Listing Rules to include such person or company whose listed securities are held in CCASS) with the option to request electronic copies of our corporate communications in English or Chinese, to be sent to such person by e-mail at an e-mail address to be provided by them to us as soon as practicable after such reports, press releases or notices have been published.

We will also publish a notice on the front page of our website whenever new corporate communications are issued notifying our Shareholders and HDR Holders. On the basis of the above, we have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 2.07A of the Listing Rules.

NOTIFIABLE AND CONNECTED TRANSACTIONS

As we are incorporated in Japan and are listed on the TSE and the OSE, we are subject to a number of continuing obligations concerning transactions involving acquisitions and disposals of assets and Related Party Transactions which are similar, but not equivalent to the shareholder protections under Chapter 14 (*Notifiable Transactions*) and Chapter 14A (*Connected Transactions*) of the Listing Rules. We have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from the operation of certain listing rules contained in Chapters 14 and 14A of the Listing Rules, subject to the Company undertaking to provide the Shareholders and HDR Holders of the Company with certain additional voluntary protections that are commensurate with those provided by Chapter 14 and Chapter 14A of the Listing Rules, as are set out below.

We are justified in seeking a waiver from Chapters 14 and 14A of the Listing Rules as, under the Companies Act, a Shareholders' meeting of the Company may only be called to resolve matters provided in the Companies Act or our Articles. Accordingly, we are not able to seek the binding approval of our Shareholders under Chapter 14 and Chapter 14A of the Listing Rules, without amending our Articles and there would be no certainty that a resolution to approve the adoption of the relevant rules would be approved, or, if approved, that the amendments to the Articles would be retained in the future. Shareholders' meetings outside of the annual general meeting are infrequently held by Japanese companies as they normally take two to three months to organise and, for a company of our size, the costs of organising such a meeting can amount to as much as ¥125 million. The two most significant costs are the fees paid to the transfer agent and the costs related to confirming the list of Shareholders who are entitled to vote at the Shareholders' meeting. Neither of these are issues relevant to Hong Kong incorporated issuers as their shareholder registers are open and under the control of the relevant company's registrar. However, the share registers of Japanese companies are closed and maintained by the relevant company's transfer agent. Further, the quorum requirement to pass a special resolution at a shareholders' meetings is shareholders holding one-third (1/3) of the outstanding shares of the company who are entitled to exercise their voting rights. Given that we have more than 198,000 Shareholders located both in Japan and overseas, procuring the relevant quorum is challenging for us to achieve regularly.

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Notifiable Transactions

General

The Company has applied for, and the Stock Exchange has granted us, a waiver from strict compliance with:

- (a) Rules 14.33 (to the extent appropriate), 14.33A, 14.33B, 14.40, 14.49, 14.55, 14.60A to 14.62, 14.71A, 14.76 and 14.87 of the Listing Rules, which relate to the shareholder approval requirements contained in Chapter 14 of the Listing Rules (the **Approval Rules**);
- (b) Rules 14.44 to 14.45, 14.48 to 14.49, 14.51 to 14.53, 14.55 and 14.66 to 14.71 (with the exception of Rules 14.63 and 14.66 to 14.69 in respect of a Reverse Takeover (as defined in the Listing Rules)) of the Listing Rules, which relate to the content requirements of certain shareholder communications contained in Chapter 14 of the Listing Rules; and
- (c) Rules 14.42 to 14.43 and 14.78 to 14.81 of the Listing Rules in respect of certain requirements relating to shareholder meeting notices and takeovers and mergers.

We are justified in seeking a waiver from the Approval Rules on account of the fact that the existence of certain equivalent shareholder protections in Japan and certain voluntary measures to be introduced by ourselves, each as are set out below, provide a commensurate level of protection to shareholders as is contained in Chapter 14 of the Listing Rules. Further, we are justified in seeking a waiver from those other provisions of Chapter 14 of the Listing Rules which are mentioned above for certain other reasons that are set out below.

Equivalent Shareholder Protections

We will continue to comply with the continuing obligations relating to acquisitions and disposals of assets effected pursuant to certain statutory methods prescribed by the Companies Act. These include Statutory Transactions that are undertaken by the Company. In the event that we undertake an acquisition using one of these Statutory Transactions, which are described in more detail in “Summary of the Constitution of our Company, certain TSE and OSE Listing Regulations and Japanese Corporations Law — Japanese Corporations Law — (i) M&A (Mergers, corporate split, share exchange, share transfer, business transfer and business assumption)”, we must obtain Shareholders’ approval by way of a special resolution (which will be passed if (1) Shareholders having one-third or more of outstanding Shares of the Company vote at the Shareholders’ meeting; and (2) two thirds or more voting Shareholders approve the transaction with certain limited exceptions).

In the event that we undertake a Statutory Transaction, we are required to submit an extraordinary report setting out the details of the relevant transaction to the DGLFB without delay. Additionally, a Statutory Transaction must be publicly announced immediately under the TSE and the OSE Listing Regulations and would be announceable in Hong Kong, in accordance with Rule 13.09 of the Listing Rules. In addition to these disclosure requirements, the Company will ensure that the relevant transaction announcement additionally includes the contents requirements set out in Rules 14.58 to 14.60 of the Listing Rules, as well as all of the relevant information required under Japanese law.

If we enter into a Statutory Transaction, we will send the convocation notice in respect of the Shareholders’ meeting at least 14 days in advance of the Shareholders’ meeting, which will include certain information concerning the contemplated transactions including, among other things, general terms and conditions, reasons for the parties’ engagement in the transaction and the fairness of the consideration to be paid or received pursuant to the transaction. Certain general

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information is required to be included in a convocation notice for a shareholders' meeting for a Statutory Transaction, including (i) the date of the shareholders' meeting; (ii) the place of the shareholders' meeting; and (iii) a list of matters to be resolved at the shareholders' meeting. In addition, under the Companies Act and certain secondary legislation, the issues that must be included in convocation notice for each type of Statutory Transaction are as follows:

(a) Merger

- reasons for the proposed merger;
- terms and conditions of the merger contract;
- appropriateness of consideration to be paid / received;
- counterparty's financial documents (balance sheet / profit and loss statement / business report / auditor's report) for the latest financial year; and
- material changes affecting the counterparty since the end of the latest financial year.

(b) Corporate Split

- reasons for the proposed corporate split;
- terms and conditions of the corporate split contract;
- appropriateness of consideration to be paid / received;
- counterparty's financial documents (balance sheet / profit and loss statement / business report / auditor's report) for the latest financial year;
- material changes affecting the counterparty since the end of the latest financial year; and
- details of the articles of incorporation, directors, statutory auditors and accounting auditor of the newly-established corporation.

(c) Share Exchange

- reasons for the proposed share exchange;
- terms and conditions of the share exchange contract;
- appropriateness of consideration to be paid / received;
- counterparty's financial documents (balance sheet / profit and loss statement / business report / auditor's report) for the latest financial year; and
- material changes affecting the counterparty since the end of the latest financial year.

(d) Share Transfer.

- reasons for the proposed share transfer;
- terms and conditions of the share transfer contract;
- counterparty's financial documents (balance sheet / profit and loss statement / business report / auditor's report) for the latest financial year;
- material changes affecting the counterparty since the end of the latest financial year; and

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- details of the articles of incorporation, directors, statutory auditors and accounting auditor of the newly-established corporation.
- (e) Business Transfer.
- reasons for the proposed business transfer;
 - terms and conditions of the business transfer contract; and
 - appropriateness of consideration to be paid / received.
- (f) Business Assumption.
- reasons for the proposed business assumption;
 - terms and conditions of the business assumption contract; and
 - appropriateness of consideration to be paid / received.

Voluntary Measures

As noted above, we are not permitted to seek the approval of our Shareholders to any transactions other than those prescribed in the Companies Act, the Articles or other applicable Japanese laws or regulations. In order to provide equivalent Shareholder protections to those provided by Chapter 14 of the Listing Rules, we have undertaken to the Hong Kong Stock Exchange as follows:

- (a) if we enter into any transaction (other than a Statutory Transaction) involving an issue of Shares or HDRs (or a transfer of any Treasury Shares held by the Company) as consideration for acquisition of assets that are valued at greater than 25% of the total assets of the Group, we will voluntarily refer the transaction to our Shareholders for non-binding approval in a Shareholders' meeting (which will be deemed to have been passed if (1) Shareholders holding one-third or more of the outstanding Shares of the Company vote at the shareholders' meeting; and (2) two-thirds or more Shareholders approve the transaction) and the Board has undertaken to the Hong Kong Stock Exchange to adhere to the resolution of the shareholders on the transaction voluntarily referred to them at the Shareholders' meeting. This voluntary measure will not require us to seek Shareholders' approval if we raise funds by way of an issue of Shares to finance an acquisition. The relevant meeting notice periods, shareholder communications and voting requirements for any such voluntary Shareholders' meeting will be in compliance with those provided by the Companies Act and the Listing Rules (as noted above); and
- (b) the following transactions will be announced by us publicly in Hong Kong and Japan:
- (i) any acquisition of assets (excluding cash) by the Company where the consideration includes securities for which listing will be sought and where all percentage ratios (as defined in the Listing Rules) are less than 5%; and
 - (ii) a transaction or series of transactions (aggregated under Rules 14.22 to 14.23 of the Listing Rules) by the Company where any percentage ratio (as defined in the Listing Rules) is 5% or more.

Any such announcement would be made on the Hong Kong Stock Exchange, the TSE and the OSE immediately (in accordance with the TSE and the OSE Listing Regulations, which require announcements to be made immediately within the next business hour of the occurrence of the

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relevant event or, where the relevant event occurs outside business hours, on the first business hour of the next Business Day). Further, the relevant announcement would contain the contents requirements set out in Rules 14.58 to 14.60 of the Listing Rules, in addition to any required disclosure under Japanese law.

In order to demonstrate the practical equivalence of our voluntary proposal, we entered into a total of sixteen major transactions during the financial years ending 31 March 2008, 2009 and 2010, as noted in the “Business” section of this prospectus. With the exception of the acquisition of SBI SECURITIES, which was acquired by way of a share exchange in 2008 (see “Business — Brokerage and Investment Banking” for more information) which required Shareholders’ approval as it constituted a Statutory Transaction, none of these transactions constituted Major Transactions (as defined in the Listing Rules). The disposals of Etrade Korea Co. Ltd and Zephyr Co. Ltd in 2008, as well as the acquisition of SBI Life Living Co. Ltd in 2009 were the only other transactions in that period that would have been subject to Chapter 14 of the Listing Rules, as they would have been classed as Discloseable Transactions (as defined in the Listing Rules), and pursuant to the voluntary measures that we will implement, they would have been equally discloseable by us after Listing. Please see the “Business” section of this prospectus for more information.

Further Waivers from Chapter 14

We have applied for, and the Hong Kong Stock Exchange has granted us, further waivers from certain of the shareholder communications requirements contained in Chapter 14 of the Listing Rules. In particular, we have been granted a waiver from (i) Rule 14.42, which provides that listed issuers must despatch any revised or supplementary circular and/ or any material information that has come to the attention of the directors after the issue of circular (by way of announcement) on the transaction to be considered at a Shareholders meeting not less than 10 Business Days before the date of the relevant Shareholders meeting; and (ii) Rule 14.43, which provides that if such a document is circulated within 10 days of the shareholders’ meeting, the relevant meeting must be adjourned before considering the relevant resolution to ensure compliance with the 10 Business Day requirement under Rule 14.42. We have been granted this waiver as, under Japanese law, we may make amendments to our convocation notice (and the accompanying reference documents), which will be posted on our website, from the date of their despatch (which must be 14 days prior to the relevant Shareholders’ meeting) until one day prior to the relevant shareholders’ meeting. In the event that any revised or supplementary circular is issued and/ or any material information comes to the attention of the Directors prior to a shareholders’ meeting we will make an announcement in Hong Kong in English and Chinese.

Further, we have been granted a waiver by the Hong Kong Stock Exchange from compliance with the circular contents requirements contained in Chapter 14 of the Listing Rules. Given that Statutory Transactions and Non-Statutory Transactions are Japanese law governed procedures, it would be inappropriate, onerous and burdensome for us to adopt these rules. Instead, we will issue Shareholder communications in accordance with Japanese law for any Statutory Transactions and Non-Statutory Transactions. The relevant content requirements for such transactions are set out in more detail in “Summary of the Constitution of our Company, certain TSE and OSE Listing Regulations and Japanese Corporations Law — Japanese Corporations Law — (i) M&A (Mergers, corporate split, share exchange, share transfer business transfer and business assumption)”.

We have also applied to the Hong Kong Stock Exchange for, and been granted, a further waiver from Rules 14.78 to 14.81 of the Listing Rules in respect of takeovers and mergers, as we have applied for, and been granted, a waiver from the Code on Takeovers and Mergers and Share Repurchases (for more information see “Waivers and Voluntary Measures - Not a Public Company in Hong Kong”).

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Conditions

As a condition to the grant of this waiver, we have voluntarily undertaken to:

- (a) inform the Hong Kong Stock Exchange as soon as reasonably practicable in the event of substantial change being made to the applicable Japanese laws and regulations noted above;
- (b) include a detailed summary of the applicable provisions of Japanese law noted above and the impact of the waiver on the Hong Kong investing public; and
- (c) disclose in this prospectus the grant of this waiver, setting out all relevant details including the circumstances and the conditions imposed including, without limitation, full details of the applicable Japanese laws and regulations.

For further information on the Statutory Transactions, please see “Summary of the Constitution of our Company, certain TSE and OSE Listing Regulations and Japanese Corporations Law — Japanese Corporations Law — (i) M&A (Mergers, corporate split, share exchange, share transfer, business transfer and business assumption)”.

Connected Transactions

We have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with Rules 14A.11 to 14A.24, 14A.28 to 14A.41, 14A.46, 14A.48 to 14A.55, 14A.58 to 14A.66 and 14A.72 to 14A.73 of the Listing Rules (plus a partial waiver from Rules 14A.25 to 14A.27A (in that any aggregation will apply to “Related Party Transactions” as defined under the FIEA, opposed to “Connected Transactions” (as defined in the Listing Rules))). We are justified in continuing to use the Japanese law rules for the classification of Related Party Transactions (as opposed to those used in Chapter 14A of the Listing Rules) as well as seeking a waiver in respect of those requirements in Chapter 14A of the Listing Rules that require shareholders’ approval on account of the fact that the existence of the equivalent shareholder protections in Japan and certain voluntary measures introduced by ourselves, each as are set out below, provide a commensurate level of protection to shareholders as is contained in Chapter 14A of the Listing Rules.

Equivalent Shareholder Protections

We will continue to comply with the continuing obligations applicable to Related Party Transactions pursuant to the FIEA and the Regulation for Terminology, Forms and Preparation of Consolidated Financial Statements (the Ordinance of the Ministry of Finance No.28 of 1976), which require the notes to our financial statements to include details of any material transactions with Related Parties, including any Controlling Shareholders of the Company.

The definition of a Related Party under the FIEA is broadly commensurate with the definition of a Connected Person as defined in Rule 1.01 and Rule 14A.11 (in respect of Connected Transactions) of the Listing Rules. The definition of a “Connected Person” under the Listing Rules and a “Related Party” under the FIEA differ as follows:

- (a) the FIEA does not regard previous directors of the listed issuer within the preceding 12 months as being Related Parties;
- (b) the FIEA does not contain a definition of “associate”, nor does it precisely set out the family relationships that would deem a person to be a Related Party. The FIEA uses the concept of “close relatives” (meaning relatives within a second degree of kinship) in place of the term “associate”;

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- (c) the FIEA does not deem companies under the control of relatives of a director or substantial shareholder of the relevant listed issuer to be Related Parties;
- (d) the FIEA does not deem persons entering into a contractual relationship with Related Parties of the relevant listed issuer to be Related Parties; and
- (e) the FIEA does not deem substantial shareholders of a subsidiary to be Related Parties.

However, the FIEA considers the following parties to be Related Parties:

- (a) the FIEA provides that “related companies” that are able to “effect material influence” over a relevant company and “associated companies” that a relevant company is able to “effect material influence” over are Related Parties to the relevant company;
- (b) the FIEA considers any director of a listed issuer, any director of its parent companies and any director of its material subsidiaries to be Related Parties (as opposed to the directors and the chief executive of the listed issuer pursuant to the Listing Rules); and
- (c) the FIEA considers the corporate pension provider for the employees of the relevant company to be a Related Party.

Further, we will continue to comply with the Companies Act, which restricts Directors from voting on any Board resolution approving the entry into a Related Party Transaction that the relevant Director has a material interest in.

As set out in section entitled “Substantial Shareholders”, we do not have any Shareholders who constitute Controlling Shareholders or substantial shareholders (each as defined in the Listing Rules). As a result, the only Related Parties of the Company at present are the Directors and the Statutory Auditors, as well as certain of their related entities, and the members of the Group. Since 1 April 2008, there were only four arrangements that amounted to Related Party Transactions, which were two acquisitions and a loan entered into by Mr. Kitao with certain consolidated subsidiaries of the Group, and a series of loans lent by a consolidated subsidiary of the Company to a former affiliated company of the Group, which demonstrates the frequency that we enter into such Related Party Transactions. Further details in respect of these transactions can be found at the section entitled “Connected Transactions”.

Voluntary Measures

We have undertaken to the Hong Kong Stock Exchange to take certain voluntary steps to increase the standard of shareholder protection provided by the Japanese regime on Related Party Transactions, as follows:

- (a) we will voluntarily announce any Related Party Transaction entered into by any Related Party that amounts to greater than 1% of the total assets of the Group;
- (b) we will voluntarily obtain a fairness opinion (which will be referred to in the announcement in respect of the Related Party Transaction) from an Independent Third Party in respect of any Related Party Transactions entered into by any Related Party that amounts to greater than 5% of the total assets of the Group stating that the relevant transaction will not be detrimental to the interests of minority shareholders of the Company;

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- (c) all Related Party Transactions will be provided for in the Company's annual financial statements in accordance with the FIEA; and
- (d) in the convocation notice for each AGM at which the entire Board submits themselves for re-election pursuant to the Companies Act all Related Party Transactions entered into by the Directors in the previous year will be disclosed to Shareholders and HDR Holders and their involvement in each will be specifically referenced.

Any announcement in respect of a Related Party Transaction will include the applicable announcement content requirements for a connected transaction under Chapter 14A, as provided in Rules 14A.56(1),(2), (5), (6) and (9). The provision of these Chapter 14A content requirements will provide investors with the detailed information normally expected from issuers on the Hong Kong Stock Exchange. In addition, the disclosure requirements under the FIEA, which are referred to in the section entitled "Appendix V — Summary of the Constitution of our Company Certain TSE and OSE Listing Regulations and Japanese Corporations Law — Disclosure of Material Transactions with Related Parties in the Financial Statements" of this prospectus, would need to be included in the relevant announcement, these include, in particular:

- (a) the relationship between the Company and the Related Party;
- (b) the details and conditions of the Related Party Transaction; and
- (c) the balance, as of the end of a fiscal year, of the debts and credits generated by the Related Party Transaction for each account classification.

Although, there is no requirement for shareholders' approval of any Related Party Transactions under Japanese law, or under our voluntary proposals, in the event that we undertake a Statutory Transaction or a Non-Statutory Transaction that also amounts to Related Party Transaction, we will disclose the information contained in Rules 14A.59(2)(d)-(f) of the Listing Rules in the relevant convocation notice of shareholders' meeting.

Conditions

As a condition to the grant of this waiver, we have voluntarily undertaken to:

- (a) inform the Hong Kong Stock Exchange as soon as reasonably practicable in the event of substantial change being made to the Japanese regime in respect of Related Party Transactions;
- (b) include a detailed summary of the applicable provisions of Japanese law noted above and the impact of the waiver on the Hong Kong investing public; and
- (c) disclose in this prospectus the grant of this waiver, setting out all relevant details including the circumstances and the conditions imposed including, without limitation, full details of the applicable Japanese laws and regulations.

For further information on Related Party Transactions, please see the sections entitled "Summary of the Constitution of our Company, certain TSE and OSE Listing Regulations and Japanese Corporations Law — Related Party Transactions" and "Connected Transactions" in this prospectus.

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SHARE OPTION ISSUES

Rule 19.42 of the Listing Rules provides that the Hong Kong Stock Exchange may be prepared to vary the requirements applicable to share option schemes of an issuer if its primary listing is on another stock exchange where different or no such requirements apply. We have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from the operation of Chapter 17 of the Listing Rules (with the exception of Rule 17.05 of the Listing Rules which will apply to the Company only) in its entirety. The Group's Pre-IPO SAR Resolutions comply with the Companies Act, the FIEA, the TSE Listing Regulations and the OSE Listing Regulations, however, such resolutions and future incentive resolutions will not contain all of the provisions required by Chapter 17 of the Listing Rules.

Unlike other jurisdictions, Japanese companies, including our Company, do not have underlying share option schemes established for the purpose of setting out the basic terms that will apply to all issues made under that scheme. Instead, they pass the necessary resolution of the board of directors or resolution of shareholders, as the case may be, at each issue of SARs in accordance with the Companies Act. Therefore, Japanese laws and regulations applicable to the issuance of SARs are not directly comparable with the provisions of Chapter 17 of the Listing Rules. For further details of Japanese regime for issuance of SARs, please see "Statutory and General Information — Other Information — 8. Share Acquisition Rights — (a) Legal Framework for Issuance of Share Acquisition Rights in Japan".

For details of the Pre-IPO SARs, please see the section entitled "Statutory and General Information — Other Information — Share Acquisition Rights" in this prospectus.

DISCLOSURES RELATING TO SHARE OPTIONS

Under Rule 17.02(1)(b) and paragraph 27 of Appendix 1, Part E of the Listing Rules and paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance, this prospectus is required to include details of the number, description and amount of any of our Shares which a person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for Shares subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the names and addresses of the persons to whom it was given. We have issued Pre-IPO SARs to 930 persons to subscribe for 292,368.24 Shares (as at the Latest Practicable Date) on the terms set out in the section entitled "Statutory and General Information — Other Information — Share Acquisition Rights". Of these Pre-IPO SARs, we have issued SBIH Pre-IPO SARs to 584 persons to subscribe for 253,918.24 Shares (as at the Latest Practicable Date).

We have applied to the Hong Kong Stock Exchange and the SFC respectively for (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) and paragraph 27 of Appendix 1, Part E of the Listing Rules; (ii) an exemption under section 342A of the Companies Ordinance from strict compliance with the disclosure requirements of paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance; and (iii) a waiver from Chapter 17 of the Listing Rules in its entirety (with the exception that Rule 17.05 of the Listing Rule will apply in relation to any grant of SARs by the Company; but will not apply in relation to any grant of SARs by the Company's subsidiaries) on the grounds that full compliance with the above mentioned requirements would be unduly burdensome and that the waiver and the exemption will not prejudice the interests of the investing public as (i) 832 of 930 grantees of the Pre-IPO SARs are neither Directors, nor members of the senior management of the Company and/or its consolidated subsidiaries; (ii) the grants of such Pre-IPO SARs are highly sensitive and confidential among the grantees as they were granted on the basis of performance and contribution of each grantee; (iii) the Personal Information Protection Act prohibits the Company from disclosing personal data of such grantees without their prior consent; and (iv) as our proposed listing amounts to "unpublished

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material information that would have a substantial effect on investment decisions” under Japanese insider trading regulations, if we seek the consent of each grantee (including, for example, the directors of our subsidiaries) we would widen the circle of insiders who are aware of the proposed listing by disclosing such material information to these grantees, which would cause a significant risk of insider dealing in our Shares. Given the large number of grantees, obtaining the consent from each one of them would be extremely difficult and (v) the grant and exercise in full of the Pre-IPO SARs will not cause any material adverse change in the financial information of the Company. The summary information relating to the Pre-IPO SARs granted under the Pre-IPO SAR Resolutions in this prospectus (entitled “Statutory and General Information — Other Information — Share Acquisition Rights”) should provide potential investors with sufficient information for them to assess these Pre-IPO SARs in their respective investment decision-making process.

The Hong Kong Stock Exchange has granted us the waiver on the conditions that:

- (a) there will be full disclosure of all SBIH Pre-IPO SARs granted to Directors, Statutory Auditors and senior management of the Company on an individual basis including, without limitation, disclosure of the exercise price, exercise period and weighted average price of the relevant SBIH Pre-IPO SARs held by such Director and senior management required by paragraph 10(d) of the Third Schedule to the Companies Ordinance, Rule 17.02(1)(b) and paragraph 27 of Appendix 1E of the Listing Rules in the paragraph entitled “Statutory and General Information — Other Information — Share Acquisition Rights” in this prospectus;
- (b) for the remaining grantees, disclosure will be made, on an aggregate basis, of (1) the aggregate number of shares to be subscribed for pursuant to the exercise of the Pre-IPO SARs; (2) the exercise period of the Pre-IPO SARs; (3) the consideration paid for the Pre-IPO SARs; and (4) the exercise price of the Pre-IPO SARs;
- (c) there will also be disclosure in this prospectus of the aggregate number of shares to be subscribed for pursuant to the exercise of the Pre-IPO SARs and the percentage of the Company’s issued share capital represented by them;
- (d) there will be disclosure on the dilution effect and impact on earnings per share upon full exercise of the Pre-IPO SARs in the paragraph headed “Statutory and General Information — Other Information — Share Acquisition Rights” in this prospectus; and
- (e) a full list of all of Directors and senior management of the Company who have been issued the Pre-IPO SARs, containing all the details as required under Rule 17.02(1)(b) and paragraph 27 of Appendix 1E to the Listing Rules and paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance as attached in Schedule 5, will be available for public inspection.

The SFC has granted us the exemption under the Companies Ordinance on the conditions that:

- (a) there will be full disclosure of all SBIH Pre-IPO SARs granted to Directors, Statutory Auditors and senior management of the Company on an individual basis, including, without limitation, disclosure of the exercise price, exercise period and weighted average exercise price of the relevant SBIH Pre-IPO SARs held by such Director and senior management required by paragraph 10(d) of the Third Schedule to the Companies Ordinance in the paragraph entitled “Statutory and General Information — Other Information — Share Acquisition Rights” in this prospectus;

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- (b) a full list of all of the grantees of the SBIH Pre-IPO SARs (“**Register of SARs**”) will be available for public inspection. The Personal Information Protection Act prohibits us from publicly disclosing a person’s personal information (such as name and address) without their written consent. In light of these legal restrictions the Register of SARs will be redacted so that it does not include the names and addresses of each grantee so as to ensure our compliance with the requirements under the Personal Information Protection Act. All other details on the relevant Register of SARs shall comply with paragraph 10(d) of the Third Schedule to the Companies Ordinance;
- (c) for the remaining grantees, disclosure will be made, on an aggregate basis, of (1) the aggregate number of Shares to be subscribed for pursuant to the exercise of the Pre-IPO SARs; (2) the exercise period of the Pre-IPO SARs; (3) the consideration paid for the Pre-IPO SARs; and (4) the exercise price of the Pre-IPO SARs; and
- (d) a full list of all of Directors and senior management of the Company who have been issued the Pre-IPO SARs, containing all the details as required under Rule 17.02(1)(b) and paragraph 27 of Appendix 1E to the Listing Rules and paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance as attached in Schedule 5, will be available for public inspection.

ARTICLES OF THE COMPANY

Appendix 3 of the Listing Rules requires an issuer’s articles of association or equivalent constitutional documents to conform with the provisions set out in that appendix. Our Articles do not comply with certain of the Articles Requirements and we have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the following Articles Requirements. In certain cases, an Articles Requirement may not strictly be met, but is covered by a broadly commensurate provision in the Articles. We have not applied for a waiver from strict compliance in those cases.

Further information about the Company’s Articles are set out in the section headed “Summary of the Constitution of our Company, certain TSE and OSE Listing Regulations and Japanese Corporations Law” in this prospectus.

As regards Transfer and Registration

Articles Requirement 1(1) requires that transfers and other documents relating to or affecting the title to any registered securities must be registered. There is no requirement in the Articles that transfers and other documents relating to or affecting the title to any registered securities must be registered. All Japanese listed companies are unable to issue physical certificates in relation to listed shares and all transfers of listed shares of Japanese listed companies must be made through the book-entry system operated by JASDEC, pursuant to Article 140 of the Book-Entry Act. Any transfer of Shares in the Company becomes effective only through book-entry, and the title to the Shares of the Company passes to the transferee at the time when the transferred number of Shares is recorded in the transferee’s account opened at an Account Managing Institution. We do not charge fees on the transfer of the Company’s registered securities. Subject to certain exceptions, registration in the Shareholders’ registry is updated upon the receipt of the general Shareholders notice given by JASDEC (*soukabunushi tsuchi*) rather than upon the receipt of individual claims by Shareholders, in accordance with the provisions of the Book-Entry Act and without fees charged to any Shareholder by JASDEC or the Company. We are of the view that the protection afforded to Shareholders pursuant to Article 140 of the Book-Entry Act is at the requisite level for the purposes of Articles Requirement 1(1). Further, the HDRs to be issued by the

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Company in Hong Kong will comply with Chapter 19B of the Listing Rules, which requires the registration of transfers of depositary receipts (in accordance with the Deposit Agreement). Fees to be charged on transfers of HDRs in accordance with the Deposit Agreement will be in compliance with paragraph 1(1) of Appendix 3 of the Listing Rules.

Articles Requirement 1(2) requires that fully-paid shares must be free from any restriction on the right of transfer (except when permitted by the Hong Kong Stock Exchange) and shall also be free from all liens. The Articles do not contain an explicit provision that complies with this paragraph, although at present we only have ordinary Shares in issue and in the event that we imposed transfer restrictions on these ordinary listed Shares we would be delisted as a general rule, pursuant to paragraph 1(14) of Article 601 of the TSE Listing Regulations and paragraph 1(14) of Article 2 of the OSE Delisting Rules. Further, the Companies Act requires that all our Shares be fully-paid before their issuance and accordingly we do not have any liens over our issued Shares. The HDRs will be freely transferable in compliance with Rule 19A.09(a) of the Listing Rules and pursuant to the terms of the Deposit Agreement.

We have undertaken to the Hong Kong Stock Exchange not to take any action (including, without limitation, amending our Articles to reclassify any existing Shares of the Company) whatsoever that would result in the issue or existence of fully-paid Shares of the Company that are listed or proposed to be listed on the Hong Kong Stock Exchange, that are either (a) not free from transfer restrictions; or (b) subject to any lien. Under Japanese law and the Articles, in order to amend the Articles, the resolution of the Shareholders' meeting must be approved by at least two-thirds (2/3) of the voting rights of the Shareholders present at a meeting where the Shareholders holding at least one-third (1/3) of the voting rights of the Shareholders who are entitled to exercise their voting rights are present (Article 466 and paragraph 2(11) of Article 309 of the Companies Act and paragraph 2 of Article 14 of the Articles).

Articles Requirement 1(3) requires that where the option is taken to limit the number of shareholders in a joint account, such limit shall not prevent the registration of a maximum of four persons. The Articles contain no contradictory provisions and there are no such restrictions under the Book-Entry Act or the Companies Act on the applicable Japanese legislation. The Company has undertaken to the Hong Kong Stock Exchange that it will not introduce a limitation on the number of persons that may register in a joint account.

As regards Definitive Certificates

Articles Requirement 2(1) requires that all certificates for capital be under seal, which shall only be affixed with the authority of the directors. However, pursuant to Article 205 (11) and paragraph 1(16) of 601 of the TSE Listing Regulations and paragraph 1 of Article 128 of Book-Entry Act, a Japanese listed company is unable to issue physical share certificates. Japan has had a fully scripless settlement regime since the implementation of the Book-Entry Act which abolished the issue of share certificates in relation to listed shares by publicly listed Japanese companies. Transfers of title in the listed shares of Japanese listed corporations are effected by a book entry system managed by JASDEC. The existence of a scripless regime in Japan is commensurate with Articles Requirement 2(1) and provides the level of shareholder protection required on the basis that the existence of a centrally managed book-entry transfer system standardises the form of ownership rights of each shareholder to each listed share. We are of the view that this provision is inapplicable to us given that Japan's scripless regime supports the principle behind Articles Requirement 2(1) and such a regime offers a commensurate level of shareholder protection. Further, the HDRs will be compliant with this rule as they will constitute registered certificates issued by the depositary bank in accordance with the Deposit Agreement pursuant to Chapter 19B of the Listing Rules.

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Articles Requirement 2(2) requires that where the power is taken to issue share warrants to bearer, no new share warrant shall be issued to replace one that has been lost, unless the issuer is satisfied beyond reasonable doubt that the original has been destroyed. The Articles contain no equivalent provision. Although we, as with all listed companies in Japan, use the JASDEC electronic settlement system for share transfers, we may issue certificates representing SARs unless they are subject to the book-entry system operated by JASDEC. Any holders of SARs who have lost certificates may not request the reissuance of their certificates until they have obtained a decision for invalidation by a court of justice in Japan as provided under Article 148(1) of the Non-Contentious Cases Procedures Act of Japan (Act No. 14 of 1898, as amended) (非訟事件手続法), in accordance with Article 291 of the Companies Act. In view of the above, it would be onerous and unnecessary for us to amend our Articles to positively comply with Articles Requirement 2(2) as Shareholders are already adequately protected by the existence of Japan's scripless regime, as referred to above. Further, in respect of the HDRs, the Deposit Agreement provides the conditions and process for issuing new HDRs in the event that an HDR is lost, destroyed, stolen or mutilated in accordance with Rule 19B.16(o) of the Listing Rules. For details of this procedure, please refer to the section entitled "Description of Hong Kong Depository Receipts — Terms of HDRs — Lost, Destroyed, Stolen or Mutilated HDR Certificates" in this prospectus.

As regards Dividends

Articles Requirement 3(1) requires that any amount paid up in advance of calls on any share may carry interest, but shall not entitle the holder of the share to participate in respect thereof in a dividend subsequently declared. There is no equivalent provision in the Articles or under the Companies Act or other applicable Japanese legislation. Under Articles 34 and 208 of the Companies Act, all consideration due for shares issued by Japanese corporations must be consequently paid in full on their issuance, at which point the party subscribing for such shares will become entitled to dividends in the Company, the record dates for which are on or after such issuance. On this basis, there are no circumstances within which this provision would apply to us since, under Japanese law, amounts are not paid in advance of calls.

Articles Requirement 3(2) requires that where the power is taken to forfeit unclaimed dividends, that power shall not be exercised until six years or more after the date of declaration of the dividend. Article 32 of the Articles provides that the Company shall be "released from the obligation to pay dividends from surplus which have not been claimed after the lapse of three (3) full years from the day on which such payment was made available". Although Paragraph 1 of Article 167 of the Civil Code of Japan (Act No. 89 of 1896, as amended) (民法) provides that shareholders of a Japanese Corporation have the right to claim dividends for a period of ten years, case law (Grand Court of Cassation, Case No. 404 (wo) of 1927; date of decision 1927/8/3) (大審院昭和二年(ヲ)第四〇四号同年八月三日判決) provides the authority for Japanese companies to reduce this limitation period in their articles of incorporation. The three year dividend forfeiture period is a common provision in the articles of incorporation of Japanese companies. However, we have undertaken to the Hong Kong Stock Exchange that we will use our reasonable endeavours to ensure that dividends are not forfeited within six years after the date of declaration of the relevant dividend.

As regards Directors

Articles Requirement 4(1) requires that, subject to such exceptions specified in the articles of association as the Hong Kong Stock Exchange may approve, a director shall not vote on any board resolution approving any contract or arrangement or any other proposal in which he or any of his associates has a material interest nor shall he be counted in the quorum present at the meeting. Note 1 to Appendix 3 of the Listing Rules provides certain exceptions to Articles

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Requirement 4(1), which include the giving of indemnities and securities by the company to directors and their associates; the underwriting of equity offers by directors and their associates; any proposal or arrangement between the company and any other company which a director and or his associates have a beneficial interest of less than 5%, and employee incentive or remuneration schemes and contracts and arrangements in which directors and/or their associates are interested in by virtue of their interest in shares in the company only.

There are no equivalent provisions in the Articles, but Shareholders receive a broadly commensurate level of protection to the protections under Articles Requirement 4(1) under the applicable provisions of the Companies Act, which imposes restrictions on directors voting at meetings involving proposals in which they are interested, as well as providing for the disclosure of such interests by directors at the relevant board meeting. Under Article 356 of the Companies Act, a director must disclose the material facts of any proposal that the director is interested in at the beginning of the relevant meeting of the board of directors to approve the transaction, and he or she is not entitled to vote at the board meeting, or to be included in the quorum, when the relevant issue is discussed.

Articles Requirement 4(3) requires that where not otherwise provided by law, the issuer in general meeting shall have power by ordinary resolution to remove any director (including a managing or other executive director, but without prejudice to any claim for damages under any contract) before the expiration of his period of office. Although the Articles contain no equivalent provisions, paragraph 1 of Article 339 of the Companies Act provides Shareholders' meetings of our Company with an equivalent power.

Articles Requirement 4(4) requires that the minimum length of the period during which notice to the issuer of the intention to propose a person for election as a director, and during which notice to the issuer by such person of his willingness to be elected may be given, will be at least seven days. There is no equivalent minimum period provided in the Articles. Pursuant to Article 304 of the Companies Act, a shareholder is permitted to propose an amendment of any such agenda at a shareholders' meeting without any prior notice if such agenda is scheduled to be discussed and determined at the shareholders' meeting. There is no equivalent provision in the Articles and the inclusion of such a requirement in the Articles would be inconsistent with and unenforceable under Japanese Law. We understand that the occurrence of such last minute changes being made is exceptionally rare in practice.

Articles Requirement 4(5) requires that the period for lodgement of the notices referred to in Articles Requirement 4(4) will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than seven days prior to the date of such meeting. There is no equivalent provision in the Articles and the inclusion of such a requirement in the Articles would be inconsistent with and unenforceable under Japanese law.

As regards Accounts

Articles Requirement 5 requires that a copy of either (i) the directors' report, accompanied by the balance sheet (including every document required by law to be annexed thereto) and profit and loss account or income and expenditure account; or (ii) the summary financial report shall, at least 21 days before the date of the general meeting, be delivered or sent by post to the registered address of every member. There is no equivalent provision in the Articles, although under Article 299 of the Companies Act, the convocation notice of an annual general meeting (including the business report and financial statements) must be served by Japanese companies at least 14 days before the date of the annual general meeting. In addition, in the event that shareholders give their consent to the distribution of the convocation notice by electronic means pursuant to Article 299 of the Companies Act, the business report and financial statements may be distributed to

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shareholders by electronic means pursuant to Article 437 of the Companies Act. Further, certain items to be included in the business report and notes to financial results may be uploaded to, and accessible on, the Company's website, rather than circulated directly to individual shareholders pursuant to Article 437 of the Companies Act and Article 13 of the Articles.

We have agreed to use our reasonable endeavours (while the HDRs of the Company are listed on the Hong Kong Stock Exchange) to deliver the convocation notice (with the exception of the business report and financial statements, which will be published electronically and referenced in the convocation notice) at least 21 days before the AGM in hard copy to HDR Holders and non-registered HDR Holders (as defined in Rule 13.56 of the Listing Rules to include such person or company whose listed securities are held in CCASS).

As regards Rights

Articles Requirement 6(1) requires that adequate voting rights must, in appropriate circumstances, be secured to shareholders who hold preference shares in a company. The Articles do not contain any such provision on account of the fact that we do not have any preferred shares in issue, but preferred shareholders may be afforded such a right, pursuant to Article 322 of the Companies Act, to vote in cases where their particular rights as a class are prejudiced, which provides preference shareholders with an equivalent power.

Articles Requirement 6(2) requires that the quorum for a separate class meeting (other than an adjourned meeting) to consider a variation of the rights of any class of shares shall be the holders of at least one-third of the issued shares of the class. Although the Articles contain no equivalent provisions, Article 324 of the Companies Act provides that the quorum requirement for a meeting of holders of any class of shares is, as a general rule, a majority of the votes of the shareholders of that class represented by those present either in person or by proxy pursuant to the Companies Act.

As regards Notices

Articles Requirement 7(2) requires that an overseas issuer whose primary listing is or is to be on the Hong Kong Stock Exchange must give notice sufficient to enable members, whose registered addresses are in Hong Kong, to exercise their rights or comply with the terms of the notice. If the overseas issuer's primary listing is on another stock exchange, the Hong Kong Stock Exchange will normally be satisfied with an undertaking by the issuer to do so and will not normally request the issuer to change its articles to comply with Articles Requirement 7(2) where it would be unreasonable to do so. The Articles do not contain such a requirement. We have undertaken to the Hong Kong Stock Exchange to provide sufficient notice to HDR Holders and non-registered HDR Holders (as defined in Rule 13.56 of the Listing Rules to include such person, company or other entity whose HDRs are held in CCASS, and who has notified a listed issuer through HKSCC that such person, company or other entity wishes to receive corporate communications) with registered addresses both in and outside of Hong Kong to exercise their rights or comply with the terms of the notice.

As regards Redeemable Shares

Articles Requirement 8 requires that if the Company has the power to purchase for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price and if such a purchase is made by tender, then tenders must be available to all shareholders alike. At present, we do not have any redeemable shares as the concept does not exist under Japanese law; thus our Articles do not contain any provisions in respect of, or powers to issue, any redeemable shares.

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As regards Non-Voting or Restricted Voting Shares

Articles Requirement 10(1) requires that where the capital of the issuer includes shares which do not carry voting rights, the words “non-voting” must appear in the designation of such shares. Although the Articles do not contain such a requirement, nor do the Companies Act or the TSE or OSE Listing Regulations contain such a designation requirement in Japan, rather than amend its Articles to ensure positive compliance, we have undertaken to the Hong Kong Stock Exchange to designate Shares and HDRs which do not carry voting rights with the words “non-voting” (except Treasury Shares, which in any case shall be non-voting pursuant to the relevant provisions of the Companies Act).

Articles Requirement 10(2) requires that where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words “restricted voting” or “limited voting”. Although our Articles do not contain such a requirement, nor do the Companies Act or the TSE or OSE Listing Regulations contain such a designation requirement in Japan, rather than amend our Articles to ensure positive compliance, the Company would be prepared to undertake to designate Shares and HDRs, other than those with the most favourable voting rights, with the words “restricted voting” or “limited voting”.

As regards Proxies

Articles Requirement 11(2) requires that a corporation may execute a form of proxy under the hand of a duly authorised officer. The Articles do not contain such a requirement, although there are no contradictory provisions in the Companies Act and the finalisation and approval of the form will need to be made by the resolution of the board of directors or by a director authorised to do so. The registered HDR Holders will be entitled to instruct the Depositary as to the exercise of their respective voting rights. The registered HDR Holders and non-registered HDR Holders (as defined in Rule 13.56 of the Listing Rules to include such person or company whose listed securities are held in CCASS) do not have the right to appoint a proxy. The non-registered HDR Holders shall give their voting instructions to HKSCC Nominees who shall, in turn, pass such instructions on to the Depositary and the Depositary shall instruct the Custodian to cast the votes in accordance with the voting instructions received from HKSCC Nominees. In order for HDR Holders to attend Shareholders’ meetings and to exercise voting rights in the meeting, HDR Holders will have to convert the HDRs to Shares.

As regards Disclosure of Interests

Article Requirement 12 requires that no powers shall be taken to freeze or otherwise impair any of the rights attaching to any share by reason only that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the company. The Articles do not contain any such restriction on the powers of the Company, but do not afford it the power to do so either. In practice there are no relevant provisions of the Articles or the Companies Act that would entitle us to take such steps.

As regards Untraceable Members

Article Requirement 13(1) requires that where power is exercised to cease sending dividend warrants by post, if such warrants have been left uncashed, it will not be exercised until such warrants have been so left uncashed on two consecutive occasions. However, such power may be exercised after the first occasion on which such a warrant is returned undelivered. There is no

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equivalent restriction in the Articles, however, paragraph 1 of Article 196 of the Companies Act provides that in cases where notices (including dividend warrants) have not reached a shareholder for five consecutive years, the relevant company shall no longer be required to give notices to such shareholders, which we deem to be a commensurate provision to Article Requirement 13(1).

Article Requirement 13(2) requires that where power is exercised to sell the shares of a member who is untraceable it will not be exercised unless (a) during a period of 12 years at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed; and (b) on expiry of the 12 years the issuer gives notice of its intention to sell the shares by way of an advertisement published in the newspapers and notifies the Hong Kong Stock Exchange of such intention. There is no equivalent restriction in the Articles. Article 197 of the Companies Act provides that in cases where notices have not reached a shareholder for five consecutive years and the shareholders of such shares have not received dividends of surplus for five consecutive years, a company shall be entitled to sell or auction the shares of such a shareholder. In exercising this right, a company is required to issue a public notice and make a demand to a shareholder or a registered pledgee of shares seeking no objection to such action at least three months before such sale or auction pursuant to Article 198 of the Companies Act.

As regards Voting

Articles Requirement 14 requires that, where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted. There is no equivalent provision contained in the Articles and this requirement is not consistent with the Companies Act and would be unenforceable in Japan under Article 308 of the Companies Act as, subject to certain limited exceptions, each shareholder of a Japanese corporation is entitled to a single vote for each share in the company that they hold and, with the exception of certain limited circumstances, the Companies Act does not restrict this right to certain resolutions or matters. In order to address this difference in shareholder protection, we have undertaken to the Hong Kong Stock Exchange to adhere to the Abstention Process (as described below in “Waivers and Voluntary Measures — Material Interest in a Transaction”) in order to provide partial compliance with Articles Requirement 14).

NOT A PUBLIC COMPANY IN HONG KONG

Section 4.1 of the Takeovers Code applies to takeovers, mergers and share repurchases affecting public companies in Hong Kong and companies with a primary listing in Hong Kong.

We have applied for, and the SFC has granted, a ruling that we are not a “public company in Hong Kong” for the purposes of Section 4.1. Therefore, the Takeovers Code does not apply to us. This ruling may be reconsidered by the SFC in the event of a material change in information provided or representations made to the SFC.

We are subject to the provisions of the FIEA regarding takeovers. Please see the section entitled “Summary of the Constitution of our Company, certain TSE and OSE Listing Regulations and Japanese Corporations Law” in Appendix V to this prospectus for more information.

Further, we are subject to the provisions of the Companies Act, the FIEA, the TSE and the OSE Listing Regulations regarding share repurchases. Please refer to “Statutory and General Information — Repurchase of our Shares” in Appendix VIII to this prospectus for more information.

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SUBSCRIPTION FOR SHARES BY EXISTING SHAREHOLDERS

Rule 10.04 of the Listing Rules provides that an existing shareholder may only subscribe for or purchase securities for which listing is sought if (1) no securities are offered to them on a preferential basis and no preferential treatment is given to them in the allocation of the securities; and (2) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved. Paragraph 5(2) of Appendix 6 of the Listing Rules also provides that no allocations will be permitted to be made to directors or existing shareholders of a new applicant or their associates.

We have applied for, and the Hong Kong Stock Exchange has granted us, a partial waiver to the extent necessary to include our existing Shareholders who do not exert any influence over the Company and who have no influence over the HDR allocation process in the “book-building” process described in the section entitled “Structure and Conditions of the Global Offering” in this prospectus. The waiver from strict compliance with Rule 10.04 is conditional on: (i) each of the Directors confirming to the Hong Kong Stock Exchange that they will not participate directly or indirectly in the International Placing, and providing to the Hong Kong Stock Exchange a list of institutions through which they hold Shares in the Company; (ii) the Company ensuring that no HDRs under the International Placing will be allocated to pre-IPO cornerstone investors in the Global Offering; (iii) existing Shareholders subscribing for HDRs in the International Placing confirming to the Company and the Sponsor that they are not connected persons or persons who will become connected persons immediately upon completion of the International Placing and that their subscription for HDRs is not being financed by or being made on the instructions of connected persons; and (iv) the Company and the Joint Bookrunners confirming that the existing Shareholders subscribing for HDRs under the International Placing will not be given preferential treatment in the allocation process. In connection with the waiver granted above, the Hong Kong Stock Exchange has also granted us a waiver from strict compliance with paragraph 5(2) of Appendix 6 of the Listing Rules.

SHARE REPURCHASE AND TREASURY SHARES

Dealing Restrictions

Rule 10.06(2) of the Listing Rules imposes certain restrictions on how a listed issuer may purchase its own shares on the Hong Kong Stock Exchange. Rule 19.43(1) of the Listing Rules provides that an overseas issuer (such as ourselves) may purchase its own shares on the Hong Kong Stock Exchange in accordance with the relevant provisions of Rule 10.06 of the Listing Rules, provided that the Hong Kong Stock Exchange waives some or all of the applicable dealing restrictions set out in Rule 10.06(2) of the Listing Rules on the basis that the overseas issuer’s primary exchange already imposes equivalent or similar dealing restrictions on the overseas issuer in respect of purchases of shares on the Hong Kong Stock Exchange.

We are currently subject to broadly similar dealing restrictions on share repurchase under the Companies Act:

- (a) in situations where we wish to purchase our own Shares from particular Shareholders (the “**Selling Shareholders**”), Articles 156, 160 and 309(2) of the Companies Act further require (i) Shareholders to pass a special resolution to approve the number of Shares to be purchased; (ii) the description of the assets to be paid or delivered in exchange for the repurchased Shares and aggregate amount thereof; (iii) the period during which we may repurchase our own Shares (provided that it must not exceed one year); and (iv) the name(s) of the Selling Shareholders with the Selling Shareholders abstaining from voting on such resolutions and, further, articles 157(1) and 157(2) of the Companies Act provide that immediately before each share repurchase the Board of Directors must

WAIVERS AND VOLUNTARY MEASURES

- approve (i) the number of Shares to be repurchased; (ii) the description of the assets to be paid or delivered in exchange for the purchased Shares and aggregate amount thereof; and (iii) the deadline for the Shareholders who wish to sell their Shares to the Company to inform their intention to sell their Shares;
- (b) in situations where we wish to purchase our own Shares from the open market (including acquisitions on the TSE, the OSE, other foreign securities market or through a tender offer proceeding in Japan), Articles 156 and 165(3) of the Companies Act require our Board of Directors to approve (i) the number of Shares to be purchased; (ii) the description of the assets to be paid or delivered in exchange for the repurchased Shares and the aggregate amount thereof; and (iii) the period during which we may repurchase our own Shares (provided that it must not exceed one year). We are also subject to various dealing restrictions in repurchasing through the auction market of TSE or OSE, including that (i) the Company must not place an order to repurchase our Shares with more than one securities trading company per day; (ii) the Company must not place a order to repurchase its Shares within 30 minutes to the closing time; (iii) certain limitations on the price the Company may repurchase our Own shares, which depends on when we place the relevant order to repurchase; (iv) the aggregate number of Shares that the Company may repurchase in a day must not exceed a certain percentage of the average trading volume of our Shares on the relevant exchange; and (v) we must purchase our Shares under our own name; and
- (c) Article 461(1) of the Companies Act provides that share repurchases must be made out of the Company's distributable reserves.

In addition to the requirements under the Companies Act, Articles 27-22-2 and 2(17) of the FIEA deem the repurchase of our securities on the Hong Kong Stock Exchange as an off-market transaction. Because of this, any repurchase of our HDRs on the Hong Kong Stock Exchange would be regarded as a tender offer and would be subject to the tender offer rules within the FIEA (the "**Tender Offer Rules**"). The Tender Offer Rules prescribes a tender offer procedure according to which a listed company may repurchase its own shares.

We have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 10.06(2)(a) and 10.06(2)(c) of the Listing Rules with respect to any repurchase by us of our HDRs on the Hong Kong Stock Exchange and our Shares on the TSE or OSE.

Publication of details of Share Repurchases

Rule 10.06(4)(a) of the Listing Rules requires an issuer to submit to the Hong Kong Stock Exchange for publication certain particulars of the repurchase by no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Business Day following any day on which the issuer makes a purchase of its shares.

If we execute the repurchase of our Shares on the TSE or the OSE using ToSTNeT2 or ToSTNeT3 (which are off-floor non-auction sales trading platforms provided by these stock exchanges), ("**Off-Floor Repurchase**") the disclosure guidelines of the TSE and the OSE already require us to disclose the following matters to the investing public without delay: (i) the class of shares repurchased; (ii) the aggregate number of shares repurchased; and (iii) the aggregate repurchase price. Further, where we have completed share repurchases by way of a tender offer, we are required to disclose without delay: (i) the period during which we repurchased its shares; (ii) the repurchase price per share; (iii) the method of settlement; (iv) the number of shares having been repurchased for each class of shares; and (iv) any other matters necessary for investors to understand or judge the relevant information.

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In addition, should we wish to repurchase our own Shares by way of a tender offer, we would be required to issue a public notice regarding commencement of the tender offer in accordance with the FIEA immediately after the relevant Board resolution. This public notice must include information regarding the tender offer such as: (i) the purpose of the offer; (ii) the number of Shares to be purchased through the offer; (iii) the offer price; and (iv) the tender offer period.

If we execute a repurchase of our Shares on the TSE or the OSE on an on-floor auction trading platform provided by these stock exchanges (“**On-Floor Repurchase**”), under Article 24-6(1) of FIEA, we are required to file a monthly share buyback report (the “**Share Buyback Report**”) with the relevant financial bureau commencing from the month in which the Board of Directors or the Shareholders’ meeting passes the relevant resolution approving such repurchase, until the month in which the last day of the share repurchase period falls into. For each reporting month, the report must contain: (i) the date(s) of any share repurchase; (ii) the number of repurchased shares; (iii) the dates when any Treasury Shares were cancelled; (iv) the number of shares cancelled on each of the above dates; and (v) the number of Treasury Shares held in treasury at the last day of the relevant month. Details of the share repurchases would be included in our annual securities report and quarterly securities report under the FIEA.

Therefore, we are subject to certain disclosure requirements in Japan, although we recognise that On-Floor Repurchases share repurchases will not be disclosed on a timely basis in the same way as Off-Floor Repurchases. To address this difference, the Company has undertaken to voluntarily report On-Floor Repurchases to the Hong Kong Stock Exchange within 5 Japanese Business Days subsequent to the date of the relevant repurchase.

In connection with this partial waiver of Rule 10.06(4)(a), we have also applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rule 13.31(1) of the Listing Rules on the same grounds as the waiver granted by the Hong Kong Stock Exchange with respect to Rule 10.06(4)(a) of the Listing Rules. Rule 13.31(1) of the Listing Rules provides that, among other things, an issuer shall inform the Hong Kong Stock Exchange as soon as possible after any purchase, sale, drawing or redemption by the issuer, or any member of the group, of its listed securities (whether on the Hong Kong Stock Exchange or otherwise). In the event that the Company makes an on-market share repurchase, the Company shall inform the Stock Exchange in accordance with Rule 13.31(1) of the Listing Rules within 5 Japanese Business Days subsequent to the date of the repurchase.

Conditions

We have been granted these waivers from Rules 10.06(2)(a), 10.06(2)(c), 10.06(4)(a) and 13.31(1) of the Listing Rules on the condition that:

- (a) our Directors and Executive Officers will undertake on behalf of themselves (and their respective associates) not to participate in any repurchase of Shares undertaken by ourselves;
- (b) we voluntarily report On-Floor Repurchases to the Hong Kong Stock Exchange within 5 Japanese Business Days subsequent to the date of the repurchase;
- (c) we file all Share Buyback Reports by way of an announcement at the same time as, or if not practicable due to time difference, as soon as practicable after, such announcement or document has been filed with the relevant financial bureau;
- (d) we shall comply with Rule 13.09(1) of the Listing Rules and promptly publish an announcement if we purchase any of our Shares on the TSE or OSE, or our HDRs on the Hong Kong Stock Exchange if such purchase is sufficiently material so as to constitute price sensitive information;

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- (e) we will comply with Rule 13.25B of the Listing Rules and submit for publication on the Hong Kong Stock Exchange's website a monthly return which reflects any share repurchases by us during the period to which the monthly return relates;
- (f) we will comply with Rule 10.06(4)(b) of the Listing Rules and include in our annual report and accounts a monthly breakdown of purchases of Shares made during the relevant financial year showing the relevant details prescribed under this Rule 10.06(4);
- (g) we will comply with Rule 10.06(2)(d) of the Listing Rules;
- (h) we will inform the Hong Kong Stock Exchange as soon as reasonably practicable in the event of any substantial change being made to the share repurchase regime in Japan; and
- (i) we will disclose in this prospectus the grant of this waiver, setting out relevant details including the circumstances and the conditions imposed.

Cancellation of Shares upon Repurchase

Rule 10.06(5) of the Listing Rules provides that the listing of all shares which are purchased by an issuer (whether on the Hong Kong Stock Exchange or otherwise) shall be automatically cancelled upon purchase and the listed issuer must apply for listing of any further issues of that type of shares in the normal way. The listed issuer must also ensure that the documents of title of purchased shares are automatically cancelled and destroyed as soon as reasonably practicable following settlement of any such purchase. Rule 19.43(2) provides that the Hong Kong Stock Exchange will be prepared to waive the requirement to cancel and destroy the documents of title of purchased shares in the case of an overseas issuer whose primary exchange permits treasury stock, provided that the overseas issuer must apply for the re-listing of any such shares which are reissued as if it were a new issue of those shares. Rule 19B.21 further provides that if depositary receipts are purchased by the listed issuer, it shall surrender the purchased depositary receipts to the depositary. The depositary shall then cancel the surrendered depositary receipts and shall arrange for the shares represented by the surrendered depositary receipts to be transferred to the issuer and such shares shall be cancelled by the issuer.

However, under the Book-Entry Act, Japanese listed companies are unable to issue physical share certificates in relation to listed shares. Japan operates a fully scripless clearing and settlement regime for transfers in securities and all shares in the Company are presently held in uncertificated form. Therefore, we are unable to comply as a matter of Japanese law with the requirements of Rule 10.06(5) that all purchased shares are destroyed as soon as reasonably practicable after settlement. Further, the conditions and process for the cancellation or destruction of any HDRs that are purchased by ourselves should also reflect the statutory position in Japan.

We also have the ability to hold any Shares that we repurchase in treasury pursuant to Article 155 of the Companies Act ("**Treasury Shares**") and may dispose of such Treasury Shares, subject to the same rules that apply to an issuance of new Shares by us and in accordance with Article 199 of the Companies Act. Certain restrictions are in place in relation to the manner in which we may acquire Treasury Shares, and the rights of the Treasury Shares with respect to other Shares of the Company in issue. Under Article 461 paragraph 1(ii) and (iii) of the Companies Act, the total value of Treasury Shares acquired by a company at any one time may not exceed the distributable amount of profits that such company has as at the date of such acquisition, although the Companies Act does not place a limit on the aggregate number of Treasury Shares being held by a Japanese company. Treasury Shares do not grant the Company the right to (i) vote at Shareholders' meetings; (ii) receive any dividend distributed; or (iii) any entitlement to any distribution rights that may be attributable to other Shareholders of the Company. We held 14,621

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Shares as Treasury Shares as at 31 December 2010. We may dispose of Treasury Shares to any person, subject to a resolution of the Board of Directors, at such times and on such terms as the Board of Directors may determine, so long as the price of the re-issued Shares is not “especially favourable” to subscribers of the Shares. If the price of the re-issued Shares is “especially favourable”, a special resolution of the general meeting of Shareholders is required. Under the TSE Listing Regulations and the OSE Delisting Rules, Treasury Shares held by Japanese listed companies are not delisted on their acquisition, but remain as listed securities of the relevant company. Thus, if we were to decide to offer any Treasury Shares, it would not be necessary to apply to the TSE or the OSE for the re-listing of such Treasury Shares. However, when we offer our Treasury Shares for sale, we are required to comply with the same rules that apply to the issuance of new Shares, which requires, amongst other matters, a Board resolution approving the terms of such sale and publication of notice at least 14 days prior to the closing date of such sale.

On the basis of the above, we have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 10.06(5) and 19B.21 of the Listing Rules for us to (i) cancel the listing of any such Treasury Shares; (ii) apply for relisting of any such Treasury Shares held by the Company on their disposal; and (iii) cancel and destroy as soon as reasonably practicable all documents of title of repurchased Shares (including both HDRs and their underlying Shares) following settlement, on the condition that we:

- (a) comply with the Companies Act in relation to Treasury Shares that we hold and inform the Hong Kong Stock Exchange as soon as practicable in the event of any failure to comply or any additional waiver to be granted;
- (b) inform the Hong Kong Stock Exchange as soon as reasonably practicable in the event of any substantial change being made to the Japanese Treasury Shares regime;
- (c) disclose in this prospectus the grant of this waiver, setting out relevant details including the circumstances and the conditions imposed;
- (d) confirm our compliance with the waiver conditions in our subsequent annual reports and, if applicable under Japanese law, any convocation notice for Shareholders’ meeting seeking Shareholders approval of any repurchases of our Shares; and
- (e) comply with any relevant provisions in the event of changes to the Hong Kong regulatory regime and the rules in relation to the Treasury Shares to the extent that Japanese law permits (subject to any waiver which may be sought by ourselves and granted by the Hong Kong Stock Exchange or any other regulatory authority).

As part of this waiver application, we have agreed with the Hong Kong Stock Exchange a list of modifications to a number of provisions under the Listing Rules which are necessary to enable us to hold our current and future Treasury Shares. For the full list of those modifications, please refer to Appendix VII of this prospectus. In addition, we will provide further submissions to the Hong Kong Stock Exchange regarding any further modifications to the Listing Rules which are necessary as a result of any changes in the Listing Rules or other applicable laws and regulations. Any further modifications to the Listing Rules will have to be agreed with the Hong Kong Stock Exchange in advance.

METHODS OF LISTING

Chapter 7 of the Listing Rules sets out the methods by which equity securities may be brought to listing, and the requirements applicable to each method. We have applied for, and the

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Hong Kong Stock Exchange has granted us, waivers from strict compliance with certain of the requirements under Chapter 7. We have not applied for a waiver from Rules 7.18 to 7.22 in respect of rights issues as no similar concept exists under Japanese law, which means that we will not list any HDRs on the Hong Kong Stock Exchange by way of a rights issue.

Offer for subscription and offer for sale

We are already subject to similar regulatory oversight in Japan with respect to the fairness of the basis of allotment should we wish to offer existing Shares for sale to or for subscription by the public. Articles 4(1) and 5(1) of the FIEA require details of such offers to be disclosed to the market by way of filing a SRS, and a prospectus (including certain information contained in the SRS), must be delivered to the investors by the time the investors obtain the allotted Shares. We may not issue our Shares at an “especially favourable” price to subscribers without a special resolution of the shareholders’ meeting. Further, neither the TSE nor the OSE Listing Regulations require such offers to be fully underwritten.

In the event that we make an offer for subscription for or an offer for sale of our securities in a jurisdiction other than Hong Kong, we have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rules 7.03 to 7.05 and 7.07 to 7.08 of the Listing Rules, which require, among others, a listing document to be issued.

To ensure that HDR Holders are kept informed of the details of any public offering (whether an offer for subscription or offer for sale) that we may undertake outside Hong Kong from time to time, we will publish any announcement or document required to be issued in connection with any such public offering under applicable Japanese rules or regulations on the Hong Kong Stock Exchange’s website pursuant to Rule 13.09(1) of the Listing Rules.

Placing

We consider placings (as defined in the Listing Rules) to be broadly equivalent to the concept of a non pro-rata allotment of shares or SARs to specific persons (“**Third Party Allotments**”) in Japan. We are already subject to regulation in relation to such Third Party Allotments under the Companies Act, the TSE and OSE Listing Regulations. For example, under Articles 199(2) and 201(1) and Articles 238(2) and 240(1) of the Companies Act, if a company allots the new shares at an “especially favourable” subscription price or SARs at an “especially favourable” subscription price or with “especially favourable” conditions, Article 309(2)(vi) of the Companies Act requires the approval of its shareholders by way of a special resolution. Further, Article 432 of the TSE Listing Regulations and Article 2 of the Rules regarding the Code of Conduct of the OSE provide that if the shares being allotted represent more than 25% of the total issued shares prior to such allotments or there is a possibility that the controlling shareholder of the issuer may change as a result of such allotment, the issuer must obtain the opinion of a person independent from the management regarding the necessity and suitability of such allotment, or alternatively seek the shareholders’ approval in advance of the proposed allotment by passing a relevant resolution at a shareholders’ meeting. We are also required to file an SRS in compliance with Articles 4(1) and 5(1) of the FIEA, which discloses (i) information on each allottee; (ii) share transfer restrictions attached to the allotted shares; (iii) conditions of allotment of shares; (iv) details of substantial shareholders after the allotment; (v) details of any “large volume third party allotment”; (vi) the necessity of such large volume third party allotment (where applicable); and (vii) whether or not we have a plan for reverse stock split and its details.

On the basis of the foregoing, we have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rules 7.10 and 7.12 of the Listing Rules.

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Open Offers

We consider that under Japanese law there is no equivalent legal concept to an “open offer” under the Listing Rules. The most similar concept under Japanese law is an “allotment of shares to shareholders” under Article 202 of the Companies Act, in which all existing shareholders are granted non-transferable subscription rights on a *pro rata* basis.

Such allotment of shares to shareholder has been very rare in Japan since the 1990s. Further, there are no restrictions on such *pro rata* allotment of shares as they do not harm shareholders’ interests. Also, as the allotment is made on a *pro rata* basis there is no dilutive effect on the existing shareholders’ shareholding in the Company.

In any event, we are under an obligation to fully disclose to the market such allotment of shares under both the TSE and the OSE Listing Regulations. Such allotments must be disclosed to the market by way of an SRS at least 25 days before the proposed allotment date set by our Board of Directors. This disclosure is in addition to the notice that individual shareholders are entitled to receive for such allotments under the Companies Act, which provides that we must notify our Shareholders no less than two weeks prior to the proposed allotment date (i) the terms of the allotment; (ii) the number of Shares to be allotted to each Shareholder; and (iii) the application date that the Board of Directors determines to be the allotment date. A prospectus that includes certain information contained in the SRS must also be delivered to the Shareholders by the time the Shareholders obtain the allotted subscription rights.

On the basis of the foregoing, we have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rules 7.24 to 7.27 of the Listing Rules. In the event that we conduct *pro rata* allotment of Shares on the TSE or the OSE, we will publish any announcement or document required to be issued in connection with any such allotment of Shares on the Hong Kong Stock Exchange’s website pursuant to Rule 13.09(1) of the Listing Rules. We shall also procure the Depositary to ascertain the wishes of HDR Holders on whether they wish to accept such allotments with sufficient notice in advance.

Capitalisation Issue

We consider that there is no precise equivalent concept of a Capitalisation Issue under Japanese law, although a “gratuitous allocation of shares” to existing shareholders under article 202 of the Companies Act has a similar effect to a Capitalisation Issue within the meaning of Rule 7.28 of the Listing Rules, as such gratuitous allocations allow existing shareholders to acquire additional shares in proportion to their existing holdings without payment. However, as shares of Japanese companies do not have any par value and there is no payment received from the shareholders for such allocation, a “gratuitous allocation of shares” does not have any impact on the stated capital, reserve, surplus or profit of a company. We, however, will be required to make an announcement pursuant to the TSE and the OSE Listing Regulations.

On the basis of the foregoing, we have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 7.28 and 7.29 (with respect to Capitalisation Issues) of the Listing Rules. We will continue to comply with the applicable laws and regulations in Japan, being the jurisdiction where we maintain our primary listing.

To ensure that HDR Holders remain informed of the details of any such Capitalisation Issue that we may undertake, we will publish an announcement in relation to such Capitalisation Issue under the applicable Japanese regulations on the Hong Kong Stock Exchange’s website as soon as practicable after such announcement or document has been published in Japan. The relevant announcement will be made in accordance with Japanese law and will set out the amount of the share capital of the Company upon completion of the capitalisation.

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We will comply with the relevant provisions of Chapter 7 of the Listing Rules and any relevant requirements under the Companies Ordinance for any (i) offers for subscription; (ii) offers for sale; (iii) placings; (iv) open offers; and (v) capitalisation issues that we undertake on the Hong Kong Stock Exchange.

Options, Warrants and Similar Rights

We consider the issue of warrants to be similar to the issue of SARs or bonds with SARs in Japan. We are already subject to regulatory requirements under the Companies Act for such issuance. For example, unless approved by a special resolution of a shareholders' meeting, Articles 238 and 240 of the Companies Act prohibit us from issuing SARs or bonds with SARs with an "especially favourable" price or "especially favourable" conditions unless it has been pre-approved by a special resolution of shareholders' meeting. Articles 4(1) and 5(1) of the FIEA further requires that details of such issuance must be fully disclosed to the market by filing a SRS, and a prospectus (that includes certain information contained in the SRS) must also be delivered to the investors by the time they obtain the SARs or bonds with SARs. These are, however, no specific provisions under any of the above statutory provisions or the TSE and the OSE Listing Regulations which restrict the validity period for converting SARs or bonds of SARs into shares of an issuer.

On the basis of the foregoing, we have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rules 15.02(2), 15.03, 15.04, 15.05 and 15.06 of the Listing Rules on the condition that, should we conduct any issue of options, warrants or similar rights to subscribe or purchase equity securities (as defined in the Listing Rules) of the Company on the Hong Kong Stock Exchange, we will comply with the requirements of Rule 15.02(2) to 15.06 of the Listing Rules (subject to the waiver of the obligation under Rule 15.02(1) to limit the proportion of warrants to the issued equity share capital referred to below).

Rule 15.02(1) of the Listing Rules requires that all securities to be exercised on the issue of any warrants (as defined in Chapter 15 of the Listing Rules) must not, when aggregated with all other equity securities which remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed twenty (20) per cent. of the issued equity capital of the issuer at the time such warrants are issued. As a Japanese incorporated corporation listed on the TSE and the OSE, the Company is not required to limit the proportion of warrants (as defined in Chapter 15 of the Listing Rules) to the issued equity capital of the issuer under Japanese law. This waiver has been granted in respect of all issues of warrants further to the waiver from Rule 15.02 granted to us, as referred to above.

OTHER OBLIGATIONS

Rule 9.11(10)(b) of the Listing Rules requires that, where the listing document does not contain a profit forecast, (i) two copies of a draft of the board's profit forecast memorandum covering the period up to the forthcoming financial year end date after the date of listing; and (ii) a cash flow forecast memorandum covering at least 12 months from the expected date of publication of the listing document with principal assumptions, accounting policies and calculations for the forecasts, are each required to be submitted to the Hong Kong Stock Exchange. We do not intend to include a profit forecast in the listing document and do not have plans to prepare a Board memorandum for the full financial year after Listing. We will make a public announcements in Japan and disclose in this prospectus when the Directors become aware of any material change in expectations to its financial position and prospects since the date to which the latest consolidated financial results were prepared in the Accountants' Report and before Listing.

Rules 13.11 to 13.23 of the Listing Rules require the disclosure of certain general matters relevant to an issuer's business, including advances to an entity, financial assistance and guarantees to affiliated companies of an issuer, pledging of shares by the Controlling Shareholder, loan agreements with covenants relating to specific performance of the Controlling Shareholder and breaches of loan agreements by an issuer. As we are incorporated in Japan and are listed on

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both the TSE and the OSE, we are already subject to announcement obligations under the TSE and OSE Listing Regulations, and submission requirements under the FIEA to file annual securities reports and extraordinary reports. The foregoing announcement and submission requirements provide a detailed list of events that would trigger an announcement, submission or equivalent public disclosure obligation on us. Further, Article 402(1)(ap) of the TSE Listing Regulations and 2(1)1(a) of the Enforcement Rules for timely disclosure etc. of Company Information of the Issuers of the listed securities of the OSE and the cabinet office ordinance promulgated under the FIEA provide for a “sweep-up” provision that will require a public announcement to be made in the event of any material event affecting the Company. The Company will also be required to disclose transactions, including any loans, guarantees or other agreements, with any Related Parties, including the Directors of the Company. In light of this and the general obligation of disclosure provided for in Rule 13.09(1) of the Listing Rules, which the Company will strictly comply with, the announcement and submission requirements of Japanese listed companies are highly commensurate to those provided for in Rules 13.11 to 13.23. We will inform the Hong Kong Stock Exchange as soon as reasonably practicable in the event of any change being made to its disclosure obligations pursuant to the FIEA, the TSE and the OSE Listing Regulations.

Note 2 to Rule 13.38 provides, amongst other things, that a proxy form must state that a shareholder is entitled to appoint a proxy of his own choice and must provide a space for the name of such proxy. Article 15 of the Articles however provides that a Shareholder may exercise his or her voting rights by proxy through another Shareholder who has voting rights in the Company and each Shareholder or his or her proxy must submit a document proving such authority to the Company at the relevant shareholders’ meeting. It is common practice among Japanese listed companies to restrict the identity of proxies to existing shareholders of a company in order to combat the blackmailing or racketeering of third party proxies. The registered HDR Holders will be entitled to instruct the Depositary as to the exercise of their respective voting rights under the terms of the Deposit Agreement. The registered HDR Holders and non-registered HDR Holders (as defined in Rule 13.56 of the Listing Rules to include such person or company whose listed securities are held in CCASS) do not have the right to appoint a proxy. Those non-registered HDR Holders shall give their voting instructions through their broker(s), where applicable, to HKSCC Nominees who shall then, in turn, pass such instructions on to the Depositary and the Depositary shall instruct the Custodian to cast the votes in accordance with the voting instructions received from HKSCC Nominees. The Deposit Agreement sets out the voting right of the HDR Holders. In order for HDR Holders to attend a shareholders’ meeting and to exercise voting rights in the meeting, HDR Holders will have to convert the HDRs to Shares. The Depositary (through the Custodian) will only vote as instructed, but will not itself exercise any discretion. For details of this procedure, please see “Description of Hong Kong Depositary Receipts — Voting Rights”. Each Shareholder of the Company (including the Custodian who holds the Shares on behalf of the HDR Holders) is allowed to appoint multiple proxies under Article 313 of the Companies Act, which provides that shareholders of a Japanese company may diversely exercise the votes they hold.

Rule 13.39(4) of the Listing Rules requires that any vote of shareholders of an issuer at a general meeting must be taken by way of a poll. Under Japanese law, we are unable to undertake definitively to ensure that Shareholders’ meetings of the Company are held by way of poll, nor can we propose an amendment to its Articles as this would be in conflict with the Companies Act. However, Japanese companies with not less than 1,000 shareholders and Japanese listed companies (including ourselves) are required to adopt voting cards, which can be submitted prior to or at the meeting as a voting method under the Companies Act. In practice, this voting method is in principle equivalent to a vote by way of a poll as shareholders’ votes are counted on the basis of one vote for each share held by each shareholder.

Rule 13.46(2)(a) of the Listing Rules provides that an overseas issuer shall send to every member of the issuer and every other holder of its listed securities a copy of either its annual report including its annual accounts or its summary financial report, not less than 21 days before the date of the issuer’s annual general meeting and in any event not more than four months after the end

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of the financial year to which they relate. Our annual report will not be published before the AGM, which must be held within three months of the end of the financial year pursuant to the Companies Act and the Articles. We have therefore applied for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 13.46(2)(a) of the Listing Rules to the extent that the annual report is required to be issued not less than 14 days before the date of the AGM, on the basis that we will issue our convocation notice of general meeting (which will include a business report and financial results if issued to shareholders or a reference to a URL link where these documents may be electronically accessed if issued to HDR Holders) at least 14 days before the AGM.

Rule 13.70 of the Listing Rules requires that an issuer publishes an announcement or issues a supplementary circular upon receipt of a notice from a shareholder to propose a person for election as a director at the shareholders' meeting where such notice is received by the issuer after publication of the convocation notice of meeting. Under Article 304 of the Companies Act a shareholder is permitted to propose an amendment to the agenda for a shareholders' meeting without any prior notice if such an agenda is scheduled to be discussed and determined at such a shareholders' meeting. The agenda may be amended and shareholders may propose a person for election as a director at any time before the relevant shareholders' meeting or even at the meeting, if the original agenda proposed the appointment of a new director, or directors, to the board of directors of the company. It is therefore not possible for us to comply with Rule 13.70 to publish an announcement or issue a supplementary circular upon receipt of a notice from any of the Shareholders to propose a person for election as a Director, or to adjourn the shareholders' meeting to give our Shareholders at least 10 Business Days to consider the relevant information. However, in the event that the agenda is amended between the date of publication of the convocation notice and the date of the relevant shareholders' meeting, the Company will make an announcement in respect of the amendment so long as it is not made on the date of the relevant shareholders' meeting. On such basis, we have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rule 13.70 of the Listing Rules.

Paragraph 26 of Appendix 1, Part E and paragraph 20 of Appendix 1, Part F of the Listing Rules require a prospective issuer to include particulars of any alterations in the capital of any member of the group within the two years immediately preceding the issue date of a listing document. As we have approximately 103 Subsidiaries in 14 different jurisdictions it is unduly burdensome for us to procure this information, which would not be material or meaningful to investors. Therefore, we have included particulars of changes in the share capital of the Company and the principal operating subsidiaries that form the basis of the Group only, rather than all members of the Group, which can be found in this prospectus in the section entitled "Statutory and General Information — 2. Changes in Share Capital of our Group." In all subsequent listing documents we will disclose the particulars of changes in the capital of the Group by referencing the changes in share capital of the Company and the principal operating subsidiaries of the Group in the same way.

Paragraph 13 of Appendix 1, Part E and paragraph 8 of Appendix 1, Part F of the Listing Rules require an issuer to include any particulars of any commissions, discounts, brokerages or other special terms granted within the two years immediately preceding the issue of a listing document in connection with the issue or sale of any capital of any member of the group, together with the names of any directors or proposed directors, promoters or experts (as named in the relevant listing document) who received any such payment or benefit and the amount or rate of the payment. As we have approximately 103 Subsidiaries in 14 different jurisdictions it is unduly burdensome for us to procure this information, which would not be material or meaningful to investors. Therefore, we have included particulars of any commissions, discounts, brokerages or other special terms granted in connection with the issue or sale of any capital by the Company or

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any principal operating subsidiary only, rather than all members of the Group (for example, see paragraph 4(c) in “Statutory and General Information — 4. Summary of Material Contracts”). In all subsequent listing documents, we will disclose the particulars of any commissions, discounts, brokerages or other special terms granted in connection with the issue or sale of any capital by referencing only these involving the Company and the principal operating subsidiaries of the Group in the same way.

COMPANY SECRETARY

Rule 8.17 of the Listing Rules provides that, amongst other things, the secretary of an issuer must be a person who is ordinarily resident in Hong Kong and who has the requisite knowledge and experience to discharge the functions of secretary of the issuer. We have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rule 8.17 of the Listing Rules on the grounds that we will appoint two joint company secretaries, as follows:

- (a) a Joint Hong Kong Company Secretary, being Ms. Leung Wai Han Corinna who will provide Hong Kong company secretarial support and assistance for an initial period of three years after the Listing Date; and
- (b) a Joint Japanese Company Secretary, being Mr. Toshiharu Fujita who would work closely with and assist the Hong Kong Company Secretary.

Upon the expiry of the three-year period, the qualifications and experience of the Joint Japanese Company Secretary and the need for the on-going assistance of the Joint Hong Kong Company Secretary will be further evaluated by the Company, and the Company will then endeavour to demonstrate to the Hong Kong Stock Exchange’s satisfaction that the Joint Japanese Company Secretary, having had the benefit of the Joint Hong Kong Company Secretary’s assistance for the immediately preceding three years, has acquired “relevant experience” within the meaning of Rule 8.17(3) of the Listing Rules such that a further waiver from Rule 8.17 of the Listing Rules will not be necessary.

PROPERTY VALUATION

Section 342(1)(b) of the Companies Ordinance requires a prospectus issued by the Company, being a non-Hong Kong Company, to include (among other things) a valuation report in respect of all of the Company’s interests in land and buildings, which shall contain detailed particulars specified in Paragraph 34(2) of the Third Schedule to the Companies Ordinance. Rule 5.01 of the Listing Rules provides that valuations of and information on all of a listing applicant’s interests in land or buildings are required to be included in the prospectus. Rule 5.06(1) and (2) of the Listing Rules provides that a valuation report should normally contain a description of each property, which shall include particulars specified by that rule. Paragraph 3(a) of Practice Note 16 of the Listing Rule provides that new applicants are required to set out full valuation reports in respect of properties legally and beneficially owned by them in the prospectus.

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Accordingly, we have applied for and obtained from the SFC a certificate of exemption under Section 342A(1) from strict compliance with Paragraph 34(2) of the Third Schedule to the Hong Kong Companies Ordinance. We have also applied to the Hong Kong Stock Exchange for a waiver from strict compliance with Rules 5.01 and 5.06(1) and (2) and Paragraph 3(a) of Practice Note 16 of the Listing Rules (the “**Relevant Requirements**”), such that the valuation report set out in Appendix IV to this prospectus may cover only:

- (a) a full valuation as of 31 December 2010 of all of the properties (with the exception of 5 immaterial properties (the “**Small Properties**”)) legally owned by the Group (mainly consisting of residential and commercial properties located in Japan), comprising 16 properties in total, (the “**Owned Properties**”) in compliance with the Relevant Requirements; and
- (b) a full valuation as of 31 December 2010 of the 29 properties for sale or under development by the Company (the “**Property Development Inventory**”) in compliance with the Relevant Requirements.

A exemption is also granted from the requirement to have a full valuation as of 31 December 2010 of 230 properties leased and 52 properties sub-leased by the Group (the “**Waiver Properties**”).

We can confirm that since 31 December 2010 and until the Latest Practicable Date, there has been no significant acquisition or disposal in the portfolio of properties of the Group.

The grounds for applying for such waiver and exemption are that strict compliance would be unduly burdensome and the waiver and exemption would not prejudice the interests of the investing public because (i) the Company does not assign a book value to the Waiver Properties; and (ii) as at 31 December 2010, the aggregate net book value of the Small Properties was ¥2,579 million and each of the Waiver Properties had a book value of zero. Together such properties, comprise of approximately 0.21% of the total asset value of the Group. As such, they represent limited value in relation to the total value of the Group. Further, the Sponsor and ourselves are of the opinion that as at 31 December 2010, none of the Waiver Properties or the Small Properties of the Group are individually or collectively crucial and material to the Group in terms of total net sales and total rent and occupancy expenses.

The waiver and exemption from strict compliance with the Relevant Requirements is subject to the condition that the following disclosures are included in this prospectus:

- (a) a full valuation as of 31 December 2010 of the Owned Properties (as set out in Appendix IV of this prospectus);
- (b) a full valuation as of 31 December 2010 of the 29 properties in the Property Development Inventory (as set out in Appendix IV of this prospectus);
- (c) appropriate commentary on the terms of the leases in respect of the Waiver Properties, including the duration and whether there is any restriction on alienation, in the manner set out in Appendix IV to this prospectus;
- (d) a statement that “The Sponsor and the Company are of the opinion that, as of 31 December 2010, none of the Waiver Properties or the Small Properties of the Group are individually or collectively crucial and material to the Group, together with the basis of such opinion”;
- (e) a statement that “The Company confirms that since 31 December 2010 and until the Latest Practicable Date, there had been no significant acquisition or disposal in the portfolio of properties of the Group; and

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- (f) a list of all the Waiver Properties and the Small Properties, including the addresses and their respective usage, in the same form and manner set out in Appendix IV to this prospectus.

PRACTICE NOTE 15 OF THE LISTING RULES

Practice Note 15 of the Listing Rules sets out the principles which the Hong Kong Stock Exchange applies when considering proposals submitted by a listed issuer to effect a separate listing of any of its subsidiaries.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the provisions of Practice Note 15 with respect to any spin-off listings of any of our subsidiaries on any stock exchange that we may decide to undertake from time to time, on the basis that we will:

- (a) observe the principle set out in paragraph 3(c) of Practice Note 15 that after the spin-off listing, our Company would retain a sufficient level of operations and sufficient assets to support our Company's separate listing status;
- (b) observe the principles set out in paragraph 3(d)(i) to (iv) of Practice Note 15 relating to clear delineation of business between our Company and the spun-off entity, ability of the spun-off entity to function independently of our Company, clear commercial benefits to both our Company and the spun-off entity in the spin-off, and no adverse impact on the interests of our Shareholders resulting from the spin-off; and
- (c) in the announcement to be issued by our Company pursuant to Rule 13.09(1) disclosing the spin-off proposal, (i) confirm that our Company would retain a sufficient level of operations and sufficient assets to support the separate listing status; and (ii) explain how our Company is able to meet the principles set out in paragraph 3(d)(i) to (iv) of Practice Note 15.

AUDIT COMMITTEE

We have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rules 3.21 to 3.22 of the Listing Rules and the applicable provisions of paragraph C.3 of Appendix 14 of the Listing Rules, which concern the establishment, role and responsibilities of an audit committee of a listed issuer. The role performed by an audit committee established pursuant to the Listing Rules is carried out by a Board of Statutory Auditors of the Company in Japan, who will continue to perform this role for the Company after Listing.

The Board of Statutory Auditors is comprised of four Statutory Auditors who are responsible for auditing the executive actions of the Directors, including ensuring the continuance of a sound corporate governance system, and additionally have a broad authority to oversee the Company's audit functions, including independently reviewing corporate documentation and financial statements and sharing information with, co-ordinating with and interviewing the accounting auditors and dealing with any issues arising from the Company's audit. The Company's Statutory Auditors biographies can be found at the section entitled "Directors and Senior Management — Statutory Auditors".

The specific roles and responsibilities of the Statutory Auditors and the Board of Statutory Auditors correspond closely to those required to be provided by an audit committee of a listed issuer under the Listing Rules. The Rules and Standards, which provide the internal rules and duties for the Statutory Auditors, as defined in the section entitled "Directors and Senior Management — Statutory Auditors", are not materially different from either paragraph C.3.3 of Appendix 14 of the Listing Rules and the specimen terms of reference provided by "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants

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in February 2002. Further, the Articles and the FIEA, including, a legislative framework known informally as “J-SOX” which obliges all listed companies in Japan to strengthen internal controls and ensure full and accurate disclosure of financial information, provide additional rules and guidelines for the Statutory Auditors to follow. The Board of Statutory Auditors is able to comply with paragraph C.3 of Appendix 14 of the Listing Rules and the Company will disclose in accordance with Rule 3.25 of the Listing Rules when it is unable to comply with C.3 of Appendix 14 of the Listing Rules.

The main difference between an audit committee constituted under Rule 3.21 of the Listing Rules and the Board of Statutory Auditors is that Statutory Auditors are not permitted to concurrently act as Directors or employees of the Company or any of its subsidiaries, nor as Executive Officers or accounting advisers to any subsidiary of the Company, as they are intended to be independent of the Board of Directors of the Company. Thus, pursuant to Article 335(2) of the Companies Act, no Statutory Auditor may be a Director. However, Statutory Auditors owe fiduciary duties and have a duty of care to the Company in a similar way to a Director under Japanese law. We will make an announcement on the appointment or resignation of Statutory Auditor of the Company.

The Hong Kong Stock Exchange has agreed to grant us this waiver subject to:

- (a) our continued compliance with our existing obligations under Japanese law and regulations in respect of Statutory Auditors;
- (b) our disclosure in this prospectus and our interim and annual reports the terms of the grant of this waiver from the provisions of Rules 3.21 to 3.22 of the Listing Rules (which will include a summary of the roles performed by the Statutory Auditors, their composition and a statement as to the comparative functions of a Board of Statutory Auditors compared to an audit committee constituted in accordance with the Listing Rules);
- (c) our undertaking to inform the Hong Kong Stock Exchange and publish an announcement as soon as practicable upon the appointment or resignation of a Statutory Auditor of the Company; and
- (d) the Statutory Auditors having agreed to undertake as follows:
 - (i) to amend the Rules and the Standards to ensure that (A) at least one Statutory Auditor nominated for appointment to the Board of Statutory Auditors will have the appropriate accounting or related financial management expertise as defined in Rule 3.10(2) of the Listing Rules; (B) a majority of the Statutory Auditors of the Company, including the chairman of the Board of Statutory Auditors, are able to meet the independence criteria contained in Rule 3.13 of the Listing Rules for the duration of the Company’s listing on the Hong Kong Stock Exchange; and (C) the Standards comply with the consultation paper on review of the code on corporate governance practices and associated listing rules published in December 2010 by the Hong Kong Stock Exchange which proposed that audit committees should meet at least twice a year with the issuer’s external auditor and certain other changes to ensure best practice in internal control and whistle-blowing (a translation of the Rules and the Standards, as amended, are available for inspection, see “Documents Delivered to the Registrar of Companies and Available for Inspection — Documents Available for Inspection”);

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- (ii) for as long as the Company is listed on the Hong Kong Stock Exchange:
 - (A) not to make any changes to the Rules and Standards (as amended) to reverse any such amendments; and
 - (B) to ensure that any new Statutory Auditor appointed will provide an undertaking not to make any changes to the Rules and Standards (as amended) to reverse any of the amendments; and
- (iii) to grant the Hong Kong Stock Exchange a set of undertakings in respect of their compliance with their statutory duties and obligations.

For more details on the role of the Statutory Auditors, please see the section entitled “Directors and Senior Management — Corporate Governance” in this prospectus.

CONTENT REQUIREMENTS OF FINANCIAL STATEMENTS

Appendix 16 to the Listing Rules sets out the minimum financial information that a listed issuer shall include in, among other publications, its annual reports, interim reports, preliminary announcements of full-year results and preliminary announcements of interim results. Rule 19.44 of the Listing Rules provides that the Stock Exchange will be prepared to agree to such modification to Appendix 16 as it considers appropriate in a particular case in the context of a secondary listing.

We are already required to publish our financial statements in accordance with JGAAP. As we have been permitted to publish our financial statements (including annual reports, interim reports, preliminary announcements of annual and interim results, circulars, summary financial and summary interim reports (together “**Company’s Financial Statements**”)) in accordance with JGAAP prior to our adoption of IFRS as our reporting standard for the financial year ending on 31 March 2013, we consider that it would be unduly onerous if we were to include in the Company’s Financial Statements information that is required under Appendix 16 of the Listing Rules, which is not otherwise required under JGAAP to be published by us in the Company’s Financial Statements.

On this basis, and in accordance with Rule 19.44 of the Listing Rules, we have therefore applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with certain content requirements in Appendix 16 for our Company’s Financial Statements.

The scope of the waiver granted by the Hong Kong Stock Exchange grants us an exemption from the following requirements under Appendix 16 of the Listing Rules, or permits us to omit the following information from our annual reports. Paragraph references below correspond to paragraph numbers of Appendix 16 of the Listing Rules:

- (a) net current assets (liabilities) on the balance sheet (paragraph 4(2)(d));
- (b) total assets less current liabilities on the balance sheet (paragraph 4(2)(e));
- (c) where any of the percentage ratios (as defined under Rule 14.09(9) of the Listing Rules) of our property held for development and/or sale or for investment purposes exceeds 5% (paragraph 23);
- (d) disclosure in our financial statements of certain details of our Directors’ and our past Directors’ emoluments on a named basis (paragraph 24);
- (e) the five highest paid individuals in the Company during the financial year (paragraph 25);

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- (f) disclosure requirements under the following paragraphs in the Tenth Schedule of the Companies Ordinance in respect of our interests in our affiliates and jointly controlled entities (paragraph 28(1) & 28(3)):
 - (i) the aggregate amounts of the our listed investments and unlisted investments shown under separate headings;
 - (ii) including in the annual report a heading showing the amount of listed investments subdivided, where necessary, to distinguish investments as respects which there has, and those as respects there has not, been granted listing on a recognised stock market; and
 - (iii) particulars to be shown in our accounts in relation to companies not being subsidiaries whose shares we hold;
- (g) certain information in respect of our major customers and suppliers (paragraph 31);
- (h) information relating to our debtors including credit policy and ageing analysis of accounts receivable in the current assets section of the balance sheet (paragraph 4(2)(b)(ii));
- (i) ageing analysis of accounts payable in the current liabilities section of the balance sheet (paragraph 4(2)(c)(ii));
- (j) the amount of fixed assets consisting of land, how much is ascribable to lands held in different categories of land (paragraph 28(1));
- (k) taxation of profits (Hong Kong and overseas), indicating the basis of computation on the income statement (paragraph 4(1)(c));
- (l) the amount of the remuneration of auditors shall be shown under a separate heading, which includes any sums paid by the Company in respect of the auditor's expenses to be counted towards "remuneration" (paragraph 28(1));
- (m) depreciation / amortisation on the income statement (paragraph 4(1)(k)); and
- (n) comparative figures for the matters specified in paragraph 4(1) of Appendix 16 for the corresponding previous period of the income statement (paragraph 4(1)(n)).

The scope of the waiver granted by the Hong Kong Stock Exchange also grants us an exemption from the following requirements under Appendix 16 of the Listing Rules, or permits us to omit the following information from our interim reports (paragraph references below correspond to paragraph numbers of Appendix 16 of the Listing Rules):

- (a) particulars of any purchase, sale or redemption by us or any of our subsidiaries (paragraph 41(1));
- (b) taxation of profits (Hong Kong and overseas), indicating the basis of computation on the income statement (paragraph 4(1)(c));
- (c) depreciation / amortisation on the income statement (paragraph 4(1)(k));
- (d) comparative figures for the matters specified in paragraph 4(1) of Appendix 16 for the corresponding previous period of the income statement (paragraph 4(1)(n));
- (e) information relating to our debtors including credit policy and ageing analysis of accounts receivable in the current asset section of the balance sheet (paragraph 4(2)(b)(ii));

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- (f) ageing analysis of accounts payable in the current liabilities of the balance sheet (paragraph 4(2)(c)(ii));
- (g) net current assets (liabilities) section of the balance sheet (paragraph 4(2)(d)); and
- (h) total assets less current liabilities information on the balance sheet (paragraph 4(2)(e)).

As part of the waiver granted to us by the Hong Kong Stock Exchange, owing to the difference between JGAAP and IFRS, we are also not required to disclose any information in any circulars that we publish that we are not required to disclose in our annual reports or interim reports pursuant to this waiver granted by the Hong Kong Stock Exchange. We will comply in full (subject to any other waivers granted to the Company from compliance with Appendix 16 of the Listing Rules (as are set out in this section entitled “Waivers and Voluntary Measures”)) with Appendix 16 of the Listing Rules from the financial year ended 31 March 2013 onwards.

VOLUNTARY MEASURES

<u>Relevant Rule for which a voluntary measure has been adopted</u>	<u>Subject Matter of the Rule</u>	<u>Page No.</u>
Rules 6.12(1), 6.13, 7.19(6)(a), 7.19(7), 7.19(8), 7.21(2), 7.24(5)(a), 7.24(6), 7.24(7), 7.26A(2), 13.36(4)(a), 13.36(4)(b) and 17.04(1) of the Listing Rules	Material interest in a transaction	114-115
Paragraph B.1 of Appendix 14 of the Listing Rules	Requirement to establish a remuneration committee	115-116

MATERIAL INTEREST IN A TRANSACTION

Rule 2.15 of the Listing Rules requires that where a transaction or arrangement of an issuer is subject to shareholders’ approval under the provisions of the Listing Rules, any shareholder that has a material interest in the transaction or arrangement shall abstain from voting on the resolution(s) approving the transaction or arrangement at the shareholders’ meeting. Further, the principle set out in Rule 2.15 has also been applied specifically in Rules 6.12(1), 6.13, 7.19(6)(a), 7.19(7), 7.19(8), 7.21(2), 7.24(5)(a), 7.24(6), 7.24(7), 7.26A(2), 13.36(4)(a), 13.36(4)(b) and 17.04(1) of the Listing Rules, as well as in certain rules contained in Chapter 14 and Chapter 14A of the Listing Rules (as noted earlier in the section entitled “Notifiable and Connected Transactions” in this “Waivers” section of this prospectus) to shareholders with a material interest or who are connected persons of the Company (and who are thus deemed to have a material interest in the relevant transaction pursuant to the Listing Rules) (the “**Abstention Rules**”).

With the exception of share repurchases made in compliance with the Companies Act, the requirement that certain shareholders must abstain from voting in respect of certain transactions is contrary to Japanese law. Under the Companies Act, each shareholder of a Japanese corporation is entitled to a single vote in respect of each share or each unit of shares (where the unit share system is adopted) that they hold in a company and, with the exception of the requirement that shareholders whose shares are to be purchased by the relevant company pursuant to a share repurchase must abstain from voting, there are no circumstances provided in the Companies Act or the Articles, in which this right may be restricted.

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In order to provide partial compliance with Rule 2.15 of the Listing Rules (and the Abstention Rules in general, as applicable) we have agreed with the Hong Kong Stock Exchange that we will undertake the following process (the “**Abstention Process**”) at Shareholders’ meetings:

- any contract or arrangement in respect of a transaction that must be approved at a shareholders’ meeting under the Companies Act will contain a condition precedent that the relevant transaction will only be implemented by the Company if it has obtained confirmation from the Expert (defined below) that the resolution would have been successfully passed even if the votes cast had excluded votes of the Shareholders who are required to abstain in accordance with the Listing Rules;
- the Company will convene a Shareholders’ meeting to seek Shareholders’ approval pursuant to the condition precedent in the transaction contract;
- Shareholders who are required to abstain from voting in accordance with the Listing Rules may vote and all votes cast, including votes of the Shareholders who are required to abstain from voting, will be counted pursuant to the requirements of the Companies Act;
- the Company will appoint its compliance adviser or another third party (the “**Expert**”) to verify that the resolution would have been successfully passed even if the votes cast had excluded votes of the Shareholders who are required to abstain from voting in accordance with the Listing Rules; and
- upon such confirmation only, the Company will proceed with implementing the relevant transaction. If the Expert cannot provide the relevant confirmation, the condition precedent will not be satisfied and the transaction will not proceed.

We believe that the Abstention Process will not be contradictory to any applicable provisions of Japanese law or any regulations concerning shareholders’ meetings in Japan and will not be subject to challenge by the relevant regulatory authorities on the basis that the counting method under the Companies Act will still be used to confirm whether a resolution were passed at a shareholders’ meeting, but instead we would subject its implementation of a transaction to a reasonable contractual pre-condition. Thus, our implementation of the Abstention Process is compliant with Japanese law.

The Sponsor will act as the Expert for the period commencing on the Listing Date until the date upon which we publish our financial results for the first full financial year commencing after the Listing Date. Thereafter, we will either retain the Sponsor to fulfil the role of Expert at each relevant Shareholders’ meeting; or, alternatively, on each occasion that we are required to convene a Shareholders meeting we will appoint an independent financial or an independent legal adviser to act as the temporary Expert.

Where applicable, we will provide details of the Abstention Process, the identity of the Expert, the aggregate number and percentage amount of Shares or HDRs held by Shareholders or HDR Holders respectively having a material interest in the relevant transaction or arrangement and the terms upon which the relevant resolution may be passed in the convocation notice circulated in respect of a Shareholders’ meeting to approve a transaction.

REMUNERATION COMMITTEE

The Hong Kong Stock Exchange has confirmed that we do not need to strictly comply with paragraph B.1 of Appendix 14 of the Listing Rules in respect of the establishment of a

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remuneration committee. As we have appointed a Board of Statutory Auditors, the Board of Directors will perform the role of a remuneration committee to determine the remuneration of Directors and senior management in accordance with the Companies Act and the Company will not put in place a separate committee.

The Board has established a set of rules for the compensation of its officers which set out the remuneration standards and policies of the Company for its Directors and senior management. The Compensation Rules are not materially different from the terms of reference for a remuneration committee provided in paragraph B.1.3 of Appendix 14 of the Listing Rules and provide a formal and transparent process for the determination of remuneration. Further, even though the Board of Directors will voluntarily perform the role of the remuneration committee, the maximum amount of remuneration, the method for calculation of remuneration, and the type and amount of remuneration to be paid to Directors and Statutory Auditors must be determined by the Shareholders of the Company.

Where the Compensation Rules depart from the provisions of paragraph B.1 of Appendix 14 of the Listing Rules is that they permit the Board of Directors of the Company to delegate the responsibility of determining the remuneration for its Directors and Statutory Auditors on an annual basis to the Representative Director, who may also determine his own remuneration, although no other Director of the Company is entitled to determine his/her own remuneration. Further, the composition of the Board of Directors does not meet the criteria in paragraph B.1.1 of Appendix 14 of the Listing Rules that a majority of its members are independent non-executive directors (the current Board of Directors possess 17 Directors of whom 5 are independent). However, neither of these distinctions from paragraph B.1 of Appendix 14 of the Listing Rules is deemed to be material on the basis that the Shareholders of the Company have the ultimate right to determine the remuneration of the Directors and Statutory Auditors.

The Hong Kong Stock Exchange has agreed to grant us this waiver subject to:

- (a) our continued compliance with our existing obligations under Japanese law and regulations in respect of the determination of the remuneration of Directors and senior management; and
- (b) our disclosure in our interim and annual reports of the details of this waiver from the provisions of paragraph B.1 of Appendix 14 of the Listing Rules in compliance with the disclosure requirements under Rule 3.25 of the Listing Rules and the introduction to the Appendix 14 of the Listing Rules.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the issuer. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Shares of our Company are listed on both the TSE and the OSE. The Offer HDRs are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sponsor, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure and Conditions of the Global Offering", and the procedures for applying for Public Offer HDRs are set out in the section headed "How to Apply for Public Offer HDRs" and in the relevant Application Forms.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER HDRS

Each person acquiring the Public Offer HDRs under the Public Offering will be required to, or be deemed by his acquisition of Offer HDRs to, confirm that he is aware of the restrictions on offers of the Offer HDRs described in this prospectus.

No action has been taken to permit a public offering of the Offer HDRs in any jurisdiction other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer HDRs in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

OVER-ALLOTMENT AND STABILIZATION

In connection with the Global Offering, Daiwa Capital Markets Hong Kong Limited, its affiliates or any person acting for them, as stabilizing manager (the "**Stabilizing Manager**"), on behalf of the Underwriters, may effect transactions with a view to stabilizing or supporting the market price of our HDRs at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for them, to conduct any such stabilizing action.

Further details with respect to stabilization, the Over-allotment Option and the Stock Borrowing Agreements are set out in the sections headed "Structure and Conditions of the Global Offering — The International Placing — Stabilization" and "Structure and Conditions of the Global Offering — The International Placing — Over-allotment Option and Stock Borrowing Agreements".

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

APPLICATION FOR LISTING OF THE HDRS ON THE HONG KONG STOCK EXCHANGE

We have applied to the listing committee of the Hong Kong Stock Exchange for the granting of listing of, and permission to deal in, our HDRs in issue and to be issued pursuant to the Global Offering (including any HDRs which may be issued pursuant to the exercise of the Over-allotment Option).

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the HDRs and we comply with the stock admission requirements of HKSCC, the HDRs will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the HDRs on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the HDRs to be admitted into CCASS.

All Shares currently in issue are admitted to trading on the TSE and the OSE. We have applied to list the Shares represented by the Offer HDRs for trading on the TSE and the OSE, which will be subject to the approval of the TSE and the OSE. Except as disclosed in this prospectus, no part of our Shares or HDRs is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in our HDRs (or exercising rights attached to them). None of us, the Sponsor, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our HDRs.

REGISTER OF HDR HOLDERS AND STAMP DUTY

Our Company's Shareholder registry will be maintained by our administrator of Shareholder registry, Mizuho Trust & Banking Co., Ltd., in Tokyo, Japan.

Our Company's HDR Register will be maintained by Computershare Hong Kong Investor Services Limited in Hong Kong.

Dealings in our HDRs registered on our HDR Register kept in Hong Kong will be subject to Hong Kong stamp duty.

CURRENCY TRANSLATIONS

Unless otherwise specified, amounts denominated in Yen have been translated, for the purpose of illustration only, into HK dollars in this prospectus at the following rates as of the Latest Practicable Date:

HK\$9.62: ¥100.00

No representation is made that any amounts in Yen, US dollars or HK dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

LANGUAGE

If there is any inconsistency between the names of any of the entities mentioned in this prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail. Translated English and Chinese names of, respectively; Chinese or Japanese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) included in this prospectus and for which no official English translation exists are unofficial translations for reference only.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
Executive Directors		
Yoshitaka Kitao	38-1-502, Wakamiya-cho, Shinjuku-ku, Tokyo, Japan	Japanese
Yasutaro Sawada	2-6-50, Azamino, Aoba-ku, Yokohama-shi, Kanagawa, Japan	Japanese
Kenji Hirai	1677-12, Isshiki, Hayama-machi, Miura-gun, Kanagawa, Japan	Japanese
Takashi Nakagawa	1-22-12-204, Oojima, Koutou-ku, Tokyo, Japan	Japanese
Tomoya Asakura	1-1-1-1613, Kaigan, Minato-ku, Tokyo, Japan	Japanese
Takashi Okita	1-7-1-1511, Mita, Minato-ku, Tokyo, Japan	Japanese
Noriaki Maruyama	2-3-15-905, Mejiro, Toshima-ku, Tokyo, Japan	Japanese
Shumpei Morita	3-4-3-2108, Shirakawa, Koutou-ku, Tokyo, Japan	Japanese
Taro Izuchi	53-12-502, Honmura-cho, Asahi-ku, Yokohama-shi, Kanagawa, Japan	Japanese
Hiroyoshi Kido	1-28-6, Igusa, Suginami-ku, Tokyo, Japan	Japanese
Noriyoshi Kimura	1150-1-206, Isshiki, Hayama-machi, Miura-gun, Kanagawa, Japan	Japanese
Hiroshi Tasaka	3-9-10, Takaido-Higashi, Suginami-ku, Tokyo, Japan	Japanese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Address	Nationality
Independent non-executive Directors		
Masaki Yoshida	5-4-1-505, Minamiazabu, Minato-ku, Tokyo, Japan	Japanese
Kiyoshi Nagano	6-9-9, Ryokuen, Izumi-ku, Yokohama-shi, Kanagawa, Japan	Japanese
Keiji Watanabe	1-29-25, Kotsubo, Zushi-shi, Kanagawa, Japan	Japanese
Takeshi Natsuno	4-4-8-501, Higashi, Shibuya-ku, Tokyo, Japan	Japanese
Akihiro Tamaki	1-322, Nishiogiminami, Suginami-ku, Tokyo, Japan	Japanese

PARTIES INVOLVED

Sole Global Coordinator and Sole Sponsor

Daiwa Capital Markets Hong Kong Limited
Level 26, One Pacific Place
88 Queensway
Hong Kong

Joint Bookrunners and Joint Lead Managers

Daiwa Capital Markets Hong Kong Limited
Level 26, One Pacific Place
88 Queensway
Hong Kong

CCB International Capital Limited
34/F, Two Pacific Place
88 Queensway
Hong Kong

Co-Lead Managers

Haitong International Securities Company Limited
25/F, New World Tower
16-18 Queen's Road Central
Hong Kong

Kingston Securities Limited
Unit 2801, 28/F
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal advisers to our Company

As to Hong Kong law and United States law
Freshfields Bruckhaus Deringer
11th Floor, Two Exchange Square
Central
Hong Kong

As to Japanese law
Nishimura & Asahi
Ark Mori Building
1-12-32 Akasaka
Minato-ku, Tokyo 107-6029
Japan

Freshfields Bruckhaus Deringer Law Office
Akasaka Biz Tower 36F
5-3-1 Akasaka
Minato-ku, Tokyo 107-6336
Japan

Legal advisers to the Underwriters

As to Hong Kong law and United States law
Skadden, Arps, Slate, Meagher & Flom
42nd Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to Japanese law
Skadden Arps Law Office
Izumi Garden Tower
21st Floor
1-6-1 Roppongi
Minato-ku, Tokyo 106-6021
Japan

Reporting accountants

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong

Independent auditors

Deloitte Touche Tohmatsu LLC
A member of the Japanese
Institute of Certified Public Accountants
PCPM Building
11-1 Marunouchi 1-chome
Chiyoda-ku, Tokyo 100-6211
Japan

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Depository for HDRs	JPMorgan Chase Bank, N.A. Depository Receipts Group 1 Chase Manhattan Plaza, Floor 58 New York, NY 10005-1401 United States
Legal advisers to the Depository	<i>As to Hong Kong law and United States law</i> Paul, Hastings, Janofsky & Walker 22/F Bank of China Tower 1 Garden Road Central Hong Kong
Custodian for the Shares	Mizuho Corporate Bank, Ltd. 4-16-13, Tsukishima, Chuo-ku Tokyo, 104-0052 Japan
HDR Registrar and HDR Transfer Office	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East Wan Chai Hong Kong
Property valuer	Jones Lang LaSalle Sallmanns Limited 6/F Three Pacific Place 1 Queen's Road East Hong Kong
Receiving bankers	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong Standard Chartered Bank (Hong Kong) Limited 15/F Standard Chartered Tower 388 Kwun Tong Road Hong Kong

CORPORATE INFORMATION

Registered office	Izumi Garden Tower 19 th Floor 1-6-1, Roppongi, Minato-ku Tokyo Japan
Principal place of business in Hong Kong	Suite 806, 8/F Tower 2, Lippo Centre 89 Queensway Hong Kong
Japan joint-company secretary	Mr. Toshiharu Fujita 1-6-1 Roppongi, Minato-ku Tokyo Japan
Hong Kong joint-company secretary	Ms. Corinna Wai Han Leung (<i>ACS,ACIS</i>) Level 28, Three Pacific Place 1 Queen's Road East Hong Kong
Authorised representative	Mr. Hideo Nakamura Suite 806, 8/F, Tower 2 Lippo Centre 89 Queensway Hong Kong
Compliance adviser	Daiwa Capital Markets Hong Kong Limited Level 26, One Pacific Place 88 Queensway Hong Kong
Principal bankers	Mizuho Corporate Bank Ltd. 4-16-13, Tsukishima, Chuo-ku Tokyo, 104-0052 Japan
Company website address	www.sbigroup.co.jp (The information contained in the website does not form a part of this prospectus).

INDUSTRY OVERVIEW

This section contains certain information and statistics which are derived from various publicly available sources, including official government publications. The Company believes that the sources of this information are appropriate sources for such information. The Company has no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. While reasonable care has been taken in the compilation and reproduction of such information, neither us, the Sole Global Coordinator, the Underwriters, nor any of our or their respective affiliates or advisers, nor any party involved in the Global Offering have independently verified such information directly or indirectly derived from official government publications and industry sources. The information contained in such publicly available sources may not be consistent with each other or with other information. Neither we, the Sole Global Coordinator, the Underwriters, nor any of our or their respective affiliates or advisers, or any party involved in the Global Offering, make any representation as to the accuracy, completeness or fairness of such information, nor that more updated information or statistics have not been prepared or released and industry sources and, accordingly, you should not unduly rely on such information. Neither the Group, its connected persons, nor the Sponsor have commissioned any research reports in connection with the Secondary Listing.

ASSET MANAGEMENT

Asset management involves the management of investments by third-party managers on behalf of investors. The asset management industry generally comprises the management of traditional funds including equity funds, fixed income funds and mixed funds, as well as alternative investments such as private equities, venture capital, real estate funds, hedge funds, funds of funds, mezzanine and structured debt funds.

PRIVATE EQUITY

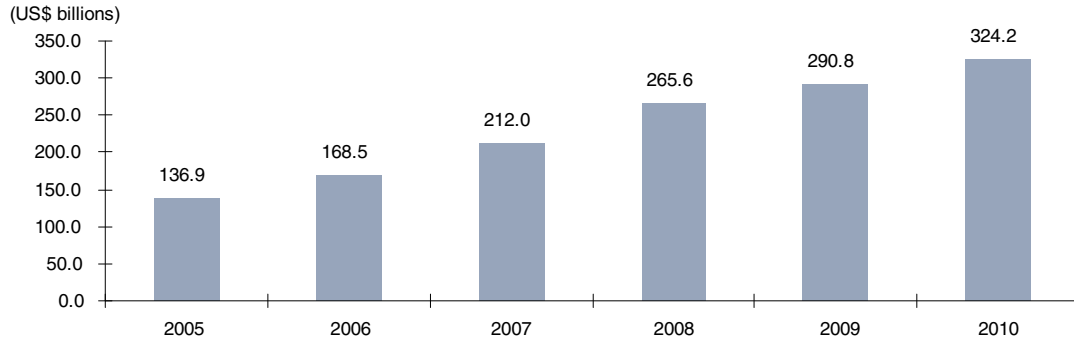
Private equity funds, broadly defined as being made up of venture capital and buyout funds, generally invest in unlisted securities. Private equity funds are typically limited partnerships with a fixed term. At inception, investors make an unfunded commitment to the limited partnership, which is then drawn over the term of the fund on an “as needed” basis. Private equity fund managers typically earn management fees on committed or contributed capital, transaction and monitoring fees as capital is invested and carried interest based on the net profits of the fund. Carried interest is a share of the capital gains a fund manager gets allocated. Typically, a fund must return all capital contributed by limited partners in addition to any preferential rate of return before the general partner can share in the profits of the fund.

INDUSTRY OVERVIEW

Private Equity in Asia

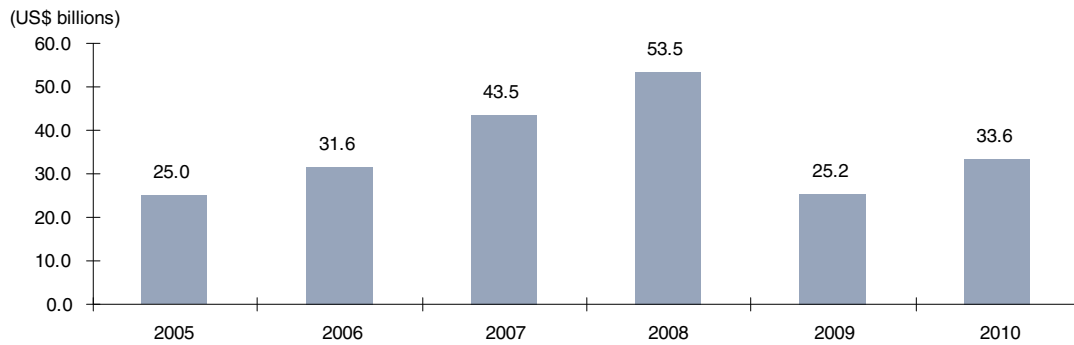
Private equity funds in Asia have experienced significant capital inflows, with over US\$212 billion since 2005. Fresh capital increased from US\$25.0 billion in 2005 to US\$53.5 billion in 2008, although a decline of 52.9% was recorded in 2009 resulting from the global financial crisis. The total aggregate fund pool increased by 136.8% from 2005 to US\$324.2 billion in 2010. The charts below set out the aggregate Asian private equity fund pool and fresh capital during 2005 to 2010.

Asian Private Equity Fund Pool — Aggregate (2005 - 2010)



Source: Asia Private Equity Review, 2010 Year End Review

Fresh capital each year from 2005 to 2010

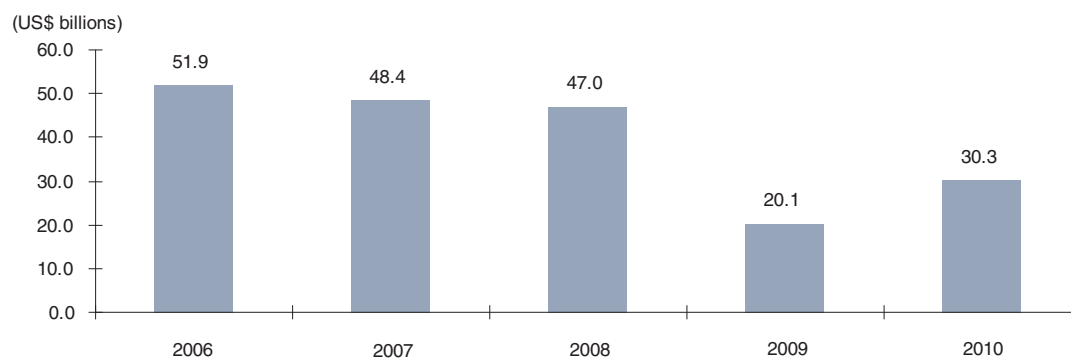


Source: Asia Private Equity Review, 2010 Year End Review

INDUSTRY OVERVIEW

From 2006 to 2010, the total transaction value of Asian private equity funds reached US\$197.7 billion. During 2009 and 2010, China, Australia, Japan and India were the major destinations for investment allocation. The charts below set forth the annual investment amount and allocation by investment destinations:

Annual investment amount from 2006 to 2010



Source: Asia Private Equity Review, 2010 Year End Review

Annual investment committed by destination in 2009 and 2010

(US\$ million)	2009	2010	2009-2010	% of Total
China	7,848	9,846	17,694	35.1%
Australia	1,205	7,655	8,860	17.6%
India	2,585	5,277	7,862	15.6%
Japan	3,204	2,094	5,298	10.5%
South Korea	3,171	1,058	4,229	8.4%
Indonesia	570	1,166	1,736	3.4%
Singapore	860	551	1,411	2.8%
Others	679	2,647	3,326	6.6%
Total	20,122	30,294	50,416	100.0%

Source: Asia Private Equity Review 2010 Year End Review

Private Equity in Japan

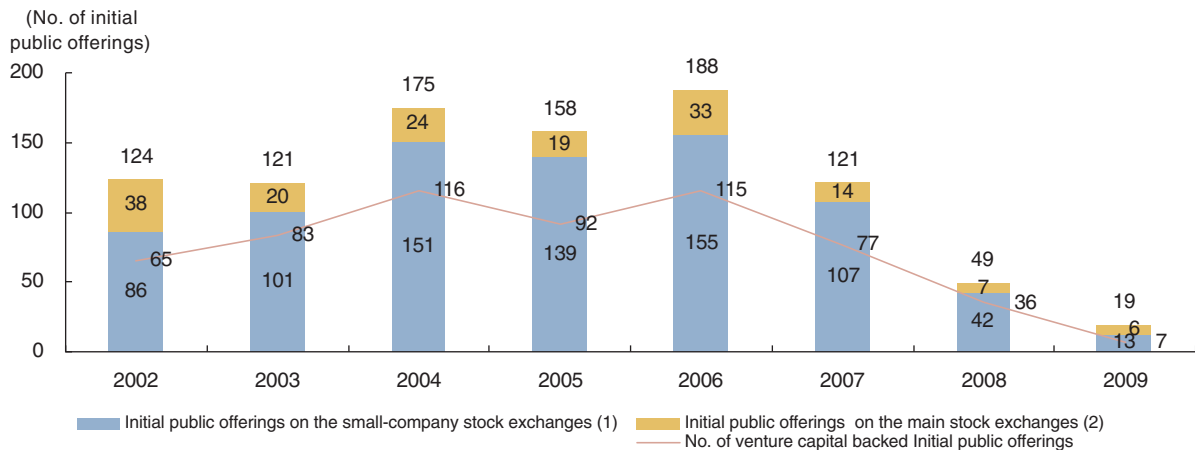
Venture Capital

Venture capital funds have been an important source of capital for start-up business in Japan. According to Japan Venture Capital Association (“JVCA”), of the 936 companies that went public in Japan from 2002 to 2008, 62% were backed by venture capital funds. As of 31 March 2009, there were 451 venture capital funds in Japan, with total commitment of ¥1,845 billion.

INDUSTRY OVERVIEW

An initial public offering used to be the key exit strategy of the Japanese venture capital business model. Initial public offering activity in Japan has fallen sharply since 2007, following a surge of 188 initial public offerings in 2006. This decrease in initial public offering activity as well as the economic downturn led to a reduction in new investments. Some venture capital businesses have attempted to collaborate with foreign capital, shift both production and funding overseas and seek options other than an initial public offering as an exit strategy. The charts below set forth the number of initial public offerings in Japan and venture capital investments committed by Japanese venture capital funds:

Number of initial public offerings on the stock exchanges in Japan from 2002 to 2009

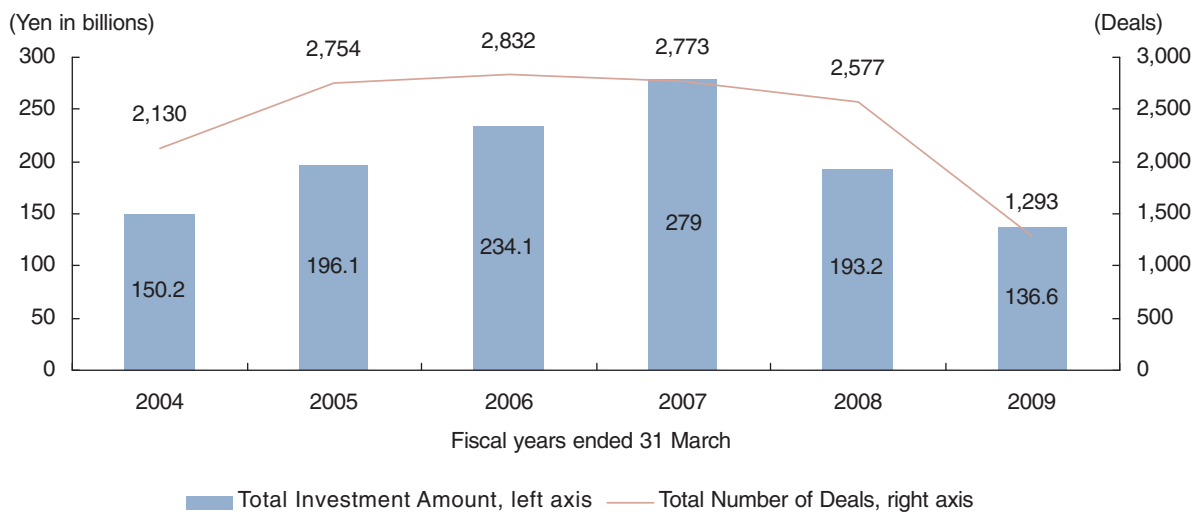


(1) Jasdqaq, Mothers (TSE), Hercules (OSE), Centrex (NSE), Q-Board (FSE), Ambitious (SSE), NEO (Jasdqaq)

(2) Include TSE1,2 (Tokyo), OSE1,2 (Osaka), NSE1,2 (Nagoya), FSE (Fukuoka), SSE(Sapporo)

Source: Venture Enterprise Centre, Venture Business Review in Japan, 2008-2009, 9 July 2010

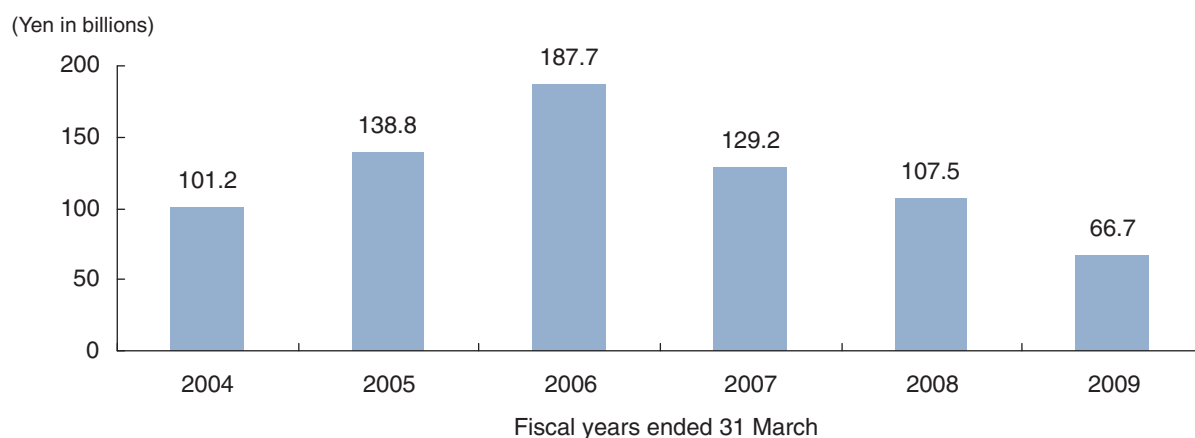
Venture capital investments by Japanese venture capital firms from the fiscal year ended 31 March 2004 to the fiscal year ended 31 March 2009



Source: Venture Enterprise Centre, Venture Business Review in Japan, 2008-2009, 9 July 2010

INDUSTRY OVERVIEW

New investment by Japanese venture capital firms from the fiscal year ended 31 March 2004 to the fiscal year ended 31 March 2009



Source: Venture Enterprise Centre, Venture Business Review in Japan, 2008-2009, 9 July 2010

Buyout Funds

Buyout funds add value by restructuring operations, by buying opportunistically when companies are selling at less than their intrinsic value, or by capturing gains by adding to or restructuring existing debt. According to the Japan Buy-out Research Institute, annual commitment of Japanese-focused buy-out funds increased from ¥140 billion in 2003 to ¥507 billion in 2008, with an aggregate committed capital of ¥2,369 billion during the period. A total of 100 new funds were set up from 2004 to 2008. Buyout deals in Japan during this period were primarily associated with divestment, turnaround, family succession and taking public companies private.

Mezzanine Funds

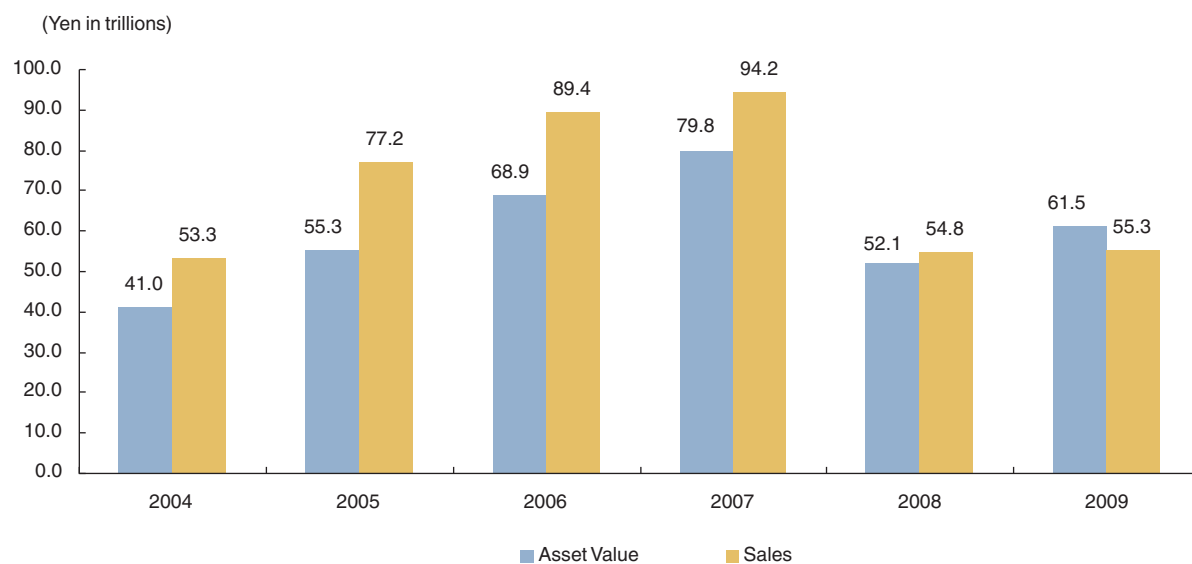
Mezzanine funds invest in diversified portfolios of debt securities. Mezzanine financing is a method that typically involves a greater degree of investment risk than the senior financing employed by financial institutions, as mezzanine financing is lower in the repayment hierarchy. Types of mezzanine financing include subordinated loans, subordinate corporate bonds, preferred shares, hybrid securities or hybrid loans. Mezzanine securities are used extensively to finance middle-market private companies. Mezzanine debt first emerged in Japan around 1998, when sponsor-led buyout deals were still new and senior loan banks were reluctant to lend to the risky structures backing the deals.

INDUSTRY OVERVIEW

TRADITIONAL FUNDS IN JAPAN

An investment trust is a financial service organisation engaged in the business of investing funds on behalf of an unspecified number of individual beneficiaries (investors of investment trust) who enjoy equal rights. The total net assets of all publicly offered securities investment trusts in Japan reached the record high of ¥79.8 trillion at the end of 2007. They declined to ¥52.1 trillion at the end of 2008 largely because the total net assets of stock funds declined due to the bankruptcy of Lehman Brothers, but recovered to ¥61.5 trillion at the end of 2009. As of 31 December 2009, the net assets of publicly offered securities investment trusts accounted for 64.54% of total net assets of investment trusts and investment companies in Japan (excluding privately placed investment trusts other than securities investment trusts).

Sales and asset value of publicly offered securities investment trust in Japan from 2004 to 2009



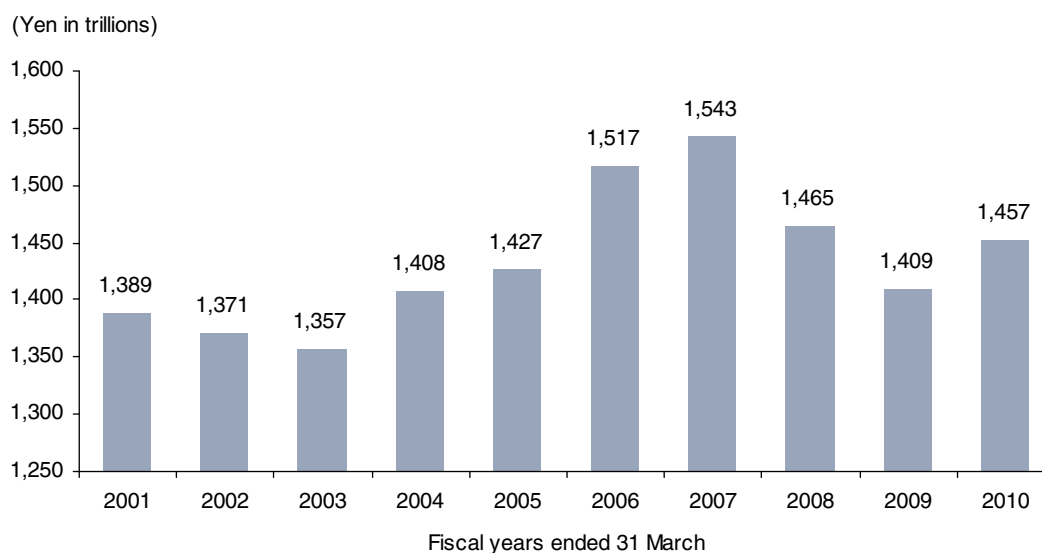
Source: Compiled from statistics of The Investment Trust Association

INDUSTRY OVERVIEW

HOUSEHOLD FINANCIAL ASSETS IN JAPAN

Financial assets held by households amounted to ¥1,442 trillion as of 30 September 2010. The majority of the assets were in currency and deposits (55.5%), followed by insurance and pension reserves (27.4%), while investments in securities and investment trusts accounted for 12.8% of total financial assets held by households.

Financial Assets held by household in Japan



Source: Bank of Japan, Flow of Funds Annual Statistics

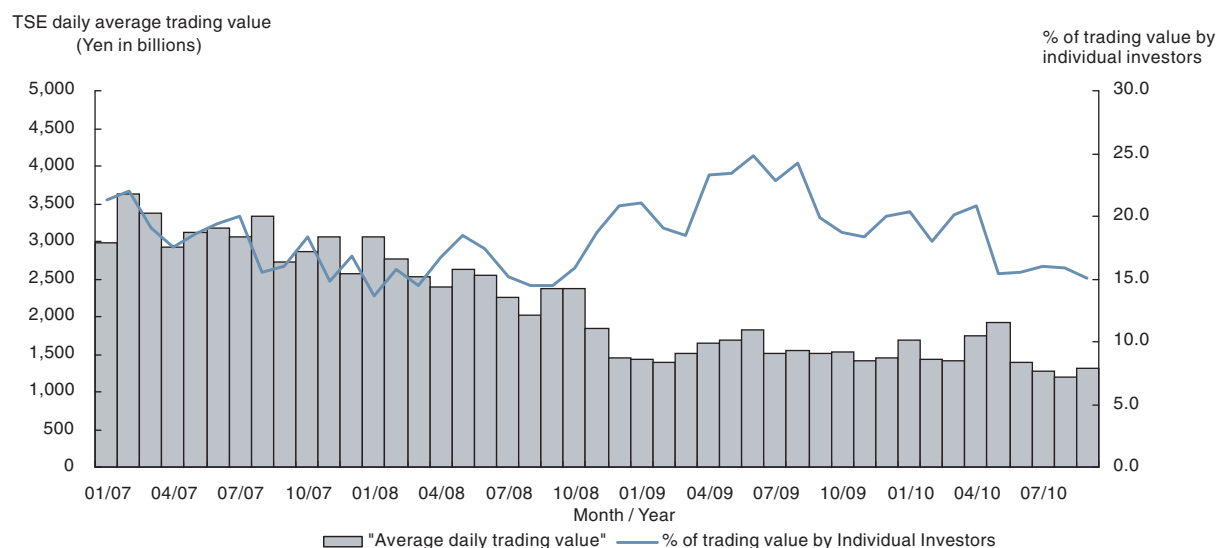
RETAIL SECURITIES IN JAPAN

Japan was the second largest capital market in the world in 2009, in terms of market capitalisation, with market capitalisation and trading value reaching ¥329.0 trillion and ¥389.9 trillion, respectively. Average daily trading value decreased from a peak of ¥3,271.4 billion in 2007 to ¥1,604.6 billion in 2009 amid the global financial turmoil.

INDUSTRY OVERVIEW

Individual investors in Japan constitute an important investor base for stock investment in Japan. Stock holdings by domestic individual investors represented around 20%, on a market value basis, of total stock holdings among all investor types. Trading value by individual investors accounted for approximately 18%, 16% and 21% of total annual trading value of the TSE in 2007, 2008 and 2009, respectively.

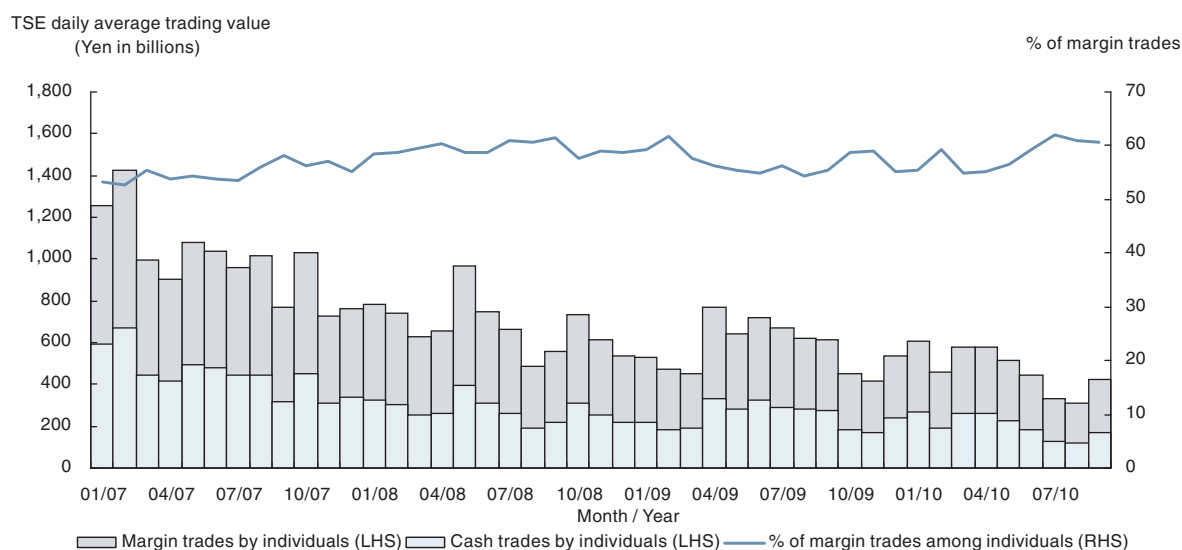
Daily average trading value and share of trading by individual investors on the TSE



Source: Compiled from Monthly Statistics Reports of TSE

Individual investors are also active in margin trading, with margin trading accounting for over 50% of equity trading value from 2007 to 2009 and increasing to 60% in September 2010.

Average daily trading value with breakdown of cash trades and margin trades by individual investors on the TSE

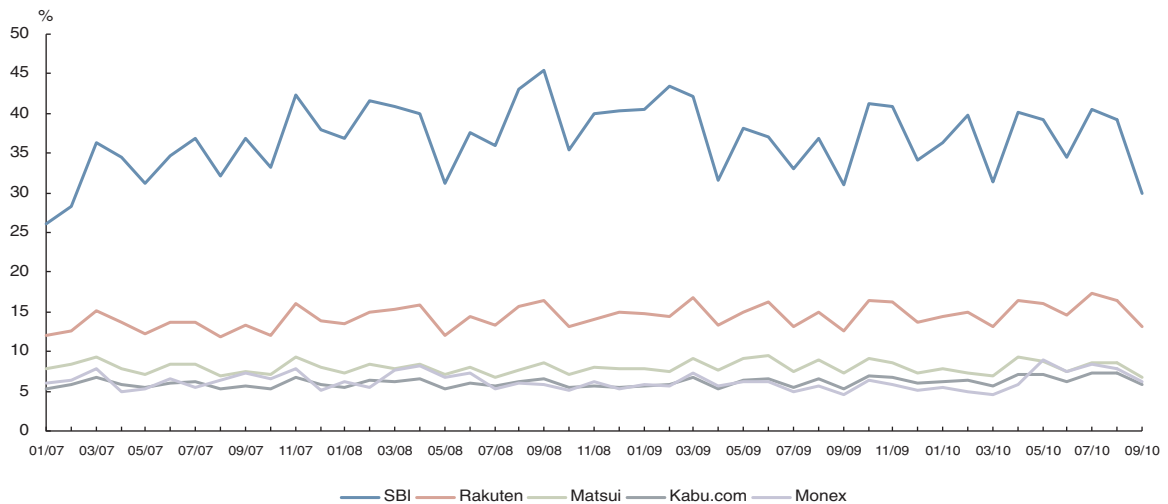


Source: Compiled from Monthly Statistics Reports of TSE

INDUSTRY OVERVIEW

The retail securities brokerage industry in Japan is extremely competitive. The FSA allowed online brokering to begin in 1998 and, following the complete deregulation of brokerage commissions in Japan in October 1999, online brokerage firms and online accounts in Japan have increased rapidly. Online trading is now the dominant trading channel used by domestic individual investors. Among all industry players in Japan, online securities companies captured over 70% of the annual total individual trade in 2008 and 2009. Our Group subsidiary, SBI SECURITIES is the dominant market leader in retail securities brokerage in Japan. Other major online brokerage firms in Japan include Rakuten, Matsui, Kabu.com and Monex.

Market shares of the major online securities firms in Japan in terms of individual trading value*



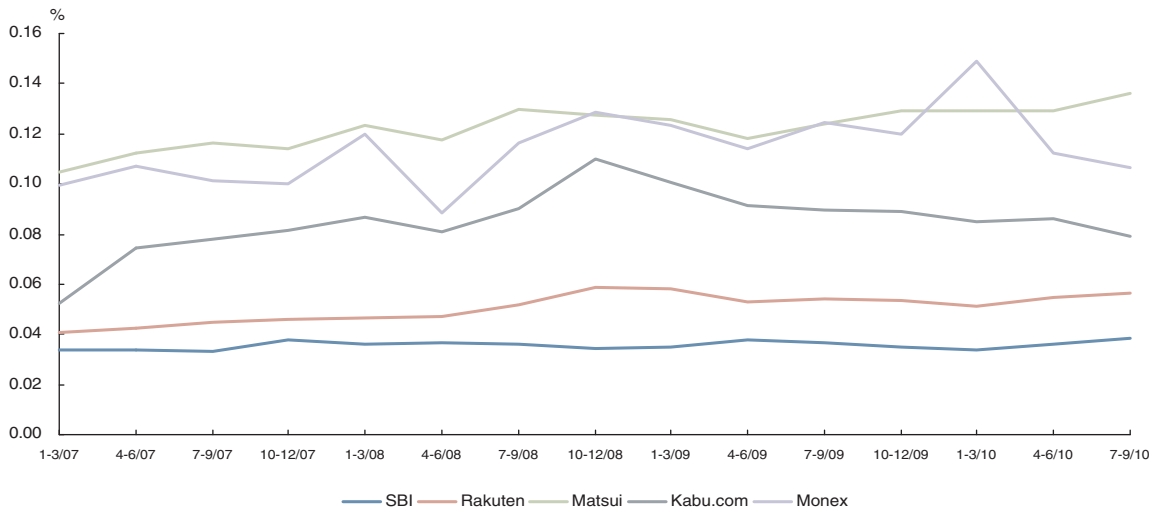
Note: Including TSE (1st section, 2nd Section, Mothers, Nagoya, Osaka) and JASDAQ in calculating individual trading value of the market

Sources: Compiled from monthly statistics disclosed by each company, and Monthly Statistics Reports of TSE and JASDAQ

INDUSTRY OVERVIEW

Online brokerage firms offer smaller commission rates compared to traditional securities houses. The major online securities firms in Japan have adopted different pricing strategies to capture trades by individual investors. The average stock commission rates offered ranged from 0.039% to 0.146% from July 2010 to September 2010. We offer the lowest level commission rate in the market compared to other major competitors. We believe that the commission rates in the market have been relatively stable and reached record lows in the past few years and providing differentiated service offerings and customer services will become increasingly important in this market.

Average stock commission rates of the major online securities firms in Japan



Sources: Compiled from financial data disclosed by each company

PROPRIETARY TRADING SYSTEMS IN JAPAN

Proprietary trading systems (“PTS”) are electronic markets established by securities firms and provide alternative trading execution venues to exchanges. PTS can often execute trades at better prices and beyond normal market trading hours. Japan’s first PTS was established in 1998, but Japanese PTS trading volume grew slowly before picking up sharply in October 2008, when several PTSs initiated trading during regular market hours. This change led to an increase in domestic PTS use by foreign investors. PTSs have seen dramatic growth in total trading value, with their share of exchange-listed stocks increasing from 0.39% in January 2009 to 1.47% in December 2010. With the operation of Arrowhead and Japan Securities Clearing Corp’s clearing and settlement for trades executed via PTSs, Japan’s PTS market is expected to gain more widespread popularity. As of 31 December 2010, there are seven PTS providers in Japan, including SBI Japannext, our Group subsidiary, Chi-X, Kabu.com, Matsui, Monex, Daiwa Securities Group and Instinet Japan. According to data from company disclosures and Proprietary Trading System Information System, SBI Japannext is the market leader with a trading value equivalent to approximately 50.45% of all PTS trades in December 2010.

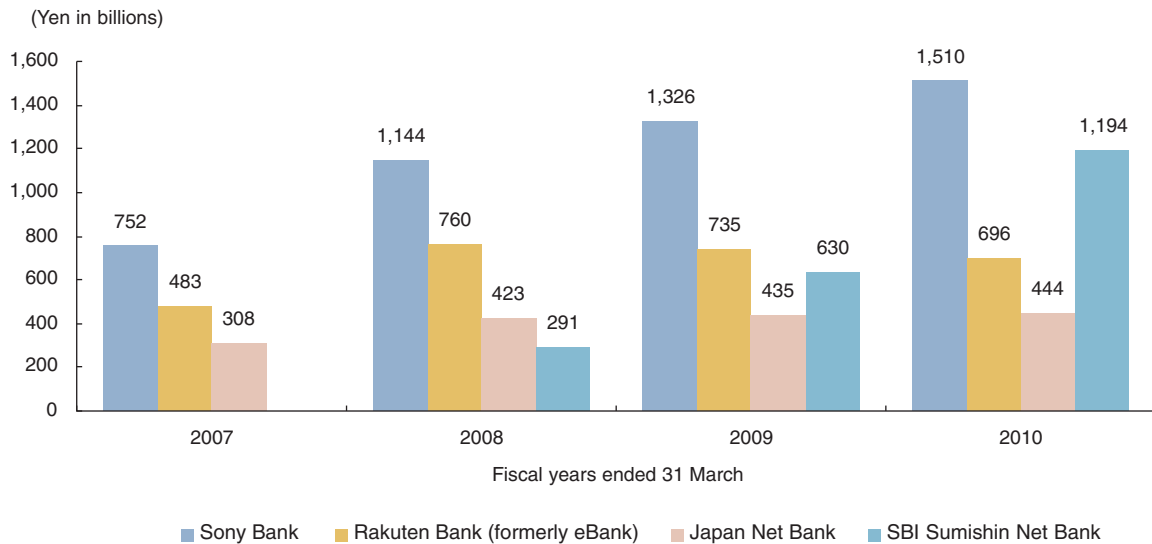
INTERNET BANK IN JAPAN

Internet-based banks entered the Japanese retail banking sector in 2000. Their primary service offerings include deposits, settlement services and loan products. These banks generally compete with the traditional bricks and mortar retail banks by offering higher deposit rates, lower lending rates and lower service fees. As of 31 March 2010, there were four major Internet-based banks in Japan, including SBI Sumishin Net Bank (an equity-method affiliate of our Group and joint

INDUSTRY OVERVIEW

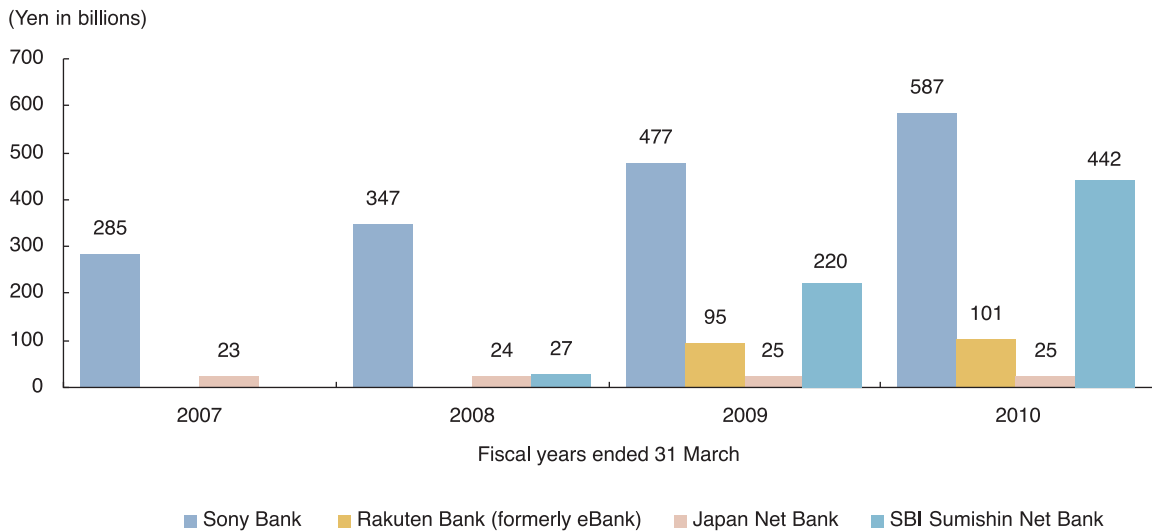
venture with Sumitomo Trust & Banking), Sony Bank, Rakuten Bank (formerly eBank) and Japan Net Bank. As of 31 March 2010, the total outstanding deposits of these four Internet-based banks reached ¥3,844 billion, representing an increase of 35.6% CAGR from ¥1,543 billion as of 31 March 2007. The total outstanding loan balance of these four Internet-based banks as of 31 March 2010 was ¥1,155 billion, an increase of 276% from 31 March 2007. The charts below set forth the total outstanding deposits and loan balance of these four Internet-based banks in Japan:

Outstanding deposits of the major Internet-based banks in Japan



Sources: Disclosures by each company

Outstanding loan balance of the major Internet-based banks in Japan



Sources: Disclosures by each company

Sony Bank, a subsidiary of Sony Financial Holdings, which commenced operation in 2001, is the market leader among the major Internet-based banks in terms of outstanding deposits and loan balances. We commenced operation in September 2007 and emerged to be the second largest player by the fiscal year ended 31 March 2010, in terms of both deposit and loan balances driven by a rapid growth in customer base. We believe that the Internet banking business in Japan

INDUSTRY OVERVIEW

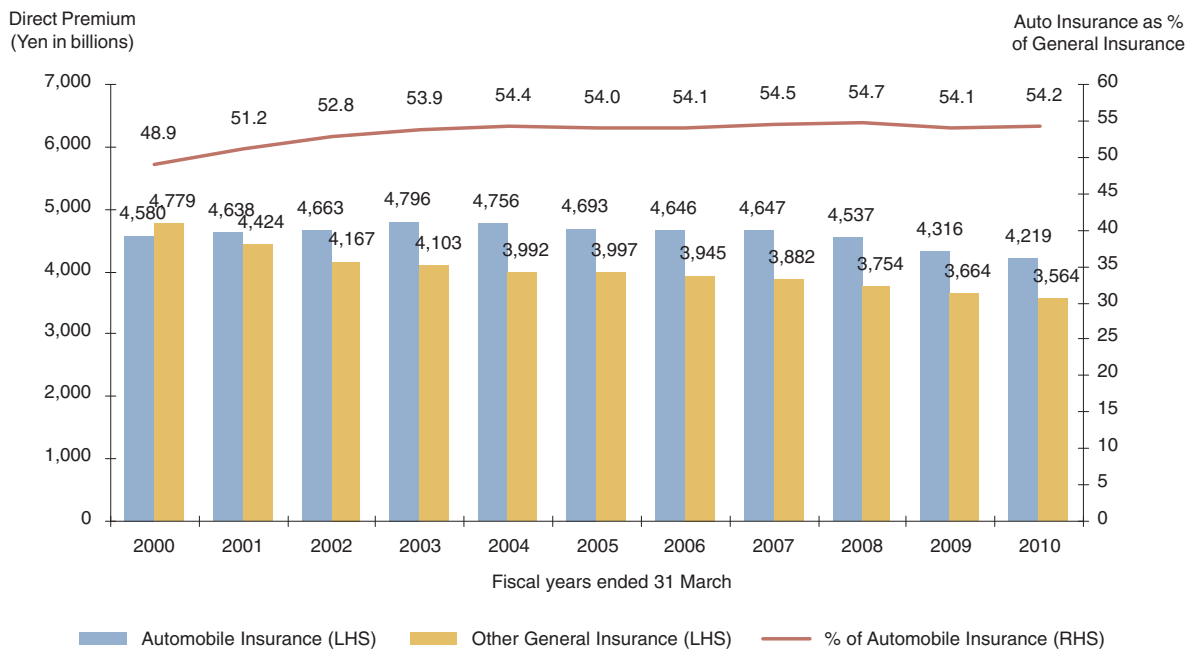
is a highly competitive industry as many traditional Japanese banking institutions, which have much larger customer bases, have also expanded, and continue to expand, their Internet banking services. We believe that market players will compete on broader and more appealing product offerings in order to grow their asset base.

GENERAL INSURANCE IN JAPAN

The general insurance market in Japan has decreased steadily in the past 10 years, with total direct premium decreasing by about 16.8% from ¥9,359 billion in the fiscal year ended 31 March 2000 to ¥7,784 billion in the fiscal year ended 31 March 2010.

We offer Internet-based non-life insurance with a primary focus on automobile insurance in Japan. Automobile insurance is the largest sector, accounting for over 50% of the total general insurance market. The direct premium of automobile insurance has remained relatively stable over the past 10 years and was approximately ¥4,219 billion for the fiscal year ended 31 March 2010. The chart below sets forth the direct premium trends of automobile insurance and other general insurance from the fiscal year ended 31 March 2000 to the fiscal year ended 31 March 2010.

Direct premium of automobile insurance and other general insurance in Japan

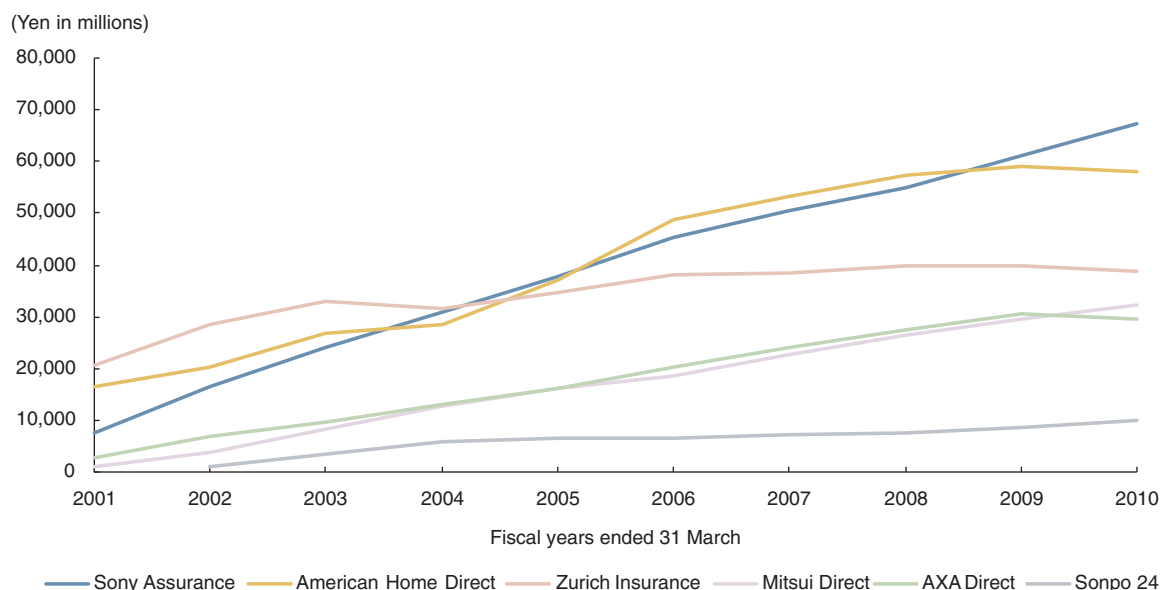


Source: The General Insurance Association of Japan, Fact Book 2008-2009, January 2010 and Fact Book 2009-2010, November 2010.

INDUSTRY OVERVIEW

We compete against other insurers that sell their policies through sales agents as well as insurers that sell their policies through direct marketing via the Internet. The major direct marketing-type insurers in Japan include Sony Assurance, Zurich Insurance, American Home Direct, Mitsui Direct, AXA Direct and Sonpo 24. The net premium underwritten by these six players increased by a 19.3% CAGR from ¥48 billion in the fiscal year ended 31 March 2000 to ¥236 billion in the fiscal year ended 31 March 2010. The chart below sets forth insurance premium revenues for the major direct marketing-type insurers in Japan:

Net premium of the major direct marketing-type insurers in Japan



Sources: Disclosures by each company

We believe that competition in the non-life insurance business is based on a number of factors, including customer service, claims resolution, pricing and marketing methods. Our Group subsidiary, SBI Insurance, which commenced operations in January 2008, was ranked number one for the second consecutive year in the Diamond Weekly's "Automobile Insurance Premium Ranking" (14 March 2009 and 20 March 2010 issues) with the lowest premiums.

As of 31 October 2010, a total of 51 general insurance companies were operating in Japan. A total of 29 companies were licensed as domestic insurers, including 5 foreign capital domestic insurers, while 22 companies were licensed as foreign insurers. The major distribution channel of general insurance is agents, followed by direct distribution and brokers, each accounting for 92.3%, 7.4% and 0.3% of total direct premiums, respectively, for the fiscal year ended 31 March 2010.

INDUSTRY OVERVIEW

LIFE INSURANCE IN JAPAN

New business for individual insurance in Japan has been falling since peaking in the fiscal year ended 31 March 1994, due to a significant decrease in the amount of death benefit products and a shrinking market size stemming from the declining birth rate and aging population of Japan. The amount of new business was ¥54.0 trillion for the fiscal year ended 31 March 2009, representing a decrease of approximately 40.8% over ¥91.2 trillion in the fiscal year ended 31 March 2005. The amount of individual life policy in force decreased to a lesser extent by 16% from ¥1,112.2 trillion to ¥933.0 trillion during the same period. Nonetheless, premium income of individual insurance was relatively stable during the period, amounting to ¥15.0 trillion for the fiscal year ended 31 March 2009.

CREDIT CARDS IN JAPAN

Credit card issuance and spending are growing in Japan while card advances and consumer loans (i.e. revolving balances) are in decline. According to the Consumer Credit Industry Association, there were over 322 million credit cards outstanding in Japan as of 31 March 2010, an increase of approximately 11.5% over 2004. Card issuance in Japan is dominated by three main groups: banks (39.4%), retail conglomerates (29.3%) and consumer finance companies (19.9%).

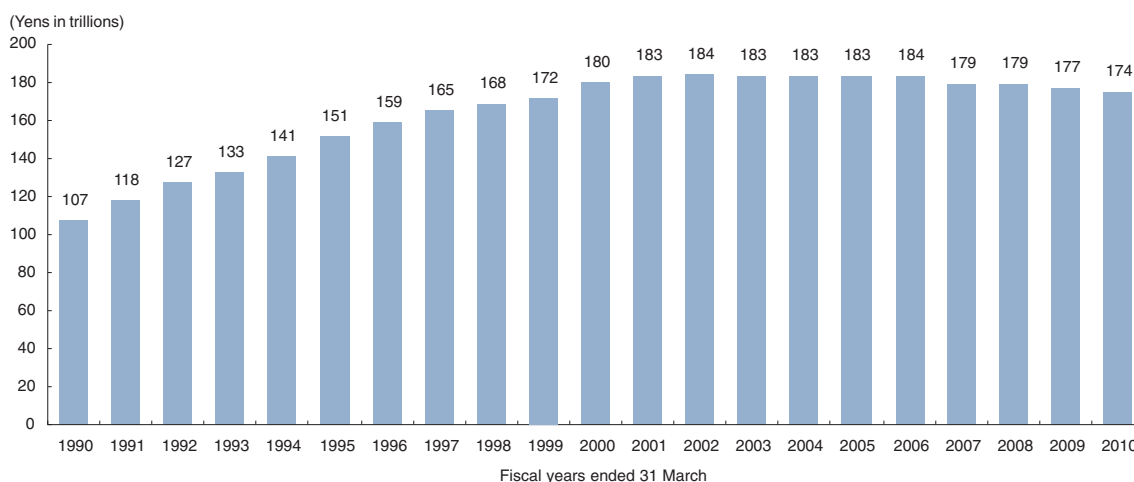
PAYMENT PROCESSING AND SETTLEMENT IN JAPAN

B2C e-commerce is growing rapidly in Japan. According to The Ministry of Economy, Trade and Industry (“METI”), Japan’s B2C ecommerce market was worth ¥6.1 trillion in 2008, reflecting an increase of 38.6% from ¥4.4 trillion in 2006. The B2C market as a percentage of all commerce increased from 1.3% in 2006 to 1.8% in 2008. The Group believes that online payment settlement will continue to grow driven by the growth of B2C e-commerce in Japan.

HOUSING LOANS IN JAPAN

The housing loan market in Japan is relatively stable, with a total outstanding personal housing loan balance of ¥174 trillion as of 31 March 2010. New personal housing loans in Japan have decreased from ¥36.4 trillion as of 31 March 1996 to ¥18.9 trillion of 31 March 2010.

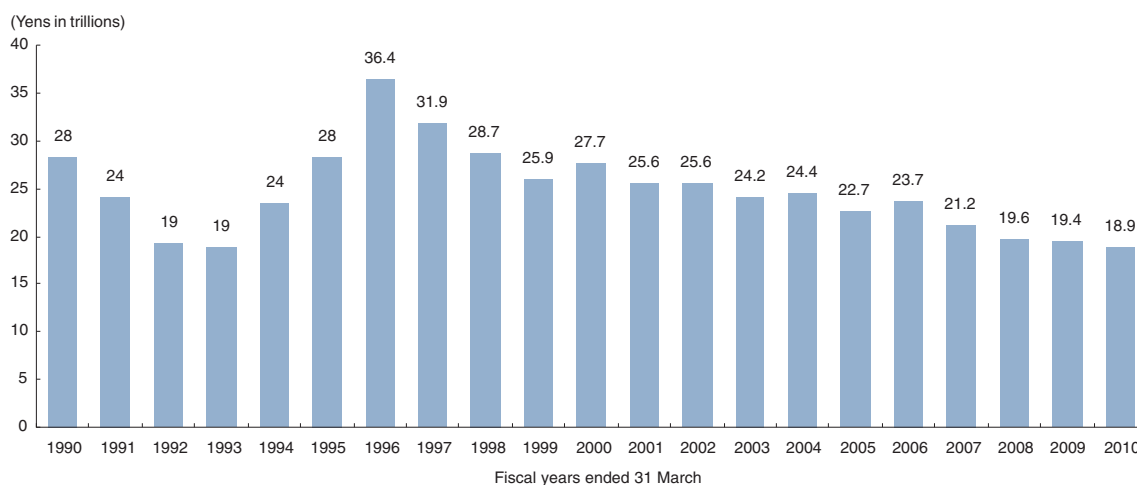
Outstanding balance of housing loans in Japan



Source: Compiled from statistics of Japan Finance Housing Agency

INDUSTRY OVERVIEW

New housing loans in Japan



Source: Compiled from statistics of Japan Finance Housing Agency

Most housing loans are variable interest rate loans with fixed terms of three, five or ten years, with about 60% to 70% of loans less than five-year fixed rate. Housing loans in Japan are offered by both financial institutions and non-bank companies, with domestic banks accounting for 75% of new loan amounts and 58% of the total outstanding balance as of 31 March 2010. The Government Housing Loan Corporation (“**GHLC**”), currently known as the Japan Housing Finance Agency (“**JHFA**”), formerly provided long-term fixed-rate housing loans directly to the general public until April 2007. JHFA now provides securitisation to private financial institutions in order to generate a steady supply of long-term fixed-rate housing loans and also purchases Flat 35 loans, provided by contracted financial institutions. A Flat 35 loan is a long-term fixed-rate loan that can be repaid between 15 to 35 years.

Our Group subsidiary, SBI Mortgage, is one of the contracted financial institutions participating in Flat 35. As of 31 March 2010, there were 338 contracted financial institutions participating in Flat 35 and a total new purchased loan amount of ¥1,012.7 billion, which accounted for 5.4% of total new personal loan amounts in Japan. SBI Mortgage had ¥147.8 billion in Flat 35 loans issued and held a 14.7% market share, the largest share among 339 institutions as at 30 September 2010, with the industry’s lowest interest rate for Flat 35 loans.

REAL ESTATE INVESTMENT AND DEVELOPMENT IN JAPAN

The real estate market in Japan was stagnant amid the global financial crisis. The number of real estate sales has been recovering since bottoming out in early 2009. The condominium market has recovered steadily from the inventory contraction that began in January 2009. The new housing market, consisting primarily of owner-occupied, rental housing and built-for sale housing, is also recovering from 2009. However, the office market has yet to show signs of recovery, with the average vacancy rate in the five central wards of Tokyo trending around 9%. The vacancy rate for new buildings in Tokyo’s CBD, a leading indicator of office market rents, fell to 13.63% in December 2010 from a peak of 40.61% in June 2010, partly as a result of rent reductions in large office buildings.

INDUSTRY OVERVIEW

SOURCES OF INFORMATION

Asia Private Equity Review

Asia Private Equity Review is a monthly publication published by the Centre for Asia Private Equity Research Ltd (“**Asia PE Research**”). Asia PE Research is an independent Hong Kong based organisation founded in 1993. It offers independent news and research, education and experienced insight into the Asian private equity/venture capital investment community. Core activities include publications, research and consulting, and training and events. Asia PE Research and the Asia Private Equity Review are regularly quoted in established business publications.

Japan Venture Capital Association

JVCA was established in 2002. Major activities include survey and research on VC market and venture business, proposals on VC policy, regulation and accounting matters, public relations, conference and regular networking events for members, collaboration with venture support organisations, including governments, capital market-related institutions, and academia, education programmes for venture capitalists and entrepreneurs, and cooperation with foreign VC associations. Its members include VC firms and Venture business supporting organisations.

Venture Enterprise Center

Venture Enterprise Center was established in 1975 as an enterprise licenced by the Ministry International Trade and Industry. Its major activities include conducting and disseminating research reports on venture capital investment, providing policy recommendations, promoting international exchange and fostering a supporting environment for entrepreneurial business.

The Investment Trusts Association, Japan

The Investment Trusts Association, Japan, was established in July 1957 under a licence of the Minister of Finance, given pursuant to Article 34 of the Civil Code. The purpose of the Association is to protect investors and to contribute to the sound development of investment trusts and investment companies. Members include investment trust management companies, securities companies, registered financial institutions such as banks and insurance companies to distribute securities investment trusts, and the trust company that would act as the trustee of investment trusts of trustee-managed type.

HISTORY AND CORPORATE STRUCTURE

HISTORY

We were incorporated under the laws of Japan on 8 July 1999 as SOFTBANK INVESTMENT CORPORATION under the Companies Act and as a subsidiary of the SOFTBANK group of companies with the object of operating as a venture capital and business development company, principally in the Internet sector. We listed on NASDAQ Japan (the predecessor to the JASDAQ market) in December 2000 (this listing was moved to the First Section of the OSE in November 2002) and we obtained a listing on the First Section of the TSE in February 2002. Our name was changed to SBI Holdings, Inc. in July 2005. In August 2006, our Company became independent from the SOFTBANK Group of companies operated by SOFTBANK CORP.

Since our incorporation, our business has expanded from its origins in venture capital and business development to embrace other Internet-based financial services businesses through a number of mergers and acquisitions and via organic growth. Most significantly, in November 1999, our Company acquired Softbank Ventures Inc. (currently SBI Investment Co., Ltd.); In June 2003, we merged with E*TRADE Japan K.K. (as a result of which E*TRADE SECURITIES Co., Ltd. (currently SBI SECURITIES Co., Ltd.) became one of our subsidiaries); In October 2003, we acquired WORLD NICHIEI Securities Co., Ltd.; In February 2004, we acquired GOOD Mortgage Corporation (currently SBI Mortgage Co., Ltd.) as a result of the acquisition of Finance All Corporation; and in July 2004, Morningstar Japan K.K. became one of our subsidiaries. In terms of organic growth, in September 2007, we launched SBI Insurance Co., Ltd., and in January 2008 we launched SBI Sumishin Net Bank, Ltd., a joint venture with The Sumitomo Trust and Banking Co., Ltd., to enhance our Internet-based financial services platform.

Our Group has expanded its business overseas through our representative offices in Beijing, Shanghai, Moscow and Hanoi and also through our subsidiaries in Singapore and Hong Kong. We continue to expand our existing business and investments overseas through acquisitions and the formation of joint ventures with overseas partners.

Key Milestones of the Company

The key milestones in the development of the Group are set out below.

1999

July	SOFTBANK INVESTMENT CORPORATION was established in Chiyoda-ku, Tokyo to undertake venture capital and business development in the Internet sector.
November	Acquired Softbank Ventures, Inc. (since renamed SBI Investment Co., Ltd.).

2000

December	Listed on NASDAQ Japan.
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2002

February	Listed on First Section of the TSE.
November	Listed on First Section of the OSE.

HISTORY AND CORPORATE STRUCTURE

2003

- June Merged with E*TRADE Japan K.K.
- October Acquired WORLD NICHIEI Securities Co., Ltd. (since renamed SBI Securities Co., Ltd.).
- December Acquired Nissho Iwai Securities Co., Ltd. (since renamed SBI E*TRADE SECURITIES Co., Ltd.).

2004

- February Acquired GOOD Mortgage Corporation (since renamed SBI Mortgage Co., Ltd.).
- June Acquired E*TRADE Korea Co., Ltd. to become a subsidiary of the Company.
- July Acquired Morningstar Japan K.K.
- October SBI VeriTrans, a subsidiary of the Company, was listed on the Hercules market of the OSE.
- November E*TRADE SECURITIES Co., Ltd. (since renamed SBI E*TRADE SECURITIES Co., Ltd.), a subsidiary of the Company, was listed on JASDAQ.

2005

- July Changed name to SBI Holdings, Inc.
- September Established Beijing Representative Office.

2006

- August Became independent of the SOFTBANK group of companies.
- August Gomez Consulting Co., Ltd., a subsidiary of Morningstar Japan K.K., was listed on the Hercules market of the OSE.

2007

- February E*TRADE Korea Co., Ltd., a subsidiary of SBI E*TRADE SECURITIES Co., Ltd., was listed on the KOSDAQ market in Korea.
- September SBI Sumishin Net Bank, Ltd. obtained a banking business licence and commenced business.

2008

- July SBI E*TRADE SECURITIES Co., Ltd. renamed to SBI SECURITIES Co., Ltd.

HISTORY AND CORPORATE STRUCTURE

August	SBI SECURITIES Co., Ltd. became a wholly-owned subsidiary.
September	Phnon Penh Commercial Bank Limited, a joint venture with Hyundai Suisse Group in Cambodia, received approval from the Securities and Exchange Commission of Cambodia to begin operations.
December	SBI Hong Kong Co., Limited established as a registered investment base in Hong Kong.

2009

January	Established MASDAR-SBI Fund, L.P., a joint venture with the Abu Dhabi based fund Masdar Clean Tech Fund.
April	SBI VeriTrans Co., Ltd. launched “Buy-J.com,” one-stop commerce platform targeting Chinese consumers.

2010

June	Acquired KTIC Global Investment Advisory Co., Ltd. (renamed to SBI Global Investment Co., Ltd.), a South Korean company listed on KOSDAQ, and converted it into a subsidiary.
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2011

August (scheduled)	To acquire outstanding shares of SBI VeriTrans by way of the Share Exchange and make it a wholly-owned subsidiary.
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Acquisition of SBI VeriTrans by the Company by way of Share Exchange

The Company and SBI VeriTrans, which is a consolidated subsidiary of the Company listed on the JASDAQ market of the OSE, agreed on 24 February 2011 that the Company would make SBI VeriTrans a wholly-owned subsidiary of the Company by way of a share exchange (*kabushiki kokan*) (the “**Share Exchange**”), subject to shareholder approval at SBI VeriTrans’ annual general meeting, SBI VeriTrans shares are scheduled to be delisted from the JASDAQ market on 27 July 2011 and SBI VeriTrans will become a wholly-owned subsidiary of the Company on 1 August 2011 (the effective date of the Share Exchange). As the total value of shares and other assets of the Company, which are to be distributed to shareholders of SBI VeriTrans as consideration for the Share Exchange is equal to or less than 20% of the net assets of the Company, the Company is not required to obtain Shareholders’ approval for the Share Exchange under the Companies Act.

The Company will issue new Shares to the shareholders of SBI VeriTrans (other than the Company) stated or recorded in the shareholders’ register of SBI VeriTrans immediately prior to the Share Exchange coming into effect as consideration for the acquisition of SBI VeriTrans. 4.7 shares of the Company’s common stock will be allocated and delivered for every one share of SBI VeriTrans’ ordinary shares. Since all of the Treasury Shares held by SBI VeriTrans are to be cancelled immediately prior to the effective date of the Share Exchange, and any of the Pre-IPO SARs issued by SBI VeriTrans may be exercised before the effective date of the Share Exchange, the number of shares to be delivered pursuant to the Share Exchange has not yet been finalised.

HISTORY AND CORPORATE STRUCTURE

To ensure that the share exchange ratio was fair and appropriate, each company appointed an independent third party valuation organisation to calculate the ratio. The Company appointed KPMG FAS Co., Ltd. and SBI VeriTrans appointed Ernst & Young Shinnihon Tax. They determined that the share exchange ratio noted above would be in the interests of the shareholders of each of the Company and SBI VeriTrans. The Company and SBI VeriTrans discussed and determined the share exchange ratio at their respective Board meetings with their independent Statutory Auditors in attendance. To avoid potential conflicts of interest, Yoshitaka Kitao, who is a Director of SBI VeriTrans and also serves as the Representative Director and the Chief Executive Officer of the Company, and Takashi Okita, who is the Representative Director of SBI VeriTrans and also serves as a Director of the Company, did not participate in discussions or vote on the Share Exchange at either of the Board meetings of the Company or SBI VeriTrans, each of which were held on 24 February 2011. In addition, when considering the Share Exchange, SBI VeriTrans received an opinion letter from Toshihide Ito on 23 February 2011, the independent Statutory Auditor of SBI VeriTrans, who has no interests in common with the controlling shareholders of SBI VeriTrans, which stated that “the Share Exchange is not detrimental to the interests of minority shareholders”.

ORGANISATION

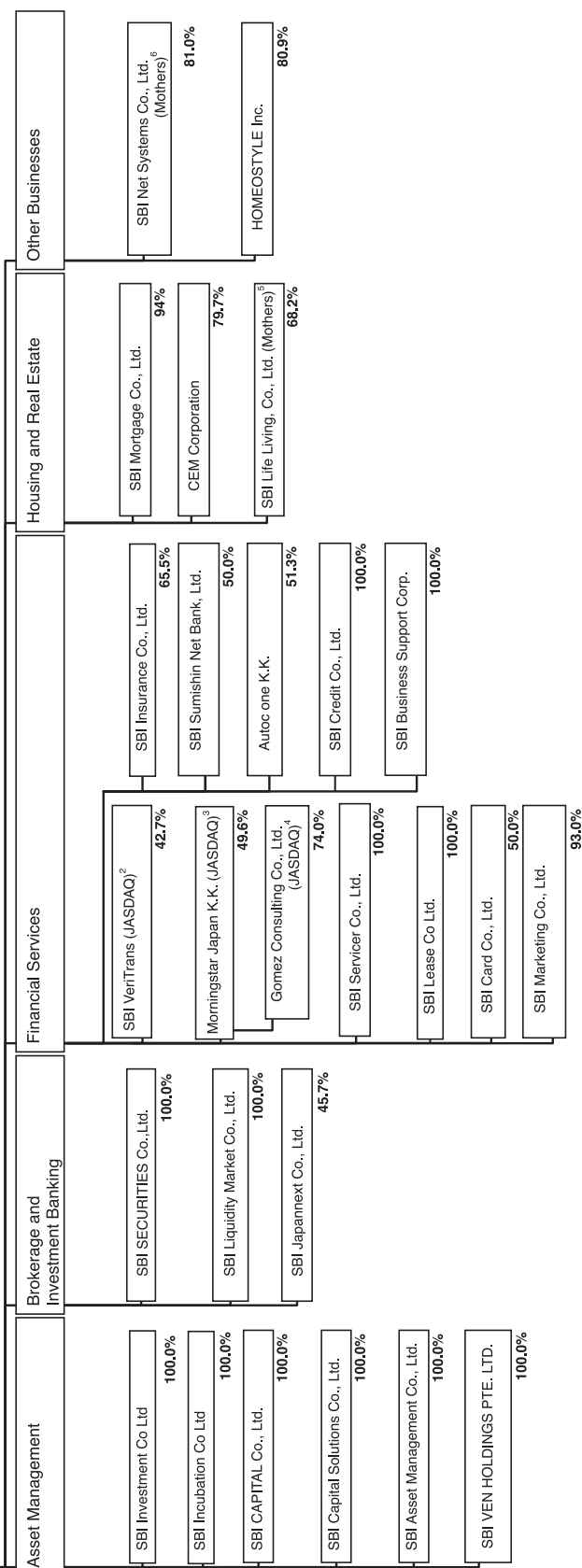
Our Company is the holding company of all of the companies in our Group and its assets substantially comprise of shares these companies.

Our Group is divided into our five operational business segments, being (i) our asset management business, which primarily involves the operation of domestic and overseas investment funds; (ii) our brokerage and investment banking business, which primarily involves our securities business; (iii) our financial services business, which offers a variety of innovative financial services; (iv) our housing and real estate business, which primarily involves investments and development of real estate, housing loans and a variety of online lifestyle network services; and (v) our other businesses, which primarily involve our system solutions business, our women’s accessories and beauty products, retail and services business and our biotechnology business.

HISTORY AND CORPORATE STRUCTURE

Set out below is a chart highlighting the Company and its principal subsidiaries and jointly-owned entities as of 30 September 2010, in each case classified into the Group's five business segments:

SBI Holdings, Inc.



Notes:

- 1 All of our Principal Subsidiaries are incorporated in Japan unless otherwise indicated in the chart above.
- 2 SBI VeriTrans will become a wholly-owned subsidiary of the Company as of 1 August 2011 as a result of the Share Exchange. SBI VeriTrans is currently listed on the JASDAQ market of the OSE but is scheduled to be delisted on 27 July 2011 as a part of the Share Exchange.
- 3 Morningstar Japan K.K. is listed on the JASDAQ market of the OSE.
- 4 Gomez Consulting Co., Ltd. is currently listed on the JASDAQ market of the OSE, but it will become a wholly-owned subsidiary of Morningstar Japan K.K. as of 22 April 2011 by way of a share exchange, if approved at an extraordinary meeting of shareholders on 25 March 2011. If the transaction is approved, Gomez Consulting Co., Ltd. is scheduled to be delisted on 19 April 2011.
- 5 SBI Life Living Co., Ltd. is listed on the Mothers market of the TSE.
- 6 SBI Net Systems Co., Ltd. is listed on Mothers market of the TSE.

HISTORY AND CORPORATE STRUCTURE

Set out below is a table providing certain information about each of the Company's principal subsidiaries.

Name	Established	Principal Business	Equity Interest of the Company
Asset Management			
SBI Investments Co., Ltd	7 June 1996	Venture Capital Fund	100%
SBI Incubation Co., Ltd	17 August 1999	Investments	100%
SBI CAPITAL Co., Ltd.	13 April 2001	Buyout Fund	100%
SBI Capital Solutions Co., Ltd	1 June 2006	Fund Management	100%
SBI Asset Management Co., Ltd. . .	29 August 1986	Asset Management	100%
SBI VEN HOLDINGS PTE LTD. . .	7 June 2007	Overseas Investment	100%
Brokerage and Investment Banking			
SBI SECURITIES Co., Ltd.	30 March 1944	Online Securities Broker FX Trading Service	100%
SBI Liquidity Market Co., Ltd.	8 July 2008	Provider Proprietary Trading	100%
SBI Japannext Co., Ltd.	8 November 2006	System	45.7%
Financial Services			
SBI VeriTrans ¹	24 April 1997	Electronic Payments	42.7%
Morningstar Japan K.K.	27 March 1998	Internet Financial Research	49.6%
Gomez Consulting Co., Ltd. ²	22 March 2001	Internet Advisory Services	74%
SBI Servicer Co., Ltd.	27 January 2005	Debt Collection	100%
SBI Lease Co., Ltd.	24 November 1999	IT Leasing	100%
SBI Card. Co., Ltd	1 June 2005	Credit Cards	50%
SBI Marketing Co., Ltd.	20 July 2005	Internet Advertising	93%
SBI Insurance Co., Ltd.	1 June 2006	Insurance	65.5%
SBI Sumishin Net Bank Ltd.	3 June 1986	Banking	50%
Autoc one K.K.	3 June 1999	Vehicle Information	51.3%
SBI Credit Co., Ltd.	31 July 2007	Vehicle Finance	100%
SBI Business Support Corp.	26 April 2006	Support services	100%
Housing and Real Estate			
SBI Mortgage Co., Ltd.	9 June 2000	Real Estate Finance	94%
CEM Corporation	8 August 1996	Real Estate Finance	79.7%
SBI Life Living Co., Ltd.	28 February 1990	Property Development	68.2%
Other Businesses			
SBI Net Systems Co., Ltd.	22 October 1997	Security Solutions	81%
HOMEOSTYLE Inc.	11 November 1999	Beauty Products	80.9%

Notes:

- 1 SBI VeriTrans will become a wholly-owned subsidiary of the Company as of 1 August 2011 as a result of the Share Exchange.
- 2 Gomez Consulting Co., Ltd. will become a wholly-owned subsidiary of MorningStar Japan K.K. as of 22 April 2011 as a result of a share exchange, if approved at an extraordinary general meeting of Gomez Consulting Co., Ltd. on 25 March 2011.

BUSINESS

BUSINESS

OVERVIEW

Secondary Listing

The Shares of the Company are primarily listed on the TSE and the OSE and the Company is seeking a Secondary Listing on the Hong Kong Stock Exchange.

We are an Internet-based financial group based in Japan, offering a broad range of financial products and services to our customers. We started in 1999 as a venture capital business principally investing in Internet-related companies and have since expanded our businesses to include a wide range of Japanese and overseas funds in our asset management business, Japan's leading online securities company, as well as additional online financial services, housing and real estate and other businesses. The Shares of our Company have been listed on both the TSE and the OSE since 2002. We have six subsidiaries whose shares are listed on stock exchanges in Japan and Korea, of which three are listed on the OSE, two are listed on the TSE, and one is listed on KOSDAQ.

Our businesses are divided into the following four core segments and other businesses segment:

- **Asset Management** We establish and manage a range of investment funds, including venture capital, biotechnology, buyout and other funds, to invest both in Japan and overseas. We have expanded our operations overseas, particularly in China and other parts of Asia, Eastern Europe, Russia, the United States and Brazil, often by partnering with local partners. We also provide investment trust management services to individuals.
- **Brokerage and Investment Banking** Our subsidiary, SBI SECURITIES Co., Ltd., is the market leader among Japan's online securities companies by measures such as customer accounts and share of retail trading value and total stock brokerage trading value. It is a comprehensive securities company that also provides investment banking services to corporate clients, including underwriting and corporate finance advisory services. We are expanding complementary businesses such as the proprietary trading system's operated by our equity-method non-consolidated subsidiary and our foreign exchange clearing operations.
- **Financial Services** In recent periods we have diversified our offerings of Internet-based financial products and services to include Internet-based banking, non-life insurance products, financial research and advisory services, financial product comparison services, credit cards, automobile financing, e-commerce payment settlement systems and others. With a consistent customer-centric philosophy under the "SBI" brand, we are striving to be an Internet-based financial conglomerate.
- **Housing and Real Estate** We are engaged in the provision of housing loans, real estate-secured loans, real estate investment and development, real estate fund management, real estate-related investments and the lifestyle networks business. In addition to investments in Japan, we have overseas real estate projects in China and Hawaii. Further, in our lifestyle network business, we use our Internet experience to offer individuals a unified network of convenient services. The network pillars are our area guide and community portal services, service and product comparison services and media, and an e-commerce platform for services such as the brokerage of concert tickets and brand products.

BUSINESS

- **Other Businesses⁽¹⁾** We are involved in the planning, design and operation of information technology systems, including next-generation financial services and system solutions for financial institutions, as well as the research and development of technology and information security products for encryption technology. We are also engaged in the beauty care and health food products retail and services business and biotechnology business, which focuses on the development of new immunotherapy and cancer treatment through the combination of antibody, nucleic acid and low-molecular drugs with cell remedies

(1) For the three fiscal years ended 31 March 2010, we reported our results of operations based on five business segments: asset management; brokerage and investment banking; financial services; housing and real estate; and system solution. From 1 April 2010, we began to reclassify the system solutions business segment to other businesses segment following application of a new accounting policy.

One of our focuses in the last five years has been the expansion of our businesses outside of Japan. The principal drive behind this expansion is the growth of our asset management business. We have established representative offices in China, Russia and Vietnam and local subsidiaries in Hong Kong, Singapore and Korea. We also plan to establish a representative office in Malaysia. By capitalising on our experience and expertise in venture capital investment, we are able to develop and enhance our asset management business overseas with partners in Asian and other markets. For instance, the NEW HORIZON FUND, L.P. (新宏遠創基金) (the fund management company of which we own 25%), set up in May 2005 together with Temasek Holdings, has invested in ten companies in China, eight of which have achieved public listings, and sales of some of the holdings in the fund in the amount of approximately ¥2.2 billion contributed to our operating income in the fiscal year ended 31 March 2010. We have also established investment funds in China, Taiwan, India, Vietnam, Malaysia, Brunei, Eastern Europe, Russia and the United States in collaboration with local partners.

In addition, we have been exploring opportunities with partners in Asian and other markets for the provision of brokerage and other financial services. Recently, we expanded our overseas operations and investments which include (i) the launch of The Phnom Penh Commercial Bank Limited (in which we own a 40% shareholding interest) in Cambodia, in September 2008; (ii) the acquisition of 20% of the stock of Tien Phong Commercial Joint Stock Bank, a Vietnamese commercial bank, in August 2009; (iii) an agreement in March 2010 with China Securities Journal (中國證券報) to establish a joint venture which will operate a Japanese-language website that provides financial information in relation to Chinese companies; (iv) the acquisition of 9.99% of the stock of Commercial Bank of Ceylon PLC in Sri Lanka, in June 2010; and (v) the acquisition of 7.65% of the voting stock of Tianan Insurance Co., Ltd. (天安保險股份有限公司), a Chinese insurance business, in July 2010. Through our overseas expansion, we endeavour to position ourselves to not only realise capital gains in each of our overseas investments, but also to promote the development of Internet-based financial services business in the emerging markets of Asia. Our long-term goal is to develop similar financial businesses in each of those markets by introducing to them the systems and know-how of our online financial services business.

We experienced a significant decrease in net sales for the fiscal year ended 31 March 2009 as compared to the fiscal year ended 31 March 2008 primarily due to a decrease in revenue from our asset management segment, brokerage and investment banking segment and housing and real estate segment as a result of difficult economic and market conditions during the height of the global financial crisis. We suffered a net loss for the fiscal year ended 31 March 2009 primarily due to the Tokyo District Court's decision in July 2008 to commence civil rehabilitation proceedings against ZEPHYR Co., Ltd., our former affiliate. Due to the commencement of the civil rehabilitation proceedings, our investment in ZEPHYR Co., Ltd and a ¥11 billion loan to them were recorded as

BUSINESS

losses in our accounts. For the fiscal year ended 31 March 2010, we had consolidated net sales of ¥124.5 billion, operating income of ¥3.4 billion and a net income of ¥2.4 billion. For the six months ended 30 September 2010, we had consolidated net sales of ¥62.9 billion, operating income of ¥3.6 billion and net income of ¥0.7 billion.

Results of our business segments

The following table sets forth, for the periods indicated, net sales and operating income for each business segment.

Segment	Fiscal year ended 31 March						Six months ended 30 September			
	2008		2009		2010		2009		2010	
	Net Sales	Operating income	Net Sales	Operating income	Net Sales	Operating income	Net Sales	Operating income	Net Sales	Operating income
	(¥ in millions)									
Asset Management business	¥58,008	¥16,481	¥15,981	¥2,594	¥20,194	¥1,863	¥12,118	¥2,123	¥10,516	¥2,679
Brokerage & Investment Banking Business	68,531	20,511	49,182	5,714	50,122	9,374	26,623	5,985	24,216	3,780
Financial Services business	22,495	849	22,617	1,491	25,605	206	11,962	304	14,508	435
Housing and Real Estate business	75,070	8,093	40,906	923	29,408	(35)	12,565	(586)	8,591	1,205
Other business	322	(473)	6,354	(303)	4,629	(515)	2,310	(351)	8,262	(1,020)
Eliminations/Corporate	(1,860)	(2,856)	(4,119)	(6,016)	(5,419)	(7,462)	(2,427)	(3,723)	(3,147)	(3,474)
Total	<u>¥222,567</u>	<u>¥42,606</u>	<u>¥130,922</u>	<u>¥4,403</u>	<u>¥124,541</u>	<u>¥3,431</u>	<u>¥63,153</u>	<u>¥3,752</u>	<u>¥62,948</u>	<u>¥3,605</u>

COMPETITIVE STRENGTHS

We believe that our success and potential for future growth are attributable to the following competitive strengths:

Leading position in the online securities brokerage business in Japan, one of the world's largest capital markets

We are the market leader in the online securities brokerage business in Japan in terms of customer accounts, customer assets and retail trading value. In the fiscal year ended 31 March 2010 and the six months ended 30 September 2010, SBI SECURITIES Co. Ltd held market share in Japan of 35.4% and 37.2%, respectively in terms of trading value of individual investors, which were almost equal to the aggregate market shares of its four major competitors in online securities brokerage business in Japan. We believe that our leadership position has been underpinned by our low-cost structure which enables us to offer low brokerage commission rates compared to our competitors in order to reduce the securities trading transaction cost for customers. With online trading having accounted for about 70% of annual total trading value of individual investors in Japan in 2008 and 2009, we believe the cost and price advantages of the Group driven by economies of scale of our information technology infrastructure and Group synergies will continue to help us sustain a high market share and enhance our profit growth as the Japanese online securities brokerage market expands.

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Leading venture capital business in Japan based on investment amount with strong investment track record and focused investment philosophy

We commenced business in 1999 as a venture capital business and a subsidiary company of SOFTBANK FINANCE CORPORATION (currently SOFTBANK TELECOM Corp.), a leading Japanese venture capital firm principally for the information technology and Internet-related industries. Our venture capital business has achieved strong investment track records with average net IRR of 13.1% for fully redeemed funds which were established from the start of our asset management business to 2010. We believe that venture capital is a high risk, high return business and have pursued a focused investment philosophy of investing in industries with medium-term and long-term growth prospects, including Internet, information technology, biotechnology and clean technology in Japan, with the aim of achieving higher return while managing investment risks, as well as investing in emerging economies primarily in Asia to capture economic growth.

Well-established, integrated growth platform in asset management and financial services businesses to capture new growth opportunities in Japan and emerging markets primarily in China and other Asian countries

- *Established Internet-based financial conglomerate with proven business model and infrastructure ready for deployment in overseas markets.* We have established an integrated Internet-based financial services “ecosystem” operating in securities, banking, insurance and payment settlement businesses, with wide-ranging support businesses and strategic alliances in complementary businesses to capture growth opportunities both in Japan and emerging markets. We believe we have the expertise and experience in utilising the Internet to realise business opportunities, as well as effectively adopt established business models originating in the US in Japan and other markets in which we operate. For example, we have effectively adopted the business models of E*TRADE from the US to Japan and Korea, Morningstar from the US to Japan, and InsWeb from the US to Japan.
- *Established investment structure with local partners in high growth emerging markets, primarily in China and other Asian countries.* We had established 14 overseas funds with total investment amount of ¥8,456 million in 10 countries with emerging economies as at 30 September 2010. We believe our strategic alliances with local partners have provided us with greater access to proprietary investment deal sources in those emerging economies. Our success in establishing our network of overseas investment structure with local partners is mainly attributable to the high accessibility and leadership of our Representative Director and Chief Executive Officer, Yoshitaka Kitao, in deal origination and efficient decision-making process.
- *Aggressive investments during time of low investment cost.* We have taken advantage of unfavourable global market conditions since the financial turmoil in late 2008 to make aggressive private equity investments during the period when investment costs were relatively low and raising capital from investors was difficult. We believe that the difficult market conditions provided a good market opportunity to make investments and continued to make a high level of investments compared to other major Japanese venture capital firms with cumulative investments of ¥255,752 million during the Track Record Period. Our Company has recently completed a public offering of Shares in June 2010 to raise capital to strengthen its financial position and accelerate investments in emerging markets where

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investment costs have declined, with ¥25.0 billion planned to be invested in emerging markets through overseas and domestic funds within two years. The total amount of net proceeds raised from the public offering was ¥35,308 million whereby our Company issued 3,112,000 Shares at the price of ¥11,346 per Share.

The net proceeds raised from the public offer in June 2010 were used for the following purposes:

- (i) approximately ¥15,000 million for the investment in domestic funds, overseas funds and promising companies; and
- (ii) approximately ¥10,000 million for the investment in overseas financial institutions.

The unused fund remaining from the net proceeds raised from the public offer in June 2010 was in the amount of approximately ¥10,000 million, which is expected to be invested in domestic funds, overseas funds, promising companies and overseas financial institutions.

- *Completion of initial deployment in emerging countries of financial services operations.* We have made capital investments in several financial institutions in emerging countries which we believe have growth potential for the Internet-based financial services market to provide a foundation for implementation and development of our Internet-based financial services business “ecosystem” in tandem with the respective economic development of those countries. These overseas investments include our 7.65% of voting stock in Tianan Insurance Company Limited in China, 40% equity interest in the Phnom Penh Commercial Bank Limited in Cambodia, 20% shareholding in Tien Phong Commercial Joint Stock Bank in Vietnam, and 9.99% equity interest in Commercial Bank of Ceylon PLC in Sri Lanka. We plan to acquire a 50% equity interest in OBIBANK, a commercial bank in Russia. The investment to be made by our Company in OBIBANK will be funded by net proceeds expected to be used to fund the financing of, and investment in, subsidiaries and affiliates which operate in the financial services business mainly through the Internet and overseas financial institutions. For further details of use of proceeds, see the section in this prospectus headed “Future Plans and Use of Proceeds”. The amount expected to be used for the purpose of our investment in OBIBANK has not yet been determined. In connection with such proposed acquisition, we have entered into a shareholders’ agreement with Metropol Investment Financial Company, Ltd. and its CEO on 14 February 2011. We plan to submit all necessary documentation to complete our application to acquire OBIBANK’s shares at an early date. We expect the processing of our application to take approximately two months. After our application has been processed, we plan to enter into a share transfer agreement with the existing shareholders of OBIBANK to complete our proposed investment in OBIBANK.

Synergies among various complementary businesses and strategic alliances, which help accelerate business growth and differentiate our product offerings from our competitors

We have established businesses in multiple industries under which numerous Group companies operate autonomously while offering synergies to other Group companies through integration by experienced management teams at the Group level. Furthermore, a network of strategic alliances has been forged with leading partners in Japan in complementary businesses. We believe that our business “ecosystem” not only promotes innovation through the sharing of expertise, capabilities and resources, but also helps accelerate business growth with differentiated offerings and access to customer bases of complementary businesses. For instance, our Internet banking business which is conducted through our joint venture, SBI Sumishin Net Bank, Ltd., seeks to leverage synergies with SBI SECURITIES Co., Ltd., SBI AutoSupport Co., Ltd. and SBI Credit Co., Ltd. and has achieved a single-year profit within three years of commencing operations compared to the five-year period normally needed by its major competitors in Japan. SBI Liquidity

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Market Co. Ltd, through which we conduct our foreign exchange trading business, was launched in November 2008. In the fiscal year ended 31 March 2010, it achieved higher revenue and operating income than MONEY PARTNERS GROUP CO., LTD., FX PRIME Corporation and MONEY SQUARE JAPAN, INC., all listed Japanese companies primarily focused on foreign exchange business, and contributed to a significant increase in the foreign exchange margin trading value at SBI SECURITIES Co., Ltd.

Large and diversified customer base providing significant growth opportunities

We have utilised the Internet to create new market segments which had not been served by our competitors who had traditionally only served their customers through face-to-face channels. Our utilisation of the Internet has allowed us to lower transaction costs for customers and extend our customer reach at low cost, which in turn has enabled us to attract new customers from untapped customer segments at low cost and grow our customer base rapidly. We aim to attract customers with high loyalty by focusing on creating new markets that offer a wide range of products at low cost and potential to contribute to our business growth. With a large diversified customer base consisting of existing customers of our various financial services and support businesses, together with access to the extended customer base of our alliance partners, we believe that there are significant growth opportunities for our financial services business.

Experienced and stable management teams and investment professionals with significant industry experience

We have an experienced and stable management team and investment professionals with strong experience in both financial services and Internet businesses. Our management team, led by our Representative Director and Chief Executive Officer, Yoshitaka Kitao, has played a fundamental role in building our business both organically and through acquisitions. Mr. Kitao has over 20 years of relevant experience with Nomura Securities Company Limited (野村證券株式會社) and over 10 years of relevant experience with SOFTBANK Group before our Company became independent from SOFTBANK Group in August 2006, while many of our other executives had assumed senior positions in SOFTBANK Group in the 1990's. Our management team has demonstrated long-term commitment to the Group with many team members having been with the Group since 2000. We believe their extensive experience and industry expertise have contributed significantly to new business generation and effective strategy execution of our Group businesses.

STRATEGIES

We take a pro-active role in enhancing the enterprise value of companies in our investment management business portfolio. We are constantly assessing how we can improve all of our operations in light of changing market conditions. The current economic crisis and adverse conditions in global stock markets, including Japan's present significant challenges. By maintaining our customer-centric principles, we also believe there are significant opportunities for us to grow and diversify our businesses in order to create a strong foundation for the future. Specific strategies we are implementing include:

Aggressively leveraging synergistic effects among the core financial services businesses to increase profitability

We intend to pursue the "pentagon management" business strategy by positioning securities, banking, non-life insurance, life insurance and payment settlement services as our five core financial services businesses, and capitalise on the synergistic effects among them to promote strong business growth and increase profitability through cross-selling and differentiated product offerings, in particular among securities, banking and credit card businesses. We intend to

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aggressively pursue synergy between our core financial services businesses and support businesses, as well as strategic alliances in the financial services “ecosystem” to further expand our core financial services businesses, including securities, banking, credit cards and auto insurance.

Pursuing aggressive investments and overseas expansion in China and other Asian emerging markets in order to increase the contribution of overseas earnings

We intend to aggressively expand our business in emerging markets, primarily in China and other Asian countries, with the objective of transforming our Group into a global organisation with the following two-prong strategy:

- Continuing to expand investment business through the establishment of investment structures with local partners and aggressive investments during period of low cost, with ¥25.0 billion planned to be invested through overseas funds within two years.
- Implementing and developing our Internet-based financial services business “ecosystem” in emerging markets with high growth potential under the slogan of “from Japan’s SBI to the world’s SBI”, generally to start with banking, and to be followed by securities and insurance businesses, primarily through capital investments in local financial institutions and joint ventures with local partners.

Advancing the integration of online and face-to-face services to become Japan’s largest financial products distributor capable of supplying low cost, optimal financial products

While the Internet will continue to be the primary channel for online transactions, we plan to advance the integration of online and face-to-face services, to expand our customer base and to increase product usage by our existing customers. We plan to adopt the low cost franchising model to expand the number of face-to-face outlets across Japan to complement the Internet, to attract new customers and provide more sophisticated product offerings that cannot be adequately served through the Internet, such as structured investment products and life insurance.

We do not expect to make substantial investment to expand the number of “face-to-face outlets” due to the following reasons:

- (i) we have already expanded “SBI Money Plaza” as the common infrastructure among our Group, which aims to provide various financial products in one location. These are primarily conversions of “SBI Housing Loan” shops operated under a franchise system by SBI Mortgage Co., Ltd. and certified securities brokers operated by offices of certified professional accountants, tax accountants and financial planner. Since the opening of the first “SBI Money Plaza”, the expansion has been rapid, and as of the end of January 2011, the total number of “SBI Money Plaza” was more than 200 in Japan; and
- (ii) we are focusing on broadening our sales channels through inter-industry alliances with companies such as GEO Corporation (a DVD rental and video game sales company) and Gulliver International Co., Ltd. (a used car trading company), both of which have widespread sales networks in Japan. Through such inter-industry sales channels, we can effectively approach customer groups that were previously unreachable.

The Directors consider that the development of face-to-face outlets will not incur a substantial investment amount and will not have immediate material impact to the risk involved, operating cost and net profit of the Group.

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Rationalising our corporate structure and cost base to focus on profit growth

Subject to changes in market conditions and the business environment, we intend to adopt the following guiding principles to focus on profitability after a decade of scale and scope expansion:

- Focus on key Group entities which are profitable and core to our future growth to further leverage synergies.
- Target profitability within three years for unprofitable companies and for new companies within three years from establishment. Companies showing no sign of profitability will be liquidated or sold.
- Only consider acquisition targets in the core business segments that are both profitable and can be expected to bring great synergies with the Group companies.
- Further reduce costs at head office by managing taxes on a global basis, revising personnel system and further rationalising selling, general and administrative expenses.

Enhancing Our Group's brand name recognition in overseas and domestic markets

We plan to enhance brand name recognition of "SBI" beyond the business community to retail customers of our financial services in both domestic and overseas markets. We have recently launched a television advertising campaign in Japan to promote a unified "SBI" brand image across all financial services of the Group and the common level of convenience and affordability offered to customers. We aim to strengthen brand awareness of "SBI" as a one-stop Internet-based financial services provider across a broadened customer base through more aggressive brand advertising targeted at retail customers.

BUSINESS SEGMENTS

Asset Management

Overview

Our asset management segment consists primarily of forming and managing venture capital funds, buyout and other funds in Japan and abroad. We believe we are one of the leading Japanese venture capital firms in terms of both investment amount and investment return. For the fiscal year ended 31 March 2010, asset under management totalled ¥181.2 billion and new fund investments totalled ¥59.5 billion, with ¥54.4 billion of investments by funds under management and ¥5.2 billion of direct investments through our Group. In addition, we made new investments totaling ¥37.1 billion during the six months ended 30 September 2010. We also make capital investments in promising companies for our own account, either directly or indirectly through managed funds, and provide mainly investment trust management services to individuals. The

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following tables set forth certain information relating to investments in our asset management segment as at and for the periods indicated:

Assets under management in our investment business

	Amount (¥ in millions)		Amount (¥ in millions)		Amount (¥ in millions)		Amount (¥ in millions)	
	Number of Companies	Number of Companies	Number of Companies	Number of Companies	Number of Companies	Number of Companies	Number of Companies	
Total investments made through	the fiscal year ended 31 March						the six months ended 30 September	
	2008		2009		2010		2010	
Stocks	¥37,379	97	¥24,664	52	¥18,981	72	¥12,562	52
Bonds with warrants.	3,029	5	1,613	3	2,725	12	169	2
Warrants	36	2	—	2	3	4	944	4
Others	56,151	71	55,737	48	32,660	44	12,622	30
Total	95,596	175	82,014	105	54,370	132	26,296	88
Total investments as at	31 March						30 September	
	2008		2009		2010		2010	
Stocks	¥133,028	224	¥127,454	240	¥143,604	330	¥147,699	319
Bonds with warrants.	5,541	9	2,984	5	2,921	14	2,405	10
Warrants	36	2	36	4	31	12	947	11
Others	12,609	40	11,021	34	7,369	40	8,555	42
Total	151,215	275	141,495	283	153,925	396	159,605	382

Direct investments by our Group

	Amount (¥ in millions)		Amount (¥ in millions)		Amount (¥ in millions)		Amount (¥ in millions)	
	Number of companies	Number of companies	Number of companies	Number of companies	Number of companies	Number of companies	Number of companies	
Total investments made through	the fiscal year ended 31 March						the six months ended 30 September	
	2008		2009		2010		2010	
Stocks	¥4,444	33	¥8,580	8	¥3,991	8	¥9,620	8
Bonds with warrants.	—	—	2,645	3	10	1	592	5
Warrants	—	—	—	—	—	—	—	—
Others	—	—	1,941	2	1,159	2	599	1
Total	4,444	33	13,166	13	5,161	11	10,810	14
Total investments as at	31 March						30 September	
	2008		2009		2010		2010	
Stocks	¥25,162	64	¥23,303	65	¥26,414	67	¥30,753	83
Bonds with warrants.	—	—	10	1	10	1	1,299	12
Warrants	—	—	—	—	—	—	—	—
Others	362	1	1,810	2	823	3	1,342	4
Total	25,524	65	25,123	68	27,247	71	33,395	99

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We target investments in a diversified portfolio of growth industries. We conduct our asset management business primarily through SBI Investment Co., Ltd., which establishes and manages venture capital investment funds, and SBI Asset Management Co., Ltd., which mainly provides investment trust management services, and also through other principal asset management business subsidiaries, SBI CAPITAL Co., Ltd. and SBI Capital Solutions Co., Ltd.

For the fiscal year ended 31 March 2010 and for the six months ended 30 September 2010, revenue from customers from our asset management business represented 16.2% and 16.7% of our total revenue from customers, respectively.

Investment fund management

We establish and manage a wide range of funds, primarily venture capital, buyout and other funds, that target investments in Japan and abroad in areas such as information technology, biotechnology and life sciences, broadband networks and mobile communications, media, energy and the environment. We have pursued a focused investment philosophy of investing in industries with medium-term and long-term growth prospects with the aim of achieving higher return while managing investment risks, as well as investing in emerging economies primarily in Asia to capture economic growth. Since the establishment of our asset management business, we have launched 50 venture capital funds and had invested in 762 investee companies and exited 123 investee companies as at 30 September 2010. This represented an exit rate of 16.1% as at 30 September 2010. As at 30 September 2010, the total amount of assets we managed under investment funds was ¥565.2 billion.

The following table shows the breakdown of our assets under management by investment type as at the dates indicated.

	As at 31 March			As at 30 September
	2008	2009	2010	2010
	(¥ in billions)			(¥ in billions)
Private equity and others				
Information technology/biotechnology ⁽¹⁾	120.5	120.5	129.1	123.5
Environment/energy ⁽¹⁾	7.4	6.8	8.4	8.0
Buyout/mezzanine ⁽¹⁾	34.8	35.2	37.9	43.6
Overseas ⁽¹⁾	91.5	53.6	68.7	103.2
Direct investments made by our Group	25.5	25.1	27.2	33.4
Sub-total	279.6	241.2	271.3	311.7
Investment trusts and others				
Investment trusts ⁽²⁾	57.7	31.0	39.8	40.2
Investment advisory ⁽²⁾	240.8	161.5	174.7	161.0
Investment companies ⁽²⁾	3.0	2.2	1.6	1.5
Sub-total	301.5	194.7	216.1	202.7
Real estate and others				
Real estate development ⁽³⁾	16.1	22.4	26.7	29.4
Completed properties ⁽³⁾	29.9	35.2	28.0	21.4
Sub-total	46.0	57.6	54.7	50.8
Total	627.1	493.5	542.1	565.2

Notes:

- (1) Figures reflect net assets at market value based on the most recent financial report for each fund as at the dates indicated.
- (2) Figures reflect net assets at market value as at the dates indicated.
- (3) Figures reflect the total amount of investments.

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The table below provides summary information with respect to each of our funds in Japan under management as at 30 September 2010, using information based on settlement of account data (including quarterly results) closest to 30 September 2010 for each company:

Management company (percentage of our shareholding interest)	Fund name	Launch date	Expiry date	Net asset value ⁽¹⁾ (¥ in millions)	Number of investee companies	Main investment target	Our Group's outstanding planned investment as at 30 September 2010 (¥ in millions)
SBI Investment Co., Ltd. (100.0%)	SBI Broadband Fund #1, Limited Liability Investment Partnership	1 October 2004	31 August 2011	¥25,462	127	Investment in broadband companies in Japan and overseas.	0
	SBI BB Media, Limited Liability Investment Partnership	24 March 2005	30 June 2012	14,489	97	Investment in companies related to content, media, and broadband in Japan and overseas.	0
	SBI BB Mobile Investment LPS	30 March 2006	31 December 2011 (extendable to 31 December 2013)	28,093	106	Investment in mobile technology companies in Japan and overseas.	0
	SBI REAL INCUBATION #1, Limited Liability Investment Partnership	1 September 2003	31 August 2011 (extendable to 31 August 2013)	970	17	Investment in franchise enterprises.	0
	BIOVISION Life Science Fund #1	24 December 2003	30 September 2012 (extendable to 30 September 2014)	2,981	13	Mainly investment in Japan and overseas companies that engage in biotechnology business.	0
	SBI Bio Life Science, Limited Liability Investment Partnership	1 August 2005	30 November 2012 (extendable to 30 November 2014)	4,602	22	Mainly investment in Japan and overseas companies that engage in biotechnology business.	0

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Management company (percentage of our shareholding interest)	Fund name	Launch date	Expiry date	Net asset value ⁽¹⁾ (¥ in millions)	Number of investee companies	Main investment target	Our Group's outstanding planned investment as at 30 September 2010 (¥ in millions)
	SBI LIFE SCIENCE TECHNOLOGY INVESTMENT LPS	1 March 2007	1 March 2015 (extendable to 30 November 2017)	8,673 ⁽²⁾	15	Mainly investment in Japan and overseas companies that engage in biotechnology business.	0
	SBI NEO Technology Investment Partnership	1 July 2008	31 December 2013 (extendable to 31 December 2015)	9,814 ⁽³⁾	26	Mainly investment in Japan and overseas information technology/ environment related companies (listed and unlisted).	2,520
	SBI Advanced Technology No.1 Investment LPS	20 April 2010	31 December 2018 (extendable to 31 December 2020)	1,600	—	Mainly investment in Japan and overseas information technology/ biotechnology/energy and environment related companies (listed and unlisted).	100
	SBI Selective Target Investment LPS	2 February 2010	31 January 2013 (extendable to 31 January 2015)	890	2	Domestic companies which we have already invested in and have much potential to be listed.	0
	SBI Innovation Fund No.1	31 March 2010	30 June 2020 (extendable to 30 June 2022)	2,980	8	Mainly investment in Japan companies (listed and unlisted).	0

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Management company (percentage of our shareholding interest)	Fund name	Launch date	Expiry date	Net asset value ⁽¹⁾ (¥ in millions)	Number of investee companies	Main investment target	Our Group's outstanding planned investment as at 30 September 2010 (¥ in millions)
	SBI Entertainment Fund No.2	31 March 2010	30 June 2015 (extendable to 30 June 2017)	2,100	2	Mainly investment in Japan and overseas companies (listed and unlisted).	0
SBI BROADBAND CAPITAL K.K. (100.0%)	SBI BROADBAND CAPITAL, Anonymous Investment Partnership	1 September 2004	31 August 2011	15,427	122	Investment in broadband companies in Japan and overseas.	0
SBI CAPITAL Co., Ltd.(100.0%)	SBI Value Up Fund No. 1 Limited Partnership	1 September 2006	30 November 2014 (extendable to 31 August 2016)	21,239	5	Buy-out, revitalisation and minority investment in public equities.	2,286
SBI Capital Solutions Co., Ltd. (100.0%)	SBI Mezzanine Fund #2	12 April 2005	31 January 2013 (extendable to 31 March 2015)	9,829	16	Investment in companies in Japan and overseas that require DIP financing.	6,399
	Metropolitan Enterprise Revitalization Fund, Limited Liability Investment Partnership	13 March 2006	31 January 2011 (extendable to 31 January 2013)	2,671	9	Investment in companies in the Tokyo Metropolitan area that require DIP financing.	180
	SBI Mezzanine Fund #3	30 October 2008	31 January 2016 (extendable to 31 March 2018)	7,397	19	Investment in companies in Japan and overseas that require DIP financing.	4,745
	Metropolitan Enterprise Revitalization Fund, Limited Liability Investment Partnership #2	10 September 2009	31 January 2016 (extendable to 31 March 2018)	2,738	17	Investment in companies in the Tokyo Metropolitan area that require DIP financing	130

Notes:

- (1) Net asset value is book value, provided that in the case of an investment which has declined significantly, net asset value is the value after write-off for impairment loss based on the acquisition cost or the amount of the initial investment for a fund that has not yet had its first settlement of accounts.
- (2) The figure includes the value for SBI LIFE SCIENCE TECHNOLOGY No2 INVESTMENT LPS.

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(3) Aggregate net asset value for SBI NEO Technology A Investment Partnership and SBI NEO Technology B Investment Partnership.

The following table sets forth the historical performance of our fully redeemed funds as at 30 September 2010.

Year of establishment	Year of redemption	Name of fully redeemed funds	Net internal rate of return ⁽¹⁾
<i>Established between 1990 and 1999</i>			
1995	2007	Softven No.2 Limited Partnerships ⁽²⁾	20.4%
1996	2003	SOFTBANK Ventures SV Angel '96 Profit-Participation Bonds ⁽²⁾	20.5%
1997	2007	SOFTBANK Contents Fund	5.0%
Average net internal rate of return:			15.3%
<i>Established between 2000 and 2010</i>			
2000	2008	SOFTBANK Internet Technology Fund	6.5%
2001	2006	SBI-LBO-Fund No.1	18.3%
2002	2006	Enterprise Restructuring Fund	25.7%
2002	2006	VR Enterprise Restructuring Fund	27.7%
Average net internal rate of return:			19.6%

Notes:

- (1) Net internal rate of return is calculated by regarding the actual cash flow in from investors as investments (cash-out), and cash distributions to investors as cash flow in (cash-in).
- (2) The original general partner of Softven No.2 Limited Partnerships was Softbank Investment Corporation, which is now SBI Investment Co., Ltd.
- (3) The original general partner of SOFTBANK Ventures SV Angel '96 Profit-Participation Bonds was Softbank Ventures, Inc. which is now SBI Investment Co., Ltd.

Venture capital funds

We manage venture capital funds that provide risk capital to promising companies in the areas of information technology, biotechnology, broadband networks, media and mobile communications, and the environmental and energy sectors. For example, as at 30 September 2010, we managed biotechnology funds with aggregate assets (based on investment commitments) of ¥20.3 billion and we established a fund in 2007 with assets of ¥7.5 billion that is currently making investments in the environmental and energy fields.

Venture capital funds are generally high-risk, high-return investment vehicles that involve investing in companies at an early stage in their development with the expectation of receiving a return from selling the investment, most commonly by either the investee company's shares become publicly-traded on a stock exchange or on an over-the-counter market, or upon or after a merger or acquisition of the investee company. Most of our venture capital funds and other funds take the form of limited partnerships established under the laws of Japan. The duration of a venture capital fund is normally set between five years and ten years.

For funds that we manage, we receive an establishment fee (which is a fixed fee paid upon the establishment of a fund), a management fee (which is derived as a fixed percentage of a fund's net asset value or committed capital value, depending on the terms of the respective funds, and is paid periodically throughout the life of a fund) and/or a success fee which is determined by reference to the capital gained by the funds, depending on the terms of the respective funds. The

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management fees and success fees are due immediately at the end of the relevant valuation period of the fund in each fiscal year. We earn additional investment income from investing our own capital alongside our investors. As at 30 September 2010, the total amount of assets we managed under venture capital funds was ¥131.6 billion.

Although our managed funds are primarily funded by outside investors, we have also invested in certain funds for our own account. We also make direct capital investments in companies, in addition to or separate from investments made through our managed funds. As at 30 September 2010, the aggregate amount of our investments (other than through our managed funds) in venture capital was approximately ¥33.4 billion.

The outside investors of most of our managed funds primarily consist of large Japanese corporations, Japanese financial institutions and, to a lesser extent, wealthy individuals and foreign companies. We generally solicit outside investors directly.

Overseas funds and investments

In recent years, we have established a number of funds targeting investments outside of Japan, and in February 2007 we established a subsidiary, SBI VEN CAPITAL PTE. LTD., in Singapore to manage and control our overseas funds, primarily targeting promising privately-held companies in India and southeast Asian countries. Our overseas funds focus on high-growth sectors, such as information technology, biotechnology, financial institutions and others, primarily in Asian countries, Russia and Eastern Europe with rapidly growing economies. In recent years, we have increased our investments in these sectors and regions and have established a number of strategic alliances with local partners, providing us with the framework for a highly productive asset management structure that does not rely solely on markets in Japan and increasing the international scale of our asset management platform.

In May 2005, we established NEW HORIZON FUND L.P. with an initial fund investment of US\$100 million in collaboration with Temasek Holdings, the principal investment arm of the Singaporean government. The fund has invested in a portfolio of Chinese companies by way of our Beijing representative office, which we opened in September 2005. The NEW HORIZON FUND L.P. has investments in ten promising companies in China, eight of which have achieved public listings with unrealised capital gains above the fund's original investment. Sales of some of the holdings in that fund in an amount of approximately ¥2.2 billion and ¥1.3 billion contributed to our operating income in the fiscal year ended 31 March 2010 and the six months ended 30 September 2010, respectively. As at 30 September 2010, the total amount of assets we managed under our overseas funds was ¥103.2 billion.

Our other overseas funds and alliances include: THE VIETNAM JAPAN FUND, established pursuant to an alliance with The Corporation for Financing and Promoting Technology, an information technology group in Vietnam; SBI European Fund, established in cooperation with a wholly-owned subsidiary of the Hungarian Development Bank; and alliances with an affiliate of Beijing-based Tsinghua University (清華大學) and with the strategic investment arm of Peking University (北京大學). In March 2009, we launched the SBI Zhaoxin L.P. with China Merchants Securities Company Limited (招商證券股份有限公司), Resource Capital China Limited and China CITIC Bank Corporation Limited (中信銀行股份有限公司). In May 2010, we launched SBI-METROPOL Investment Fund with IFC METROPOL, a Russian financial group. We have also started relationship-building in Islamic countries, and have reached agreements to establish joint funds with the investment vehicle of the Ministry of Finance of Brunei to make shariah-compliant investments in Asia. In August 2010, we agreed to jointly establish a fund with Jardim Botânico Investimentos that will focus on investments in non-listed companies in Brazil. We have also established funds with New York-based Jefferies Group, Inc. to invest in companies in the United States and Asia.

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The following table sets forth summary information of our primary overseas funds as at 30 September 2010:

Fund name (percentage of our shareholding interest in fund management company)	Partners	Planned total investment amount ⁽¹⁾ (millions)	Our Group's investment ⁽²⁾	Main Investment Target	As at 30 September 2010, our Group's outstanding planned investment
NEW HORIZON FUND, L.P. (25.0%)	Temasek Holdings	US\$100	50.0%	Investment in promising companies in China	US\$2 million
SBI & TH Venture Capital Enterprise (50.0%)	Tsinghua Holdings (清華控股)	US\$34.5	87.1%	Investment in promising companies in China	0
SBI & BDJB China Fund, LP (40.0%)	Peking University Beida Jade Bird (北京北大青島)	US\$100	50.1%	Investment in promising companies in China	US\$35 million
SBI Zhaoxin L.P. (Offshore: 85.7%; Onshore: Nil)	<ul style="list-style-type: none"> • China Merchants Securities • Resource Capital China • China CITIC Bank 	Offshore: US\$20.5 Onshore: US\$8.8	100% offshore amount	Investment in unlisted companies in China	US\$19.5 million
SBI & Capital 22 JV Fund, L.P. (Taiwan Fund) (60.0%)	Founder of a Taiwanese information technology company	US\$22.5	66.7%	Investment in unlisted companies in China and Taiwan	US\$10.5 million
India Japan Fund (50.0%)	State Bank of India	US\$100	95.0%	Investment in promising companies in India	US\$86.4 million
THE VIETNAM JAPAN FUND (49.3%)	The Corporation for Financing and Promoting Technology	VND ⁽⁴⁾ 1,600,000	96.0%	Investment in promising companies in Vietnam	VND786,400 million
SBI SOI Limited Partnership (100.0%)	Keio University (慶應義塾大學)	¥500	100.0% ⁽³⁾	Investment in Asian university ventures	¥500 million
PNB-SBI ASEAN Gateway Fund L.P. (50.0%)	PNB Equity Resource Corporation	US\$50	50.0% ⁽³⁾	Investment in promising companies in ASEAN countries, China, and India	US\$23.8 million
SBI Islamic Fund (Brunei) Limited (50.0%)	Brunei Darussalam, Ministry of Finance	SGD ⁽⁵⁾ 75	50.0% ⁽³⁾	Investment in Shariah-compliant companies	SGD37.5 million
SBI-Jefferies Asia Fund L.P. (80.0%)	Jefferies Group, Inc.	US\$50	80.0% ⁽³⁾	Investment in promising companies in South Asia and Southeast Asia	US\$40 million

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Fund name (percentage of our shareholding interest in fund management company)	Partners	Planned total investment amount ⁽¹⁾ (millions)	Our Group's investment ⁽²⁾	Main Investment Target	As at 30 September 2010, our Group's outstanding planned investment
Jefferies-SBI USA Fund L.P. (50.0%)	Jefferies Group, Inc.	US\$150	50.0% ⁽³⁾	Investment in unlisted companies in the US	US\$66.3 million
SBI European Fund (60.0%)	MFB Invest Ltd., a wholly-owned subsidiary of the Hungarian Development Bank	€100	60.0%	Investment in unlisted companies in Hungary and other countries in Central and Eastern Europe	EUR48 million

Notes:

- (1) In US dollars, unless otherwise indicated.
- (2) The Group's investment of respective fund is based on settlement of account data (including quarterly results) closest to 30 September 2010 or data as of a launch date for a fund that has not yet had its first settlement of accounts.
- (3) Fund that has not yet had its first settlement of accounts.
- (4) Vietnamese dong, the lawful currency of the Socialist Republic of Vietnam.
- (5) Singapore dollars, the lawful currency of the Republic of Singapore.

As at 30 September 2010, overseas investments represented approximately 6.9% of our total investments by funds under management.

The Group has a controlling stake over the "domestic" funds because the Group's subsidiaries have managed these funds as the general partner. The Group does not expect to acquire a controlling stake over the "domestic" funds for which the Group does not already hold a controlling stake. Also, the Group has certain controlling stakes over the "overseas" funds because the Company has managed these funds with local partners in emerging markets and the United States. The Group does not have controlling stake over Jefferies SBI USA Fund L.P. and MASDAR-SBI Fund L.P. The general partner of Jefferies SBI USA Fund L.P. is not one of the Group's consolidated subsidiaries and the Company currently has no plan to acquire a controlling stake over such fund. As for MASDAR-SBI Fund L.P., its general partner is not one of the Group's consolidated subsidiaries. MASDAR-SBI Fund L.P. will also be liquidated. The liquidation of MASDAR-SBI Fund L.P. and its general partner will have negligible impact on the financial condition of the Group because MASDAR-SBI Fund L.P. is not a consolidated subsidiary or affiliate company of the Group and has been dormant since its incorporation. The Group does not expect to acquire a controlling stake in the "overseas" funds for which the Group does not already hold a controlling stake. The total amount of outstanding planned investment to be made on the existing overseas and domestic funds of the Group was approximately ¥51,800 million as at 30 September 2010 and ¥47,500 million as at the Latest Practicable Date. No material domestic or overseas funds were established or scheduled to be established by the Group after 1 October 2010 up to the Latest Practicable Date.

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Buyout investments

SBI CAPITAL Co., Ltd. manages buyout funds that invest primarily in medium-sized companies that are already listed on stock exchanges in the emerging markets, as well as in companies that we consider to have high growth potential. We make buyout investments in companies in various industry sectors. Examples of prior success in our buyout investments include: (i) our relisting of KAWADEN CORPORATION for the first time in Japan in November 2004, which had filed an application for rehabilitation procedures in September 2000 and had been delisted from December 2000, and (ii) our purchase of 29% of the outstanding shares of Tully's Coffee Japan Co., Ltd., which was the operator of the nationwide chain of "Tully's Coffee", and our subsequent sale of all the shares at a price of 1.67 times the acquisition cost in June 2007. In addition, from September 2009 to November 2009, we executed a tender offer to purchase 90.5% of the shares of NARUMIYA INTERNATIONAL Co., Ltd., an existing investee company. We aim to improve our earning power and to secure investment returns by expanding businesses in China with continued high growth.

When making buyout investments, we seek to increase corporate value of targeted companies by taking measures such as spin-offs of non-core businesses to management by a management buyout, the acquisition of a majority shareholding interest of a company with no successor, appointment of a new management team, review of growth strategy, enterprise restructuring, among other measures.

We take a hands-on approach with respect to our buyout investments. In most cases, we despatch full-time managers to investee companies, and commit ourselves to working alongside the executives and employees of the investee companies to assist with business planning and management of their business. We target a higher rate of return in our buyout investments compared to mezzanine investments as buyout investments generally entail a higher risk.

Mezzanine investments

SBI Capital Solutions Co., Ltd. is engaged in investment businesses including mezzanine investments and enterprise restructuring finance.

Mezzanine investments generally refer to investments in subordinated loans as a hybrid of debt and equity financing, or preference stocks. However, we define it as "middle-risk middle-return investments positioned between conventional loans from banks and major nonbanks and funding through stocks", and primarily engage in investments in debtor-in-possession, or DIP, the infusion of new capital for enterprises that face difficult conditions trying to restructure through voluntary measures, and debt factoring for enterprises that have good restructuring potential. We make mezzanine investments in companies in various industry sectors.

DIP finance refers to financing for enterprises taking legal bankruptcy measures in Japan either under voluntary liquidation, the Civil Rehabilitation Act (rehabilitation proceedings applicable to all natural and legal persons) or the Corporate Reorganisation Act (reorganisation proceedings applicable to corporations, and under the proceedings such corporations are managed by an appointed administrator). This financing method requires a wide range of expertise, from the designing of a restructuring scheme to measures to cope with difficulties when the restructuring process does not go well. Skills to make a proposal and negotiate with various related parties including corporate managers, lawyers and accountants are required.

We seek to quickly realise capital results as DIP finance and investments and loans for near bankrupt firms are generally executed in the short-term (around one year). We target a higher rate of return in our mezzanine investments compared to normal bank loans and real estate investments as mezzanine investments generally entail a higher risk.

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Investment process and business development service

We believe we have a competitive advantage for sourcing new investment opportunities as a result of our internal deal generation strategies and industry expertise. In addition, we source investment opportunities from the advisory board of our funds, which is not a permanent organisation but is convened as necessary. We have an advisory board for each of our funds, which consists of representatives of the limited partner of the relevant fund who also act as our advisers in the investment process. We also maintain relationships with executives from companies, commercial and investment banks and other investment and advisory institutions.

To enhance our ability to identify and consummate venture capital investments, we have organised our investment professionals in industry-specific teams. Our industry teams work closely with our operating consultants and senior advisers to identify businesses that we believe can be grown and improved. These teams conduct their own primary research, develop a list of industry themes and trends, identify companies and assets in need of operational improvement and seek out businesses and assets that they believe will benefit from our involvement. We believe they possess a professional understanding of the economic drivers, opportunities for value creation and strategies that seek to improve companies across the industries in which we invest.

When an investment team determines that an investment proposal in respect of an investment fund is worth consideration, the proposal is formally presented to our pre-investment committee and the due diligence process commences. Our pre-investment committee consists of our directors and staff, the relevant advisory board and other professionals appointed by us. Members of our pre-investment committee are either directors or managers of SBI Investment Co., Ltd. who have extensive experience in venture capital business, incubation, credit evaluation and management or individuals from other leading companies in the information technology, biotechnology, pharmaceutical or financial industry.

The objective of the due diligence process is to understand and evaluate the risks and benefits of an investment based on the facts and circumstances surrounding an investment and to prepare a framework that may be used from the date of an acquisition to drive operational improvement and value creation. When conducting due diligence, investment teams evaluate a number of important business, financial, reputational, tax, accounting, environmental and legal issues in order to determine whether an investment is suitable. In connection with the due diligence process, investment professionals spend significant amounts of time meeting with a company's management and operating personnel, visiting plants and facilities and where appropriate speaking with customers and suppliers in order to understand the opportunities and risks associated with the proposed investment. Our investment professionals also use the services of outside accountants, consultants, lawyers, investment banks and industry experts as appropriate to assist them in this process. An investment proposal and the investee company must be approved by the investment committee, which consists of directors and officers of SBI Investment Co., Ltd., as well as our major limited partners, before any investment may be made. The above investment process is adopted for purposes of assessing the investment proposal in respect of the relevant investment fund. Therefore, it does not apply to our Group's proposed use of net proceeds for investments in funds established by our subsidiaries and overseas funds established with local partners, and for financing and investing in subsidiaries and affiliates which operate in the financial services business as discussed in this prospectus in the section headed "Future Plans and Use of Proceeds".

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We have established a system to provide fundraising support to investee companies which contemplate initial public offerings. We seek to achieve this by leveraging the network strength of SBI Investment Co., Ltd., one of Japan's largest venture capital firms in terms of assets under management with a strong record in venture company investments, with the sales capability and investment banking strength of SBI SECURITIES Co., Ltd., Japan's largest online brokerage in terms of number of accounts, retail trading value and total stock brokerage trading value.

We despatch Executive Officers to investee companies and offer management instruction and advice in accordance with the investee companies' needs. In this process, we make a proposal for business alliances that facilitate corporate value enhancement, introduce potential employees and provide the necessary support to establish internal management structure and capital policies.

We have developed substantial expertise for realising venture capital investments. When exiting investments, our objective is to structure the exit in a manner that optimises returns for investors and, in the case of publicly traded companies, minimises the impact that the exit has on the trading price of the company's securities. In addition, where an investee company decides to offer its shares to the public, SBI SECURITIES Co., Ltd., a principal company operating in our brokerage and investment banking business, will usually act on such offering as an underwriter. We believe that our track record of successfully realising investments is attributable in part to the strength and discipline of our portfolio management committee and capital markets business, as well as our longstanding relationships with corporate buyers and members of the investment banking and investing communities. Since the establishment of our asset management business, 123 of our investee companies have completed exit, primarily in Japan. For the fiscal years ended 31 March 2008, 2009 and 2010, we had exited 12, nil and 8 investments under our venture capital funds, respectively, with a total realised capital gain of ¥23,232 million, ¥12,938 million and ¥10,096 million, respectively.

Our customers

The aggregate assets under management of the top five customers were less than 30% of total assets under management for each of the three fiscal years ended 31 March 2010 and for the six months ended 30 September 2010.

Sales and marketing

There are two types of sales and marketing activities for our asset management business: (i) sales and marketing activities with respect to fund raising for our investment funds (such as venture capital funds); and (ii) sales and marketing activities relating to distribution of our investment trust funds (such as mutual funds targeted at retail investors).

We have established a marketing planning division consisting of 16 staff members, which is primarily responsible for fund raising and limited partner reporting activities of our investment funds in Japan. We raise capital for our investment funds principally through reaching out to our target investors directly by our staff in the marketing planning division. With respect to domestic funds, we have entered into agency agreements with several securities corporations in Japan which provided us with introductions to potential investors. We have also partnered with several overseas placement agents to raise capital for our overseas funds.

With respect to sales and marketing activities relating to distribution of our investment trust funds in Japan, we engage external distributors and agents such as SBI SECURITIES Co., Ltd. These distributors and agents are primarily securities companies and banks.

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Our suppliers

Due to the nature of our asset management business, we do not have any major suppliers.

Brokerage and Investment Banking

Overview

We provide a wide range of retail brokerage and other financial products and services to our customers, including access to financial assets such as equity securities, debt securities, foreign exchanges, insurance and investment trust funds. Our main subsidiaries and affiliates operating in this segment include SBI SECURITIES Co., Ltd., SBI Japannext Co., Ltd. (equity-method affiliate) and SBI Liquidity Market Co., Ltd. In addition to the brokerage business, we also provide a broad range of investment banking services, including the underwriting of initial public offerings and corporate bonds through SBI SECURITIES Co., Ltd.

Our brokerage business has been centered on the operations of SBI SECURITIES Co., Ltd., a comprehensive Japanese online securities firm, which endeavours to offer investors innovative fee schedules, state-of-the-art functionality, and a broad range of services. SBI SECURITIES Co., Ltd. is a market leader in the Japanese online securities industry in terms of customer accounts, clients' assets, retail trading value (individual investors) and total stock brokerage trading value. As at 31 March 2010, SBI SECURITIES Co., Ltd. had 2,053,986 customer accounts, over one million more such accounts than its closest online securities company competitor and as at 30 September 2010, SBI SECURITIES Co., Ltd. had a total of 2,128,426 customer accounts with balance of client assets totalled ¥3,867.2 billion. In the fiscal year ended 31 March 2010 and the six months ended 30 September 2010, SBI SECURITIES Co., Ltd.'s share of stock brokerage trading value was 35.4% and 37.2%, respectively. In the fiscal year ended 31 March 2010 and the six months ended 30 September 2010, SBI SECURITIES Co., Ltd.'s share of retail margin trading value was 39.8% and 41.1%, respectively.

SBI SECURITIES Co., Ltd. was formed through the merger of SBI Securities Co., Ltd. and SBI E*TRADE SECURITIES Co., Ltd. in October 2007, with SBI E*TRADE SECURITIES Co., Ltd. being the surviving entity. SBI E*TRADE SECURITIES Co., Ltd. changed its name to SBI SECURITIES Co., Ltd. in July 2008 and became our wholly-owned subsidiary through a share exchange in August 2008. This restructuring of our securities subsidiaries was prompted by our goal of creating a comprehensive securities business based on combined Internet and conventional branch-based service channels.

Our brokerage and investment banking business derives its revenue mainly from brokerage commissions from securities transactions, underwriting and sales fees for initial public offerings, commissions for the placement and distribution of securities, and profits from foreign exchange margin trading. For the fiscal year ended 31 March 2010 and for the six months ended 30 September 2010, brokerage commissions from equity trading by our customers accounted for 42.3% and 36.4%, respectively, of the net sales of our brokerage and investment banking business. Most of the products and services of this business can be purchased or accessed through SBI SECURITIES Co., Ltd.'s website (www.sbisec.co.jp). During the Track Record Period, most customer orders were placed through the Internet.

In addition to an online platform to provide services through its Internet website, SBI SECURITIES Co., Ltd. operates 23 branches throughout major cities in Japan to act as face-to-face financial intermediary channels for existing and potential customers. We also operate a customer call center through which our customers can place orders, as well as receive technical support regarding their accounts and our products.

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For the fiscal year ended 31 March 2010 and for the six months ended 30 September 2010, revenue from customers from our brokerage and investment banking business represented 37.7% and 36.4% of our total revenue from customers, respectively.

Brokerage

We offer a wide variety of retail brokerage and other financial products and services to our customers through both online and bricks and mortar marketing channels. Brokerage commissions from equity trading by our customers accounted for the majority of our net sales in this segment for the three fiscal years ended 31 March 2008, 2009 and 2010 and the six months ended 30 September 2010. As a distributor we also offer to our customers bonds, futures, options, investment trusts, exchange traded funds and investment-type annuity policies as well as broker use of foreign exchange trades.

Securities

We continue to pursue our aim of a comprehensive securities business based on combined Internet and conventional branch-based service channels. As at 30 September 2010, SBI SECURITIES Co., Ltd. had 2,128,426 customer accounts and a network of 23 branch offices in Japan.

As at 30 September 2010, SBI SECURITIES Co., Ltd. continued to maintain the top level position in total stock brokerage trading value (a measure that includes conventional as well as online securities firms) at ¥8,730 billion for the six months ended 30 September 2010, and it has consistently held the top level position since surpassing Nomura Securities Co., Ltd. in the fourth quarter of the fiscal year ended 31 March 2005. Furthermore, SBI SECURITIES Co., Ltd.'s rate of increase in customer accounts continues to greatly exceed its competitors. Despite the downturn in the Japanese securities markets and related decrease in retail trading value, SBI SECURITIES Co., Ltd.'s number of customer accounts increased by 74,440 in the six months ended 30 September 2010, as compared to an increase of 67,531 accounts for its closest online securities company competitor. We believe SBI SECURITIES Co., Ltd. offers stock brokerage commission rates at the lowest levels in the industry in Japan, as well as among the industry's broadest range of services, allowing it to attract a large number of customers falling outside the high net worth individual category that conventional securities firms primarily target. The products and services we offer include HYPER SBI, a real-time trading tool, as well as HYPER MOBILE, the mobile phone version, each of which feature advanced trading functions to support active trading, and ATM cards such as cash cards and the SBI SECURITIES JCB card.

We enable our customers to purchase or access our securities products and services through our Internet website. Many of our products and services are also available via Internet-enabled mobile phones. In addition to our Internet-based securities business, we operate a customer call center, through which our customers are able to place orders as well as receive technical support and answers to questions regarding their accounts and our products, and a branch network

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featuring both wholesale and retail operations as well as seminars and private banking services. The table below sets forth certain operating data for SBI SECURITIES Co., Ltd. as at the dates indicated:

	As at or for the month ended					
	31 March 2008	30 September 2008	31 March 2009	30 September 2009	31 March 2010	30 September 2010
Number of securities accounts	1,662,051	1,735,589	1,866,508	1,956,746	2,053,986	2,128,426
Number of margin trading accounts . . .	169,443	179,964	192,015	202,810	214,274	221,834
Average daily retail trading value (¥ in millions)	289,873	274,770	202,390	202,461	197,227	137,383
Average daily proprietary trading system trading value (¥ in millions)	1,003	1,066	3,173	9,209	3,576	9,990
Monthly foreign exchange trading value (¥ in billions)	582	2,550	5,228	4,681	4,194	5,695
Client assets (¥ in billions)	3,755	3,230	2,980	3,714	4,093	3,867

We enable our customers to buy and sell stocks listed on the TSE, OSE, Nagoya Stock Exchange, Fukuoka Stock Exchange and Sapporo Securities Exchange. We also enable our customers to trade in real estate investment trusts and exchange traded funds that are listed on stock exchanges in Japan.

Revenue from our stock brokerage business for the fiscal year ended 31 March 2010 and for the six months ended 30 September 2010 were ¥19,524 million and ¥8,051 million, respectively.

Margin lending

We extend margin loans to our customers. Customers who wish to trade on margin must first deposit ¥300,000 in cash or securities in a separate account as collateral. The deemed value of securities deposited as collateral is adjusted in accordance with our internal policies as well as applicable laws and regulations. Once a customer is authorised for margin trading, we will extend margin loans so long as the customer maintains the required collateral in the collateral account. We require that customers provide collateral the deemed value of which, minus any net loss in the value of securities purchased on margin, is at least 33.0% of the outstanding principal and accrued interest of the margin loan. In the event that the collateral minus any net valuation loss of the securities bought on margin becomes less than 30.0% of the margin loan, we require customers to deposit cash or collateral to bring the total deemed value of the collateral to at least 30.0%. This 30.0% margin call is higher than the rate at which margin calls are required by Japanese regulations, which is currently 20%. If a customer fails to satisfy the margin call within the specified period, we liquidate the collateral and the securities purchased on margin and apply the proceeds towards paying off the customer's debts. In order to assist customers in managing their margin risk, we offer real time margin monitoring and calculation tools. In the event that a margin call is

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necessary, margin calls are made by us by email. Margin transactions have increased rapidly in recent years, generating increased commissions as well as interest on the margin loans. For the fiscal year ended 31 March 2010, SBI SECURITIES Co., Ltd. held a 39.8% share of the Japanese retail margin trading market by value.

Investment trusts

Mutual fund investments in Japan take the form of interests in investment trusts. Our policy is to offer select funds managed by third parties that permit our customers to diversify their investment risk across various financial products and markets. The investment trusts we offer include money market funds, Japanese bond funds, Japanese stock funds, international stock funds, international bond funds and balanced funds. As at 30 September 2010, the market value of our customers' investment trust account balances totalled ¥420 billion.

Revenue from commissions for sales of investment trusts for the fiscal year ended 31 March 2010 and for the six months ended 30 September 2010 was ¥1,267 million and ¥897 million, respectively. In addition to initial sales commissions, in some cases we also receive recurring fees from the fund sponsor as a percentage of the aggregate investment in a particular fund by our customers. Recurring fees for the fiscal year ended 31 March 2010 and for the six months ended 30 September 2010 was ¥1,428 million and ¥730 million, respectively.

Foreign exchange trading

Foreign exchange trading is a part of our drive to diversify our profit structure in order to stabilize earnings. From July 2008, we offered free foreign exchange margin trading services and narrowed spreads, resulting in higher trading values.

In November 2008, our wholly-owned subsidiary, SBI Liquidity Market Co., Ltd., began offering its market infrastructure services for foreign exchange covering transactions to financial instruments business operators, including SBI SECURITIES Co., Ltd. By establishing SBI Liquidity Market Co., Ltd., we brought within our Group a function previously conducted through outside counterparties, capturing the profits of foreign exchange covering transactions. SBI Liquidity Market Co., Ltd.'s operating revenues totalled ¥10,574 million in the fiscal year ended 31 March 2010 and for the month of March 2010, monthly average trading volume through SBI Liquidity Market Co., Ltd. was ¥4,194 billion.

Also in November 2008, SBI SECURITIES Co., Ltd. launched "SBI FX α ", a new foreign exchange service utilising SBI Liquidity Market Co., Ltd. Customers are able to trade in up to 20 pairs of currencies, providing a larger selection of choices for greater leverage. In addition, using "SBI FX mini", customers are permitted to buy and sell in blocks one-tenth of the normal minimum. As at 30 September 2010, there were 163,996 SBI FX customer accounts. Primarily as a result of the above initiatives, SBI SECURITIES Co., Ltd.'s monthly foreign exchange margin trading value increased to ¥5,695 billion in September 2010, approximately 1.2 times the trading value recorded in September 2009. We plan to expand the services of SBI Liquidity Market Co., Ltd. to major domestic banks and international financial institutions outside our Group as well as to SBI Sumishin Net Bank, Ltd. As at 30 September 2010, counterparties of SBI Liquidity Market Co., Ltd. include 19 major banks and international financial institutions.

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Customers are permitted to trade currencies on margin, but must maintain cash collateral at a ratio of their positions as revalued to market rates on a daily basis, and the required collateral varies according to the trading course as follows: (i) in the case of the “Standard Course”, 10% of the transaction amount and (ii) in the case of the “High Leverage 50 Course”, 2% of the transaction amount. Foreign currency trades are structured as two-day forward currency contracts with our customers which are automatically extended on a daily basis unless terminated by the customer. We enter into back-to-back transactions to mirror our customers’ foreign currency transactions and hedge our currency exposure on a net basis.

Total commissions from foreign exchange trading for the fiscal year ended 31 March 2010 and for the six months ended 30 September 2010 were ¥7,423 million and ¥3,541 million, respectively, or 14.8% and 14.6% of the net sales of our brokerage and investment banking business, respectively.

Proprietary trading system

We, through SBI Japannext Co., Ltd., and with the participation of two other securities companies, launched a proprietary trading platform that offers individuals the ability to execute trades off-exchange outside of normal trading hours in August 2007. We and the Goldman Sachs Group, Inc. own 47.4% and 37.0% of the shares in SBI Japannext Co., Ltd., respectively, with the remaining 15.6% of the shares being owned by six securities companies. This proprietary trading platform system matches customers’ buy and sell orders and permits our account holders to trade with other account holders with respect to the approximately 4,000 stocks (as at 30 September 2010) for which we offer this service. We expanded our off-exchange trading services to permit account-holding qualified institutional investors, as defined in the FIEA to sell to, or purchase from, our individual customers, shares at a price other than the closing price. Such institutional investors are able to make irrevocable offers to purchase or sell a certain number of shares at a price agreed with us that is higher, in the case of an offer to purchase, or lower, in the case of an offer to sell, than the closing price of such shares

We expanded our trading hours through SBI Japannext PTS to include weekday daytime trading from 8:20 a.m. to 4:30 p.m., in addition to the existing 7:00 p.m. to 11:59 p.m. trading period and 12:30 a.m. to 2:00 a.m. nighttime trading period in October 2008. Average daily trading value in the six months ended 30 September 2010 was ¥6.0 billion, with a peak monthly trading value of approximately ¥199.8 billion reached in September 2010. Trading volume for SBI Japannext Co., Ltd. has already exceeded that of competing systems in Japan that have been operating longer, with monthly trading value in September 2010 at ¥199.8 billion. The number of participating securities companies continues to rise, with 12 participants as at 30 September 2010, including domestic and foreign securities companies.

Cross-border trading

SBI SECURITIES Co., Ltd. began handling US stocks in August 2003, Hong Kong and Chinese stocks in March 2005, and Korean stocks in May 2005. In order to leverage the benefits of the Internet and facilitate real-time trading, SBI SECURITIES Co., Ltd. has reached agreements with Interactive Brokers LLC for US stock brokerage, with Kingsway Financial Services Group Ltd. for Hong Kong and Chinese stock brokerage, and E*TRADE Korea for Japan/Korea cross-border trading.

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Investment banking

We provide a broad range of investment banking services, including the underwriting of initial public offerings and corporate bonds through SBI SECURITIES Co., Ltd.

We were one of the first of the major online brokers in Japan to participate in public offerings as an underwriter. Acting as an underwriter, we are able to offer our customers the ability to subscribe for primary and secondary offerings of stock. In the event that customers oversubscribe for any offering, we allot shares to our customers in accordance with our computerised allocation system. Customers are not charged any commissions in connection with subscription for shares purchased in this manner, and we receive separate commissions from the issuer or selling shareholders in the offering.

From the fiscal year ended 31 March 2000 through the fiscal year ended 31 March 2010, SBI SECURITIES Co., Ltd. participated in a total of 537 initial public offering underwritings, with a peak of 121 initial public offering underwritings in the fiscal year ended 31 March 2007. However, the initial public offering level in Japan continues to remain low, with a five-year low of 11 initial public offerings in the fiscal year ended 31 March 2010. Despite being a slow year for initial public offerings in Japan generally, SBI SECURITIES Co., Ltd. participated as an underwriter in 11 initial public offerings during the fiscal year ended 31 March 2010 and five completed initial public offerings during the six months ended 30 September 2010.

Sales and marketing

In addition to utilising the Internet, our brokerage and investment banking business operates face-to-face channels consisting of 23 branches of SBI SECURITIES Co., Ltd. We employ a strategy of active utilisation of individual financial instruments intermediary service providers such as community-based financial planners and certified public accountants. In addition, we are developing our SBI Money Plaza shops as a common infrastructure among Group companies for our face-to-face channels. SBI Money Plaza shops offer Group financial products as well as third party financial products to customers. We currently have a network of over 200 predominately franchised SBI Housing Loan shops/SBI Money Plaza shops. Through integration of online and face-to-face services, we seek to become the largest financial products distributor in Japan. We also engage financial product brokers to act as agents for our products. Our marketing strategy is to build awareness of our brand and to promote our products and services as user-friendly, economical and effective tools for individual investors to trade in securities and access other financial products. We promote our brokerage and investment banking business through our websites, media relations and through business alliances as well as promotional campaigns.

Major customers and suppliers

Our principal customers of the brokerage and investment banking business consist of many individuals and corporate clients. As at 30 September 2010, we had 2,128,426 stock brokerage accounts.

Due to the nature of our brokerage and investment banking business, we do not have any major suppliers or customers.

BUSINESS

Financial Services

Overview

In our financial services business, we endeavour to build a revenue base that is not dependent on the stock market by broadly expanding the lineup of Internet-based financial services that we offer. By developing our Internet banking and Internet non-life insurance businesses and fully leveraging the synergistic effects among our Group companies, we aim to develop a stable revenue source that will contribute significantly to earnings growth. Our principle consolidated subsidiaries and affiliates operating in this segment are SBI Sumishin Net Bank, Ltd., SBI Insurance Co., Ltd., SBI Card Co., Ltd., Morningstar Japan K.K., Gomez Consulting Co., Ltd., SBI Servicer Co., Ltd., Autoc one K.K., SBI VeriTrans, SBI Lease Co., Ltd., SBI Business Support Corp., and SBI Credit Co., Ltd.

For the fiscal year ended 31 March 2010 and for the six months ended 30 September 2010, revenue from customers from our financial services business segment represented 19.6% and 21.5% of our total revenue from customers, respectively.

Internet banking

We conduct our banking business through SBI Sumishin Net Bank Ltd., an equity-method affiliate. In September 2007, we established SBI Sumishin Net Bank Ltd. jointly with Sumitomo Trust & Banking Co., Ltd., with ownership currently on a 50/50 basis. SBI Sumishin Net Bank, Ltd. is an innovative customer-oriented Internet bank focusing on the asset management and borrowing needs of individual customers and businesses. SBI Sumishin Net Bank, Ltd. which had a late start among Internet-based banks in Japan, achieved fast growth in the industry owing to its competitive interest rates on deposits, free transfers up to a certain number of transactions, highly convenient services in collaboration with SBI SECURITIES Co., Ltd. and its focus on asset management. Specifically, its alliance with SBI SECURITIES Co., Ltd. created a service called the "SBI Hybrid Deposit", which enables deposit balance to be used for stock trading and required collateral for margin trading. Customers with this account at SBI SECURITIES Co., Ltd. can transfer funds seamlessly to and from their securities account. This alliance has resulted in approximately 50% of individuals opening an account at SBI SECURITIES Co., Ltd. to simultaneously apply to open an account at SBI Sumishin Net Bank, Ltd. as at 30 June 2010, thus greatly contributing to the customer base of SBI Sumishin Net Bank, Ltd.

As at 31 March 2010, SBI Sumishin Net Bank, Ltd. had a total of 753,019 accounts, an increase of 334,530 accounts over the fiscal year. SBI Sumishin Net Bank, Ltd. achieved positive quarterly net income in less than two years since its establishment and recorded its first single-year profit in its third year of operation. SBI Sumishin Net Bank, Ltd.'s balance of total customer deposits was ¥1,193.9 billion as at 31 March 2010 and total loans issued was ¥442.4 billion as at the same date. The balance of total customer deposits and total loans issued increased to ¥1,403 billion and ¥565 billion as at 30 September 2010, respectively. The table below sets forth certain operating data for SBI Sumishin Net Bank, Ltd. as at the dates indicated:

	As at					
	31 March 2008	30 September 2008	31 March 2009	30 September 2009	31 March 2010	30 September 2010
Number of customer accounts	124,594	250,567	418,489	569,864	753,019	892,009
Total customer deposits (¥ in billions)	291.4	486.6	629.9	827.3	1,193.9	1,402.7
Total loans issued (¥ in billions)	26.5	97.1	219.8	327.3	442.4	565.3

BUSINESS

SBI Sumishin Net Bank, Ltd. won The Asian Banker's "Best Internet Only Bank" award in 2009, based in part on it having achieved US\$4.3 billion in deposits within only 11 months after having commenced operations. SBI Sumishin Net Bank, Ltd. was ranked second in the Nikkei Financial Institution category in its customer satisfaction survey in December 2009. SBI Sumishin Net Bank, Ltd. was also ranked first in the banking sector and fourth in the overall customer service ranking by the Service Productivity & Innovation for Growth, a service industry productivity council in Japan, in its Japanese Customer Satisfaction Index survey for the fiscal year ended 31 March 2010.

SBI Sumishin Net Bank, Ltd. offers an array of services and products, including Yen and foreign currency deposits, direct payment account services, fund settlement services and a variety of loans to individuals. It seeks to differentiate itself from its competitors by offering competitive interest rates, free ATM transactions for individuals and foreign currency deposits that permit placing orders at specific exchange rates. These competitive offerings are possible due to the cost savings SBI Sumishin Net Bank, Ltd. realises by not having to maintain physical branches. All account holders at SBI Sumishin Net Bank, Ltd. are eligible to apply for an ATM card permitting customers to withdraw cash from their accounts at ATMs throughout Japan. Customers may withdraw cash from their accounts with SBI Sumishin Net Bank, Ltd.

We believe an important aspect of the banking business is the management of assets deposited by customers. As such, we have expanded our Group of related companies supporting asset management. These include SBI AutoSupport Co., Ltd., which provides financial services such as auto loans through automobile dealerships, and SBI Receipt Co., Ltd., which is engaged in the medical care payment receivable factoring business.

Housing loans, unsecured consumer loans, auto loans, real estate-secured loans and medical service financing are the five pillars SBI Sumishin Net Bank, Ltd. is using to increase assets in line with its rapidly growing customer deposits. Housing loans surpassed ¥420 billion in loans issued about two and half years after commencement of operations. Unsecured consumer loans, guaranteed by ORIX Credit Corporation are offered with preferential interest rates as low as 5.5%. SBI Sumishin Net Bank, Ltd. also offers real estate-secured loans to individuals and corporations. In July 2010, we acquired SBI Credit Co., Ltd., a Tokyo-based financial services provider, as a guarantee company for auto loans, from Gulliver International Co., Ltd to complement our financial services business.

Non-life insurance and automobile-related services

We conduct our non-life insurance business through SBI Insurance Co., Ltd., a consolidated subsidiary. We own 65.5% of SBI Insurance Co., Ltd., Aioi Insurance Co., Ltd. owns 33.4% and SOFTBANK CORP. owns 1.1%.

SBI Insurance Co., Ltd. commenced operations in January 2008 and its core business is providing automobile insurance products, including voluntary automobile insurance and compulsory automobile liability insurance, primarily through the Internet. SBI Insurance Co., Ltd. seeks to offer the industry's lowest insurance premiums for automobile insurance products in Japan. The expansion of our non-life insurance business is supported by our automobile insurance estimate website and a new-car estimation and brokerage website, as well as other channels through our various inter-industry alliances. Our direct income from net insurance premiums (written basis) exceeded ¥5.0 billion for the fiscal year ended 31 March 2010 and we attained 133,000 cumulative insurance contracts for the same period (206,553 as at 30 September 2010).

BUSINESS

Our InsWeb insurance comparison and estimation website, which we launched jointly with InsWeb of the US in 1998, contributes to the growth of SBI Insurance Co., Ltd.'s business. InsWeb offers services as a neutral comparison website that provides users with automobile insurance estimates from over ten companies. It had approximately 3,280,000 cumulative users as at 31 March 2010 (approximately 3,605,000 as at 30 September 2010) and 775,804 annual users for the fiscal year ended 31 March 2010. We believe its ability to attract customers contributes significantly to the growth of SBI Insurance Co., Ltd.'s business.

SBI Insurance Co., Ltd. was ranked number one for the second consecutive year in the Diamond Weekly's "Automobile Insurance Premium Ranking" (14 March 2009 and 20 March 2010 issues). Following a revised premium structure in 2008, SBI Insurance Co., Ltd. has succeeded in increasing its number of insurance contracts by offering low premiums among direct non-life insurers in Japan. For the fiscal year ended 31 March 2010, approximately 40% of SBI Insurance Co., Ltd.'s customers chose SBI Insurance Co., Ltd. on InsWeb after comparing its policies with those of other companies. In addition to offering low premiums, it has also been recognised for high ratings in customer satisfaction. In the Oricon Customer Service Ranking for the fiscal year ended 31 March 2010, SBI Insurance Co., Ltd. was ranked number one in the category of "Completeness of Ancillary Services".

We also utilise other channels to attract customers, such as SBI AutoSupport Co., Ltd., which provides automobile insurance and auto loan products through automobile dealers, and Autocone K.K. which operates a new-car estimate and brokerage website. We believe our leverage of these synergies within the Group represents the strength of SBI Insurance Co., Ltd., which provides it with a foundation for growth in an industry that continues to expand. For further future business expansion, SBI Insurance Co., Ltd. plans to prioritise the increase in the number of channels which will serve as potential customer contact points. It has expanded inter-industry sales channels through alliances with, among others, the Gulliver Group, a leading Japanese used car purchasing and selling group, GEO CORPORATION, a DVD rental company with nationwide presence in Japan and Japan Automobile Auction Inc., which operates a used car auction website. Through these alliances, SBI Insurance Co., Ltd. is able to reach groups of consumers previously unreachable by way of the Internet. SBI Insurance Co., Ltd. plans to continue to aggressively expand its sales channels, whether online or face-to-face, in order to attain growth in its business.

SBI Insurance incurred net loss of ¥351 million, ¥238 million and ¥410 million for the fiscal year ended 2008, 2009 and 2010, respectively. The Company believes that a startup insurance company in Japan would usually operate at a loss at the initial stage of its business operations. As SBI Insurance commenced its business operation in January 2008, SBI Insurance was operating at a loss during the Track Record Period. The Company injected capital of approximately ¥1,997 million in September 2009 and approximately ¥3,330 million in May 2010 into SBI Insurance.

Life insurance

Prior to the sale of our entire shareholding in SBI AXA Life Insurance Co., Ltd. to AXA Japan Holding Company Limited in February 2010, we were also engaged in the Internet-based life insurance business in Japan.

However, we transferred all our shares in SBI AXA Life Insurance Co., Ltd. to AXA Japan Holding Co., Ltd. in February 2010 due to a difference in business policy. Our re-entry into the life insurance business is currently under preparation. Details of the Group's plan to re-enter the life insurance business, including the investment amount, have not been finalised as at the Latest Practicable Date.

BUSINESS

Payment processing and settlement services

SBI VeriTrans, our consolidated subsidiary which is listed on the Standard section of JASDAQ at the OSE (stock code: 3749), provides online payment processing solutions for e-commerce companies. We believe safe and secure settlement of accounts is an essential feature for any e-commerce system. While businesses demand ease of integration and cost efficiency, consumers demand ease of use and security. We pioneered the use of Secure Sockets Layer technology, which is now recognised as the general way to encrypt e-commerce transactions for online settlement by credit card. In Japan, we believe our efforts to achieve a secure online settlement infrastructure facilitated the rapid growth of e-commerce. We strive to lead the industry with a full range of high value-added one-stop services such as e-commerce sales collection services and the e-money settlement service for Mobile Suica and Mobile Eddy, two widely used e-money systems in Japan. In the future, we plan to continue to expand our one-stop solutions. In addition, SBI VeriTrans in January 2009 established “Buy-J.com”, an online mall with Internet settlement available through China UnionPay (中國銀聯), a Chinese consumer finance company with approximately 2 billion cards issued. UnionPay settlement was established in affiliation with Sumitomo Mitsui Card Company, Limited, and through Buy-J.com customers can order Japanese goods, pay with China UnionPay and have their purchases shipped to China for home delivery. This initiative is the first application of UnionPay card settlement for Internet shopping in Japan.

SBI Card Co. Ltd., our subsidiary, offers credit card services to a wide range of individual customers. We issue various SBI credit cards with the MasterCard and Visa brands. Since June 2010, we started to issue the GEO Ponta Visa credit card to registered customers of the GEO Group in Japan. “Ponta” is a multi-partner loyalty program in Japan with a customer base of approximately 23 million. We began to issue “SBI Card Plus” in October 2010, which uses a system that realises a cash back return rate depending on the amount charged on the card and awards users with more points for transactions with our Group companies. This creates synergies among our Group companies through cross-sectional sharing of customers within our Group. Our cards come in various grades, from regular cards to premium class cards at different annual membership costs. Currently, our credit cards are primarily marketed through the websites of our Group companies and non-Group companies which issue co-branded credit cards such as GEO CORPORATION. As at 30 September 2010, SBI Card Co., Ltd. had issued approximately 83,000 credit cards.

Financial research and advisory

We provide various types of financial information through Morningstar Japan K.K., a 49.6%-owned subsidiary. Using an extensive database and the established rating capability of Morningstar USA, Morningstar Japan K.K. provides customers with easy-to-understand, high value-added information for a wide range of financial products, including investment trusts and stocks. Morningstar Japan K.K. is listed on the Standard section of JASDAQ at the OSE (stock code: 4765). Domestic stock content was expanded with our acquisition of Kabushiki Shimbun Inc. in 2007. Quantitative and neutral information available through Morningstar Japan K.K. is pulled from financial content on our websites and major portal sites.

In addition, through a joint company with Dow Jones & Company, Inc., we started to offer the Wall Street Journal, Japan Edition in December 2009, which was a full-scale subscription-based online media in Japan. In our effort to expand our global financial content, we acquired Searchina Co., Ltd. in February 2010, which operates “Searchina”, a Chinese information website in Japan with over 90 million page views per month and over five million users per month. In March 2010, we agreed to establish a joint venture with China Securities Journal, administered by the Xinhua News Agency (新華社) and one of China’s four largest economic newspapers, to transmit Chinese economic and financial information in Japan.

BUSINESS

Marketplace business

Our marketplace business offers online comparison and search services for financial products on some of Japan's largest financial comparison websites, such as InsWeb and E-LOAN. We provide an online marketplace that provides a customised list of information based on individual needs with the aim of helping consumers make informed decisions about loans from several financial institutions, insurance products and other financial services. We operate a total of 13 financial comparison and estimates websites. For the fiscal years ended 31 March 2008, 2009 and 2010 and for the six months ended 30 September 2010, the combined user transaction numbers on our financial comparison and estimates websites (based on the number of actual estimates (requests for estimates), provisional applications and other transactions conducted on the websites) were 888,379, 929,332, 967,381 and 427,351, respectively. Our marketplace business generates revenue from advertisements on its portal websites, as well as fees from advertisers on a per document request basis.

The InsWeb (www.insweb.co.jp) is an insurance portal providing cost estimates and documents upon request, operated by our Company's financial service division. The website enables users to find suitable solutions according to needs from a wide range of insurance products, obtain a cost estimate and request related product documents.

The E-LOAN website in Japan (www.eloan.co.jp) is also operated by our Company's financial service business division. The website allows users to select an appropriate consumer loan product according to needs through a loan search engine and submit an online preparatory application through a loan application delivery service.

Sales and marketing

Our key sales and marketing strategy for our financial services business is to (i) form strategic alliances with third parties which offer channels and complementary services, such as our alliance with the GEO Group, Japan Automobile Auction Inc. and the Gulliver Group with respect to auto-related financial products; and (ii) leverage synergies within the Group companies such as the alliance between SBI Sumishin Net Bank, Ltd. and SBI SECURITIES Co., Ltd.

We conduct most of our financial services operations over the Internet. In addition to the conversion of SBI Housing Loan shops into SBI Money Plaza shops to serve as a common infrastructure among Group companies for our face-to-face channels, we are also developing face-to-face channels for auto-related financial products through SBI AutoSupport Co., Ltd. as well as through our alliance with the GEO Group. The GEO Group operates a video and DVD business with nationwide store coverage in Japan, and at GEO stores SBI Insurance Co., Ltd.'s auto insurance is introduced to their customers. We have further developed our face-to-face channels for our financial products through our alliance with the Gulliver Group, which operates over 400 shops nationwide in Japan. We promote our financial services business through our websites, media relations and through business alliances as well as promotional campaigns.

Major customers and suppliers

Our principal customers in the financial services business consist of individual and corporate clients. Due to the nature of our financial services business, we do not have any single major customer or supplier. The top five customers of our financial services business collectively accounted for less than 30% of this segment's revenue in each of the three years ended 31 March 2008, 2009 and 2010 and the six months ended 30 September 2010.

BUSINESS

Housing and Real Estate

Overview

Our housing and real estate segment is primarily comprised of housing loans and housing loan brokerage, real estate investment and development, real estate fund management and our lifestyle networks business. In our real estate business, we primarily seek the well-timed acquisition of promising properties with high potential for increases in value. As part of this value creation process, we perform real estate development, fund management, property management and other activities. In addition to the business division of our Company, our principal consolidated subsidiaries active in this segment are SBI Mortgage Co., Ltd., CEM Corporation and SBI Life Living Co., Ltd.

Contracting real estate markets and the tightening of credit markets in Japan and abroad have had a significant impact on our performance in this segment during the Track Record Period. Net sales in this segment for the fiscal year ended 31 March 2010 decreased by 28.1% as compared to the previous fiscal year. Net sales of our housing and real estate business in the six months ended 30 September 2010 increased by 35.8% as compared to the corresponding period in the previous fiscal year.

For the fiscal year ended 31 March 2010 and for the six months ended 30 September 2010, revenue from customers from our housing and real estate business represented 23.6% and 13.7% of our total revenue from customers, respectively.

Housing loans

SBI Mortgage Co., Ltd. was established in June 2000 as a mortgage bank in Japan, and through housing loan securitisations and low-cost operations, it has succeeded in providing long-term, fixed-interest housing loans to customers throughout Japan. SBI Mortgage Co., Ltd. offers loans through the Internet and through an established nationwide network of franchised SBI Housing Loan Shops. As at 30 September 2010, there were 84 SBI Housing Loan Shops, which we are currently converting into SBI Money Plaza shops that will offer individuals more comprehensive financial product options.

The core product of SBI Mortgage Co., Ltd. is “Flat 35”, a loan extended in conjunction with the Japan Housing Finance Agency. Due to its strategy of continuing to offer the industry’s lowest interest rate for Flat 35 loans, as at 30 September 2010, SBI Mortgage Co., Ltd. had ¥147.8 billion in Flat 35 loans issued, and held a 14.7% market share, the largest share among 339 institutions providing Flat 35 loans.

CEM Corporation services a wide range of our customers’ real estate financing needs. Utilising finance and real estate know-how, CEM Corporation provides real estate-secured loans to individuals and companies. As at 30 September 2010, CEM Corporation had total loans outstanding amounted to ¥9,899 million.

Revenue from our housing loans business for the fiscal year ended 31 March 2010 and for the six months ended 30 September 2010 were ¥9,110 million and ¥5,137 million, respectively.

Real estate investment and development

We make real estate investments and undertake real estate development projects in Japan and with a focus on rapidly growing economies in overseas markets. Our focus is on purchasing undervalued real estate. We principally develop properties using our own capital rather than by means of leveraged or other financing.

BUSINESS

In Japan, our projects are located in various cities including Tokyo, Nagoya and Fukuoka. These projects involve residential buildings, commercial facilities and warehouses. We handle each step of the real estate development process, from real estate acquisition planning to the sale of the completed building or property. All construction work for our property development projects is handled by the real estate business division of our Company, SBI Life Living, Co., Ltd. and SBI Planners Co, Ltd.

In the overseas market, our projects are located in China and Hawaii. We focus on building properties that match the local real estate demand. A number of these projects involve condominium development. We acquire and hold high-rent office buildings and other existing buildings in countries with rapidly growing economies.

Revenue from our real estate investment and development business for the fiscal year ended 31 March 2010 and for the six months ended 30 September 2010 were ¥6,523 million and ¥2,668 million, respectively.

Completed projects held for sale

As at 31 December 2010, we had completed twelve property development projects with an aggregate gross floor area of 7,201 sq.m. of which seven were in Tokyo (with an aggregate gross floor area of 2,541 sq.m.), four were in other cities in Japan (with an aggregate gross floor area of 2,154 sq.m.) and one was in Hawaii (with an aggregate gross floor area of 2,506 sq.m.). As at 31 December 2010, we had held properties for sale with an aggregate saleable gross floor area of 7,201 sq.m. Our completed projects involve residential buildings, commercial facilities and warehouses. Properties in these projects were sold only after the receipt of all proper title and approval documents, and our compliance with all other Japanese regulations applicable to such property development activities. For further information about our completed property development projects, please refer to the property valuation report in Appendix IV to this prospectus.

Projects under construction

As at 31 December 2010, our projects under construction and future development covered an aggregate site area of 2,920 sq.m. of which seven were in Tokyo (with an aggregate site area of 1,676 sq.m.) and three were in other cities in Japan (with an aggregate site area of 1,244 sq.m.). Our calculation of the site area for projects under construction is based upon figures contained in surveying reports prepared by relevant government departments for the relevant projects. Our projects under construction involve residential buildings, hotels, commercial facilities. For each of the our projects under construction, we acquired proper title and all approval documents, including construction approvals, before commencing the relevant construction work and pre-sales, and has complied with all other Japanese regulations applicable to such property development activities. For further information about our projects under construction, please refer to the property valuation report in Appendix IV to this prospectus.

Project planning, design and construction

Collaboration with our subsidiaries facilitates our real estate development projects. The real estate business division of our Company develops, plans, designs and sells larger-scale income-producing properties for investors, including commercial facilities, while SBI Life Living, Co., Ltd. develops, plans, designs and sells relatively smaller properties, including condominium buildings. SBI Planners Co., Ltd. is responsible for planning and designing relatively minor properties. The real estate business division of our Company is responsible for monitoring the progress and quality of each property developing project to ensure successful completion.

BUSINESS

Before construction work may begin, we must obtain the required planning permits and construction permits. These certificates and permits are only granted if we meet specific government requirements.

We place strong emphasis on quality control. Quality control procedures are implemented in each project company to ensure that our products and services comply with relevant laws and regulations and market standards.

Real estate fund management

Our real estate fund management business manages a large-scale real estate fund, SBI Private Equity Real Estate Fund. This provides support for our efforts to achieve stable high returns for investors. As at 30 September 2010, SBI Private Equity Real Estate Fund had ¥50,772 million of assets under management. We plan to continue to develop our real estate fund management business, responding to the changing needs of investors, including the active deployment of external funding through the formation of private funds.

Lifestyle networks

Our lifestyle networks business operates websites that allow for comparisons and searches relating to many significant events in one's life, including marriage, raising a family and purchasing a home. It also offers a ticket outlet and a service that provides estimates for a variety of services and products, including moving expenses.

Revenue from our lifestyle networks business for the fiscal year ended 31 March 2010 and for the six months ended 30 September 2010 were ¥1,521 million and ¥787 million, respectively.

Major customers and suppliers

Our principal customers in the real estate and housing business primarily consist of individual clients with respect to our housing loans and lifestyle networks businesses, and corporate and institutional investors with respect to our real estate development and investment businesses.

We do not have a single major customer in this business segment and for each of the three fiscal years ended 31 March 2010 and for the six months ended 30 September 2010, revenue of our real estate and housing business attributed to its five largest customers accounted for less than 30% of this business segment's total revenue.

Due to the nature of our real estate and housing business, we do not have any single major supplier.

Other Businesses

System solution

We are involved in the planning, design and operation of information technology systems, including next-generation financial services and system solutions for financial institutions, as well as the development of R&D and information security products for encryption technology through SBI Net Systems Co., Ltd., which is one of our subsidiaries and listed on the Mothers Market of the TSE (stock code: 2355). For example, as our Group relies on the Internet as the major distribution channel for its diverse line-up of products and services, systems and software are vital to the success of our business. As such, we are creating an overarching information systems network designed to play a central role in building, monitoring and maintaining the information technology systems used by Group companies. We seek to become a total solution provider for financial systems by further expanding our information security products to include financial system development.

BUSINESS

Beauty care and health food products retail and services

With a network of over 40 outlets nationwide in Japan, our subsidiary, HOMEOSTYLE Inc., sells and provides services relating to beauty care and health food products.

Biotechnology

We are involved in the biotechnology business through our subsidiary, SBI Biotech Co., Ltd. Combining antibody, nucleic acid and low-molecular drugs with cell remedies, we strive for contribution towards new immunotherapy and cancer treatment. Through independent and third-party research and product development, we seek to establish a genome and cell remedy platform, create a communication structure open to drug discovery organisations, clinics, and patients, and generation of a new medical and healthcare service industry. Current projects include a novel nucleotide project and an immunocell therapy project.

The nucleotide project is being conducted in alliance with Changchun Huapu Biotechnology Co., Ltd. (長春華普生物技術有限公司), a Chinese biotechnology company. We have already commenced phase I of clinical testing in the US and are in tie-up negotiations with a foreign-affiliated pharmaceutical company regarding the drug. Our immunocell therapy project is being conducted in alliance with Baylor Research Institute in the US and is currently in clinical testing phase II in the US. We also plan to commence clinical tests in Japan soon.

In association with CrystalGenomics Inc. in South Korea, we have applied for an international patent of drug discovery hit-to-lead for an anti-cancer agent in April 2010. Such application is still pending and at the Latest Practical Date we do not know with certainty when we can expect to receive such patent.

MAJOR ACQUISITIONS AND DISPOSALS

As part of our growth strategy, we acquire and dispose of portfolio interests from time to time in accordance with our investment objectives. These portfolio interests are in the form of equity interests in portfolio companies at varying percentages. The following tables set forth, for the periods indicated, significant changes in our portfolio:

Disposals / Acquisitions	Percentage of Shareholding Acquired / Disposed	Percentage of Shareholding After Acquisition / Disposal	Completion Time	Consideration (¥ in millions)	Revenue of the Company ⁽¹⁾ (¥ in millions)	Net Profit of the Company ⁽¹⁾ (¥ in millions)	Rationale
Fiscal Year Ended							
31 March 2008							
Portfolio Interests Acquired							
Autoc one K.K.	30.1%	53.4%	November 2007	1,564	745	40	Provide large customer sources for automobile financial services
SBI Life Living Co. Ltd.	52.3%	52.3%	September 2007	2,784	8,075	287	To develop lifestyle network ecosystem for housing and real estate business
SBI Net Systems Co., Ltd.	69.1%	69.1%	March 2008	1,709	2,183	-1,995	Establish the Information Systems ecosystem to support the Group's Internet business

BUSINESS

Disposals / Acquisitions	Percentage of Shareholding Acquired / Disposed	Percentage of Shareholding After Acquisition / Disposal	Completion Time	Consideration (¥ in millions)	Revenue of the Company ⁽¹⁾ (¥ in millions)	Net Profit of the Company ⁽¹⁾ (¥ in millions)	Rationale
Fiscal Year Ended 31 March 2009							
Portfolio Interests Acquired							
SBI SECURITIES Co. Ltd.	44.2%	100%	August 2008	152,500	64,499	11,923	Create one-stop service and maximise mutual synergies within the Group companies being a wholly-owned subsidiary
SBI Futures Co. Ltd.	6%	84.6%	November 2008	350	905	-91	Accumulate shares to take private SBI Futures for future re-organisation
Portfolio Interests disposed							
E*TRADE Korea Co., Ltd.	71.4%	0.0%	September 2008	19,018	7,851	1,853	Exit the business to align with our strategy
Zephyr Co., Ltd.	21.4%	0.0%	July 2008	64	109,172	-11,378	Divest unprofitable non-core business, as Zephyr filed a motion for civil rehabilitation proceedings
Fiscal Year Ended 31 March 2010							
Portfolio interests acquired							
Searchina Co., Ltd.	75.7%	80.6%	February 2010	932	480	44	Expand and develop China-focused financial information content for customers
SBI Futures Co. Ltd.	15.4%	100.0%	August 2009	276	569	-894	Discontinue the diminishing commodities futures transaction business and merge with SBI SECURITIES to improve management efficiency to strengthen its FX trading business
Portfolio interests disposed							
SBI Card Processing Co. Ltd.	75.0%	0.0%	November 2009	409	196	-586	Divest unprofitable and non-core business
SBI AXA Life Insurance Co. Ltd.	55.0%	0.0%	February 2010	3,795	140	-470	Transfer interest to AXA Japan Holding due to differences in business policy
SBI Robo Co., Ltd.	84.0%	0.0%	November 2009	1	299	-357	Divest unprofitable and non-core business
Broadmedia Corporation	27.5%	19.7%	March 2010	2,973	11,714	-904	Realise investment in investee companies
Six months Ended 30 September 2010							
Portfolio interests acquired							
SBI Global Investment Co., Ltd.	17.2%	40.1%	June 2010	381	412	-1,452	Expand investment business in Korea
Korea Technology Investment Corporation.	17.9%	44.7%	July 2010	1,241	2,681	-6,743	Expand investment business in Korea
SBI Credit Co., Ltd.	100.0%	100.0%	July 2010	255	3,069	147	Expand credit service offerings and credit user customer base

Note: (1) Revenue and net profits of the latest fiscal year prior to the acquisition or disposal

BUSINESS

INFORMATION TECHNOLOGY

Technology and Information Systems

Our information system covers all aspects of our business. We rely on technology and information systems to offer highly automated, efficient and reliable services to our customers, as well as to differentiate our services from those of our competitors. The information systems used for customer interface are generally managed by each Group company. In addition, we use third party vendors, such as Nomura Research Institute Inc. with respect to SBI SECURITIES Co., Ltd., which uses our representative system, to provide us with a reliable information system infrastructure for our business. Our Company also has a system management division which manages our use of Internet technology.

We focus on the development of our information technology capabilities and employ information technology personnel to provide comprehensive support to our business operations. For example, with respect to SBI SECURITIES Co., Ltd., approximately ten information technology personnel are assigned to each of its planning and development division (which oversees the development of new systems) and operations and administration division (which oversees and improves the quality of existing systems) to provide support to its operations. In order to improve the capability of system hardware to enhance efficiency and reduce running costs, SBI SECURITIES Co., Ltd. has replaced and upgraded its existing systems (which were adopted in 2003) in December 2010. Group companies in our system solution business also play an important role in creating an overarching information systems network designed to play a central role in building, monitoring and maintaining the information technology systems that we use.

We believe our system capacity is sufficient to support our existing customers and do not expect increases in customers to require us to enhance or expand our systems to accommodate such further increases in the near term. The servers that run our systems are located at multiple data center facilities owned by third party vendors, such as Nomura Research Institute Inc. with respect to SBI SECURITIES Co., Ltd. Our online trading system is monitored by our system management division 24 hours a day and is supported by double core systems, an auto-answer phone system and system back-up sites at several locations.

SBI NetSystems Co., Ltd. had not been at net current liabilities position throughout the Track Record Period. The Group does not intend to allocate any of its net proceeds from this Global Offering to support the operation or the expansion of this business segment.

Information Technology Risk Management

Our information technology risk management is co-ordinated by our Company's Group Information System Committee which consists of members from each business division and is chaired by the risk management officer.

Since a large portion of our business activities depend on information systems, we have devised measures that include the build-up of back up computer systems to manage our information technology risk. Particularly in our brokerage and investment banking business, which utilises the Internet as the principal sales channel, we recognise the need to ensure the stability of our system for online transactions. Thus, we have implemented a number of countermeasures, which include building redundant mission critical systems and monitoring functions, as well as establishing backup sites at multiple locations and undertaking initiatives to maintain and enhance the level of service of our systems.

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We have adopted information technology safety security measures, including firewalls, transmission encryption, intrusion detection and centralised authentication. Client information transmitted over the Internet is encrypted to prevent theft or corruption. Our account holders are required to verify their identity by inputting their user identification code and password each time they log in or transmit orders.

COMPETITION

We compete with other groups that are developing or have developed similar comprehensive businesses offering financial products and services under a unified brand, including financial services conglomerates such as Mitsubishi UFJ Financial Group, Inc. (三菱日聯金融集團), Nomura Holdings, Inc. (野村控股公司) and Sony Financial Holdings Inc., and online competitors.

Asset Management

In our asset management segment, we compete with other firms in raising capital for investment funds, in seeking and acting upon attractive investment opportunities and in hiring and retaining professionals. We compete with other Japanese asset management companies, including venture capital company JAFCO Co., Ltd. and Japan Asia Investment Co., Ltd.

We believe we have three key strengths which provide us with a solid foundation from which we can continue to compete successfully in the asset management industry in Japan. These include (i) a stable team of management and investment professionals; (ii) a strong investment performance track record in terms of investment return and exit rate of investments through a number of financial market cycles; and (iii) a sound investment philosophy of focusing on growth industries, forming and utilising strong networks of overseas local partners and employing a hands-on approach to investee companies.

Brokerage and Investment Banking

The retail securities brokerage industry in Japan is extremely competitive. After the complete deregulation of brokerage commissions in October 1999, online brokerage firms and online accounts have increased rapidly. Our major competitors in this segment include other online brokerage firms, such as Monex Inc., Rakuten Securities, Inc., Matsui Securities Co., Ltd. (松井證券株式會社) and kabu.com Securities Co., Ltd., as well as Japanese full-service brokerage firms such as Nomura Securities Co., Ltd., Nikko Cordial Securities Inc. and Daiwa Securities Co. Ltd (大和證券株式會社). The online securities brokerage industry is highly competitive and in recent years has experienced significant expansions in customer base and market share as compared to conventional securities brokerage firms.

We plan to strengthen our competitiveness in the brokerage and investment banking business through differentiation from our competitors and further enhance our growth by maximising Group synergies (such as the synergies between SBI SECURITIES Co., Ltd. and SBI Liquidity Market Co., Ltd. with respect to foreign exchange margin trading, and the operation of the largest domestic proprietary system in terms of trading volume through SBI Japannext., Ltd.). We expect our plan to develop Japan's first bricks and mortar, Internet-based securities business model that combines the advantages of the Internet with the positive aspects of face-to-face dealings to provide us with a competitive edge over our competitors.

Financial Services

Our online banking business faces significant competition in Japan's retail financial services market. Many traditional Japanese banking institutions have expanded, and continue to expand,

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their Internet banking services, and are much larger than us in terms of assets and customer base. We believe that our major competitors in the online banking business are The Japan Net Bank, Limited, Sony Bank Inc., and Rakuten Bank, Ltd. By focusing on our customer-centric principle, we believe our continual development and pursue of broader, more innovative, convenient and appealing services and products to our customers through strategic alliances and development of complementary businesses will enable us to continue to compete successfully in the financial services industry in Japan.

In our Internet-based non-life insurance business, we compete against other insurers that sell their policies through sales agents as well as insurers that, like us, sell their policies through direct marketing via the Internet. We believe competition is based of a number of factors, including customer service, claims resolution, pricing and marketing methods. We believe that our major competitors in the online non-life insurance business, particularly with respect to automobile insurance, are Sony Assurance Inc., Zurich Insurance Company Ltd, Japan Branch and Mitsui Direct General Insurance Co., Ltd. We believe the key strengths of our Internet-based non-life insurance business are (i) our low-cost operations which allow us to offer automobile insurance at low premiums, (ii) our ability to leverage the use of the Internet and the support of websites of our other Group companies which complements our business as an effective sales channel (for example, our InsWeb insurance comparison and estimation website) and (iii) our high quality customer service driven by our customer-centric principle.

Housing and Real Estate

We compete for housing loans with non-bank companies offering long-term fixed rate mortgage loans, such as Flat 35 in coordination with the Japan Housing Finance Agency, generally at interest rates lower than those offered by most conventional Japanese banks. We believe that our major competitors in the housing loans business are The Mortgage Corporation of Japan, Limited and Zentaku Jyutaku Loan Corporation. We seek to differentiate ourselves from our competitors by offering competitive interest rates to our customers (currently the lowest level in the industry in Japan), continuing to expand our face-to-face channels through franchised SBI Housing Loan shops and SBI Money Plaza shops and leveraging synergies within our Group companies.

INTELLECTUAL PROPERTY

We believe our success depends in large part on our trademarks and other intellectual property rights, including logos and domain names. Our trademarks registered in Japan include all of our brand names and logos. We are currently in the process of seeking to register additional trademarks in some foreign jurisdictions as well. In order to control and maintain the overall quality and proper usage of our trademarks, which are important to our overall business, these trademarks are managed by us collectively. In addition, we own domain names, including sbigroup.co.jp, for our primary trademarks and own unregistered copyright rights in our website content.

We are currently not involved in any material legal proceedings relating to our intellectual property.

We independently develop, use and register any new trademarks and other intellectual properties in connection with our business, without any additional consideration to be paid to licensors or being subject to any other obligations under licensing agreements. We will continue to independently develop trademarks and other intellectual property rights and register those in our name or take other measures to protect such rights.

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For a more detailed listing of these items, please refer to the section headed “Statutory and General Information — Further information about the business of our Company — Our Intellectual property rights” in Appendix VIII to this prospectus.

EMPLOYEES

The following table sets forth information about our employees for each business segment as at 30 September 2010.

<u>Segment</u>	<u>Number of full-time employees</u>
Asset management	164
Brokerage and investment banking	635
Financial services	1,283
Housing and real estate	355
Other businesses	894
Total	3,331

We strive to continuously maintain good working relations with our employees. We believe that our management policies, working environment and the employee development opportunities and benefits extended to employees have contributed to building good employee relations. Our employees do not belong to a labour union.

PROPERTY

Our operations are principally conducted at our headquarters in Tokyo, Japan and 18 other office locations in Japan. As at 31 December 2010, we owned 45 properties with a total gross floor area of approximately 125,781 sq.m. Please refer to the property valuation report set out in Appendix IV to this prospectus for the details and the open market value of the property interests held by us as at 31 December 2010.

LEGAL PROCEEDINGS AND COMPLIANCE

As is common with many companies, we are involved from time to time in legal proceedings and claims incidental to the conduct of our business. Our business is also subject to extensive regulation, which may result in regulatory proceedings against us. Please refer to the section headed “Risk Factors” in this prospectus.

Regulatory reviews

Regulatory reviews during the past three years to which we have been subject to are as follows:

- SBI Sumishin Net Bank, Ltd. was reviewed in November 2009 by the FSA;
- SBI E*TRADE SECURITIES Co., Ltd. was reviewed in October 2007 by the Securities and Exchange Surveillance Commission.
- SBI SECURITIES Co., Ltd. was reviewed in August 2009 by the Securities and Exchange Surveillance Commission; and
- SBI Japannext Co. Ltd. was reviewed in August 2009 by the Securities and Exchange Surveillance Commission.

With the exception of certain business operations of SBI E*TRADE SECURITIES Co., Ltd. and SBI SECURITIES Co., Ltd. concerning the systems for transaction examinations concerning

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insider trading and concerning the electronic data processing systems, respectively, there were no other material issues highlighted at the regulatory reviews we have been subject to. The issues that the Securities and Exchange Surveillance Commission highlighted at the regulatory reviews of SBI E*TRADE SECURITIES Co., Ltd. and SBI SECURITIES Co., Ltd. conducted in October 2007 and in August 2009, respectively, were as follows:

SBI E*TRADE SECURITIES Co., Ltd.

- Systems for verifying insider registration were not established in relation to management of securities and other transactions by customers.
- The omission of registration of a customer who was a concerned insider to listed companies was found.
- SBI E*TRADE SECURITIES Co., Ltd. never conducted transaction examinations to prevent unfair trading associated with some corporate information.

SBI SECURITIES Co., Ltd.

- While SBI SECURITIES Co., Ltd. conducted risk management in accordance with its administrative rules, a large number of system failures were not handled pursuant to The Standard of System Operating Management.
- As for the system failures handled pursuant to The Standard of System Operating Management, the maintenance of safety measures was insufficient.
- There was a deficiency in improvement concerning the matters that had been pointed out during the system inspection implemented by the commissioned external inspection body.
- There was a deficiency in maintenance of the rules regarding system risk management.
- There were system failures, such as login failures and order suspensions that had an impact on executing customer transactions.

Public Disciplinary Action or Reprimand

Our Directors confirm that there has been no public disciplinary action or reprimand by any regulatory authority against them or any of our staff.

With respect to the Group, the Directors are aware of the following public disciplinary actions or reprimands by a regulatory authority:

SBI SECURITIES Co., Ltd.

- On 12 February 2010, in response to the results of the regulatory review of SBI SECURITIES Co., Ltd. by the Securities and Exchange Surveillance Commission, which found that the number of system glitches that failed to be handled under system risk management was equivalent to no system risk management being in place, the FSA ordered SBI SECURITIES Co., Ltd. to improve its business under Article 51 of the FIEA, assuming the violation of Article 123(1)(xiv) of Cabinet Office Ordinance on Financial Instruments Business based on Article 40(ii) of the FIEA.
- On 14 May 2010 and 15 June 2010, the TSE and the OSE, and the JSDA, respectively, followed the same disciplinary actions imposed by the FSA based on the same deficiencies identified by the Securities and Exchange Surveillance Commission.

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SBI Net Systems, Co. Ltd.

- On 10 December 2010, the TSE requested SBI Net Systems, Co. Ltd., one of the Company's listed subsidiaries, to submit a business improvement report to the TSE because SBI Net Systems Co., Ltd. disclosed that the independent committee set up by it and its auditor investigated and audited it and discovered a fraudulent accounting procedure in the fiscal years ended March 2006, March 2007, and March 2008. After that, on 22 December 2010, SBI Net Systems Co., Ltd. submitted the rectified securities reports and quarterly reports, and publicised the rectified Earnings Reports (Kessan Tanshin). According to the investigation, the fraudulent accounting procedure was due to some inappropriate dealings, such as the former manager's circular transactions conducted before consolidation of SBI Net Systems Co, Ltd. The circular transactions conducted by the former manager were mainly the licence sales transactions, the purpose of which was to receive the payment from the fund which SBI Net Systems, Co. Ltd.'s fund invested in, and which were not disclosed regarding such circulation of the fund.

SBI E*TRADE SECURITIES Co., Ltd.

- On 23 May 2008, in response to the results of the regulatory review of SBI E*TRADE SECURITIES Co., Ltd. by the Securities and Exchange Surveillance Commission, the FSA identified deficiencies in SBI E*TRADE SECURITIES Co., Ltd.'s business operations of failing to register customers who were related to listed companies in its insider list and ordered it to improve its business under Article 51 of the FIEA, assuming the violation of Article 123(1)(v) of Cabinet Office Ordinance on Financial Instruments Business based on Article 40(ii) of the FIEA. On 27 June 2008, the TSE, OSE, and the JSDA censured SBI E*TRADE SECURITIES Co., Ltd. for the same deficiencies, and followed the same disciplinary actions imposed by the FSA. TSE and OSE also requested SBI E*TRADE SECURITIES Co., Ltd. to submit a business improvement report to investigate the deficiencies and to raise awareness of compliance issues with its directors and employees and to conduct compliance training.

Remedial Actions Taken

With regard to the disciplinary actions taken against SBI SECURITIES Co., Ltd., SBI Net Systems Co., Ltd. and SBI E*TRADE SECURITIES Co., Ltd., we have promptly taken remedial actions to rectify the identified deficiencies and the fraudulent accounting procedure, and have been implementing appropriate internal control measures to safeguard against future breaches as follows:

SBI SECURITIES Co., Ltd.

- SBI SECURITIES Co., Ltd. submitted a report on improvement of its business operations to the FSA on 12 March 2010. A periodic report with regard to these deficiencies is required by the FSA and SBI SECURITIES Co., Ltd. has been submitting the periodic report required by the FSA. In addition, SBI SECURITIES Co., Ltd. continues improvements with respect to the electronic data processing systems, such as implementing sequential renewal of the systems to strengthen data processing since the Fall of 2010.
- In addition, we have implemented the following measures to further strengthen and enhance the internal control structure and to prevent those deficiencies from recurring: (a) identify the causes of having adopted an inefficient or deficient risk management system, clarify where the responsibility lies, and review the management system; (b)

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verify previous system failure cases, including cases that were not handled according to The Standard of System Operating Management, and develop a viable system risk management system by identifying possible causes and countermeasures; (c) remind executives of the importance of system management, revise relevant rules, regulations and operating procedures and conduct training courses to ensure an appropriate business operation system is adopted and implemented; (d) address the matters identified during previous external system inspections and strengthen the structure of the internal inspection department based on the findings from. We have periodic written reports on the actions taken in (a) through (d) above regarding the status of the implementation and improvement made as a result.

- Our Directors believe that the FSA was satisfied with the contents of the report on improvement submitted to the FSA on 12 March 2010 and appropriate remedial actions have been taken and SBI SECURITIES Co., Ltd. has been submitting the periodic report. As the TSE, OSE, and JSDA all based their disciplinary actions on the same deficiencies identified by the Securities and Exchange Surveillance Commission, appropriate remedial actions have been taken.
- Our Directors also believe that the impact of this matter on the trading value and number of account openings, and the business and financial performance of SBI SECURITIES Co., Ltd. is minimal.

SBI Net Systems, Co. Ltd.

- SBI Net Systems Co., Ltd. submitted to the TSE the improvement report that stated the background and remedy regarding the fraudulent accounting procedure on 27 December 2010. The remedy that SBI Net Systems Co., Ltd. continues to implement includes (a) re-formation of compliance and risk control management, (b) strengthening of business management, government structure, management regarding reported sales amount and actual expensed versus budget control, (c) establishment of an internal control system, (d) conduction of actual condition survey with respect to the circular transactions regarding software, (e) enhancement of board of directors and board of auditors, and (f) implementation of internal audit. Although we believe that the necessary measures have been taken, it is uncertain whether the TSE would make any additional requests to the improvement report.
- All of the former managers who conducted the inappropriate dealings resigned, and the fraudulent accounting procedure has not been discovered after the fiscal year in which they resigned. We have currently been implementing the remedy measures stated in the improvement report.
- Moreover, under the FIEA, fines may be imposed by the Commissioner of the FSA on a submitted securities report or quarterly report that contains a misstatement on important matters, and the submission of such report may result in a fine and/or in imprisonment under the FIEA. As at the Latest Practicable Date, our case was still under review and no fines had been imposed on SBI Net Systems Co., Ltd., for the fraudulent accounting procedures discovered, and we do not know when the Commissioner of the FSA will inform us of its final decision.

SBI E*TRADE SECURITIES Co., Ltd.

- SBI E*TRADE SECURITIES Co., Ltd. submitted a report on improvement of its business operations to the FSA on 23 June 2008. SBI E*TRADE SECURITIES Co., Ltd. changed its name to SBI SECURITIES Co., Ltd. in July 2008. SBI SECURITIES Co., Ltd. continues improvements with respect to the appropriate internal control measures.

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Complaints against the Group

There are no material complaints other than the actions described below.

With respect to the Group, the total number of actions is approximately 79 as of the Latest Practicable Date.

The Company has had only one action taken against it. The plaintiff is an individual, and the plaintiff alleges that since the Company did not pay the consultant fee regarding fund business, he/she is charging the Company for the consultant fee regarding fund business by action. Its jurisdictional amount is ¥300 million. The Company expects to prevail and the Company does not think that the amount and nature of this case will have material adverse effects on the Group.

SBI SECURITIES Co., Ltd. has had six actions taken against it. The actions to which the Company is defendant almost always require payment of a charge because of a price drop of investment products. This applies to each of the current 6 actions. The highest jurisdictional amount among these current 6 actions is approximately ¥280 million. The Company does not think that the amount and nature of these cases will have material adverse effects on the Group.

There are approximately 70 cases in which plaintiffs were claiming that SBI Card Co., Ltd. must pay back the amount paid in excess of the interest rates prescribed by law. The average amount is approximately ¥500,000, and total amount during the period of 2007 through 2010 is approximately ¥540 million. This kind of litigation is recently very common in the industry and not unique to SBI Card Co., Ltd. The Company does not think that the amount and nature of these cases will have material adverse effects on the Group.

CEM Corporation has had one action taken against it. Since the jurisdictional amount of this cases is very small (i.e. approximately ¥2.7 million), the Company does not think that the amount and nature of this case will have material adverse effects on the Group.

SBI Incubation Co., Ltd. has had only one action taken against it. Its jurisdictional amount is ¥368 million. The Company expects to prevail and the Company does not think that the quantity and quality of this case will have material adverse effects on the Group.

The above proceedings or actions have not, or are not expected to have, a material adverse effect on our financial condition or results of operations. As of the Latest Practicable Date, no other material disciplinary action has been taken by the Securities and Exchange Surveillance Commission and the FSA and/or any other enforcement authority in Japan against members of our Group, and we are not currently subject to, or threatened with, any material legal proceedings.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group has made all the required tax filings, was not in default in the payment of any material tax liabilities in the jurisdictions in which our Group operates and has not been subject to any material tax dispute or regulatory challenge.

During the Track Record Period, we did not sell any investment products with underlying investments which were backed by credit default swaps, collateralized debt obligations or mortgage-backed securities and was not subject to any material third party claims in respect of the sale of any investment products by us.

RISK MANAGEMENT

The Board of Directors of our Company appoints a risk management officer in accordance with our Company's regulations regarding crisis management, risk management and group risk management. In addition, our Company's risk management department monitors, evaluates and manages risk for the Group. The current management risk manager is Yasutaro Sawada, who is

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also our Director and Chief Financial Officer. Mr. Sawada was appointed as a risk manager in May 2006. He has more than 10 years experience in securities business and has served as a Director of the Company (as CFO or COO) for more than 8 years. He is responsible for overseeing risks associated to the Company's operations such as credit risk, market risk and liquidity risk as described below. For a brief description of his background, please refer to "Directors and Senior Management" section of this prospectus.

In the event that a potential or actual risk threatening our Company arises, the risk management officer will gather information, consider measures to prevent damage arising from such risk and/or implement measures to prevent reoccurrence of such damage, while reporting on the incidents to the relevant third-party institutions.

Our Company has established a management structure for information gathered in the process of conducting the Group's business, including customer information, through the Group Information System Committee which comprises members from each business division and is chaired by the risk management officer. In addition, our Company has established a system to minimise risks involving the computer systems operated by the Group, including doubling systems and backing-up systems at multiple locations. For further information on our information technology risk management, please refer to the section headed "Business — Information Technology — Information technology risk management" in this prospectus.

We adopt certain policies and procedures in managing the various risks applicable to our operations. Set forth below are our top three identified significant risks and our risk management policy and procedure in respect of each of them:

(i) Credit risk

- (a) analyze the financial condition of investees or borrowers and quantify the relevant credit risk;
- (b) appropriately manage the balance between our own capital and risk by periodic monitoring;
- (c) recognise investment risk as a significant risk to be controlled among various credit risks, and perform detailed analysis of any increase or decrease in risk associated with operational investment securities;

(ii) Market risk

- (a) understand the underlying currency and term of assets, and quantify the market risk;
- (b) appropriately manage the balance between our own capital and risk by periodic monitoring;
- (c) never enter into derivative transactions for speculative purposes without established operating rules;

(iii) Liquidity risk

- (a) secure various means of financing such as bank overdraft arrangements, bond issuance registrations or stock issuances;
- (b) collect information on capital needs of the Group and understand accurate cash flow positions; and

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- (c) acknowledge cash flow risk as a significant risk to be controlled among various liquidity risks and receive reports from the department responsible for cash management based upon the liquidity risk management policies stated in (iii)(a) and (iii)(b) above.

INTERNAL CONTROL

In accordance with the regulations of the Board of Directors, the Board of Directors of our Company holds monthly meetings and other meetings as necessary from time to time in order to facilitate close communication among the Directors and to supervise the performance of the Representative Director. A Director is appointed to be responsible for compliance matters, and our Company's compliance department directly manages compliance activities of the Group. Our Company has a system whereby its Directors and employees submit reports involving compliance matters, including information concerning violations of laws, regulations and its Articles of Incorporation, directly to its internal audit department and to its corporate auditors. In addition, the Director responsible for compliance matters, our Company's compliance department and compliance officers from Group companies regularly hold compliance meetings where Group-wide compliance issues are discussed.

CONNECTED TRANSACTIONS

We have sought, and the Hong Kong Stock Exchange has granted us, a waiver to exempt us from certain of the strict requirements of Chapter 14A of the Listing Rules. We will not be subject to those rules contained in Chapter 14A of the Listing Rules that have been waived by the Hong Kong Stock Exchange, as set out in the section entitled “Waivers and Voluntary Measures — Notifiable and Connected Transactions — Connected Transactions”. In particular, investors should not rely on any independent Shareholders’ approval requirements in respect of any Connected Transaction entered into by our Group, which would only apply to our Group if it became subject to the full requirements of Chapter 14A of the Listing Rules in the future. Please refer to the section entitled “Waivers and Voluntary Measures” for more information.

We and our consolidated subsidiaries have engaged in certain transactions with Related Parties of the Company (as defined under the Corporate Calculation Rules (Ordinance of the Ministry of Justice No. 13 of 2006, as amended), the Regulation for Terminology, Forms and Preparation of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976, as amended) and the Accounting Rules relating to Disclosure of Related Parties (including its application guidance) (collectively, the “**Ordinance**”). Our Related Parties include, amongst others, our Directors, our consolidated subsidiaries and certain of our affiliates. The Ordinance requires all transactions with Related Parties that are material to be disclosed in the explanatory notes of our financial statements in order to allow investors to appropriately understand the influences of the Related Party Transactions on our financial conditions and operating results. For more information please refer to the section headed “Summary of the Constitution of Company, certain TSE and OSE Listing Regulations and Japanese Corporations Law — Related Party Transactions” in this prospectus.

Set out below is a summary of the Related Party Transactions entered into by the Group since 1 April 2008 which are subject to disclosure requirements under the Ordinance. Please note however, transactions between our Related Parties and our consolidated subsidiaries were not required to be disclosed under the Ordinance until 1 April 2008 and, therefore, transactions between our Related Parties and our consolidated subsidiaries conducted during the period from 1 April 2007 to 31 March 2008 are not included below.

Accordingly, the following Related Party Transactions analysis has been included by us on a voluntary basis for disclosure purposes only.

Summary of Related Party Transactions

1. Related Party Transactions conducted by Mr. Yoshitaka Kitao

Mr. Yoshitaka Kitao is the Representative Director and the Chief Executive Officer of the Company and is therefore a Related Party of the Company. Mr. Kitao has entered into the following Related Party Transactions with certain consolidated subsidiaries of the Company since 1 April 2008. There are no outstanding payments or obligations due from the relevant consolidated subsidiaries in respect of each such transaction.

(a) Acquisition of shares in SBI Asia Net-Trans (No.7) Limited

On 30 September 2008, Mr. Kitao acquired SBI Asia Net-Trans (No.7) Limited, an investment vehicle that held shares in an unlisted private company (“**SBI Asia**”) from SBI Incubation Co., Ltd., a consolidated subsidiary of the Company, for ¥1,002 million. The transaction was a Related Party Transaction in accordance with the Ordinance. The parties agreed to amend the sale and purchase agreement, initially entered into on 30 September 2008, 3 September 2009, 25 February 2010 and 29 March 2010 (“**SBI Acquisition Agreement**”). Under the terms of the agreement to acquire SBI Asia, SBI Incubation Co., Ltd. was granted a right of first refusal to acquire SBI Asia in the event that Mr. Kitao decided to sell his shares in SBI Asia after a period of two years of the

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acquisition. Further, Mr. Kitao and SBI Incubation Co., Ltd. agreed that on a sale of SBI Asia to a third party, Mr Kitao would be entitled to receive up to ¥2 billion of the consideration and SBI Incubation Co. Ltd. would be entitled to receive any consideration in excess of this amount. In April 2010, Mr. Kitao sold SBI Asia to a third party in consideration for which Mr Kitao received ¥2 billion and SBI Incubation Co. Ltd. received ¥2,975 million.

(b) Loan to Living Corporation Inc.

On 27 June 2008, Mr. Kitao entered into a loan agreement with Living Corporation Inc. (now SBI Life Living Co., Ltd), a consolidated subsidiary of the Company, under which he lent them ¥500 million on 27 June 2008 and ¥400 million on 4 July 2008 at an interest rate of 2.75% per year. Mr. Kitao provided this short-term loan to Living Corporation Inc. as it was facing difficulties in procuring third party finance. The transaction was a Related Party Transaction in accordance with the Ordinance. The loan was repaid in two tranches on 25 August 2008 and 1 October 2008 and there is no outstanding obligation due from SBI Life Living Co., Ltd. (formerly known as Living Corporation Inc.) to Mr. Kitao.

(c) Purchase of shares in SBI ALApromo

On 30 December 2010, Mr. Kitao and the Company entered into a share purchase agreement under which Mr. Kitao agreed to purchase 972 shares in SBI ALApromo Co. Ltd., a non-consolidated subsidiary of the Company (“**ALApromo**”), from the Company for ¥1,000 million in cash (an amount equal to ¥1,028,570 per share), which was equal to 1.39% of the outstanding shares in ALApromo. The transaction was a Related Party Transaction in accordance with the Ordinance. ALApromo engages in the development of medicine, cosmetics and health food products and 51.34% of its shares were held by the Company immediately prior to the implementation of the transaction. The Company concurrently sold shares in ALApromo to certain other individuals and companies (none of whom were Related Parties) at the same purchase price per share as paid by Mr. Kitao. Following completion of the transaction, the Company held 33,218 shares in ALApromo, equal to 47.45% of its issued share capital.

2. Related Party Transactions conducted by ZEPHYR CO., LTD

ZEPHYR CO., LTD. (“**ZPYR**”), a real estate development business, entered into a series of loans in March, May and June 2008 with Partners Investment Co., Ltd. (“**Partners Investment**”), a consolidated subsidiary of the Company from March 2006 until its merger with SBI Incubation Co., another consolidated subsidiary of the Company, in September 2009. As the Company held an investment of 21.35% in ZPYR between 28 September 2005 until 24 July 2008, it was classed as an affiliate and thus as a Related Party of the Company in accordance with the Ordinance during this period.

ZPYR borrowed ¥3 billion at an interest rate of 3.375% per year on 31 March 2008, ¥9 billion at an interest rate of 9% per year on 29 May 2008 and ¥3 billion at an interest rate of 9% per year on 9 June 2008 in each case from Partners Investment. On each occasion, ZPYR granted security to Partners Investment. On 9 June 2008, ZPYR sold certain assets that were secured under the loans and ZPYR and Partners Investment agreed to repay ¥3,037 million of the loans to account for the disposal of the security.

ZPYR entered into financial difficulty during the beginning of 2008 owing to the slow down in global consumer credit. Kondo Sangyo K.K. (“**Kondo**”), a subsidiary of ZPYR with a real estate development business, filed a petition to the court for bankruptcy procedures in May 2008 owing to the adverse conditions in the real estate market. As ZPYR had provided certain loans and guarantees to Kondo, their bankruptcy had a severely detrimental effect on ZPYR’s balance sheet and despite attempts to improve its financial situation through asset sales and borrowing, ZPYR

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was not able to raise sufficient capital. ZPYR applied to the Tokyo District Court for civil rehabilitation procedures on 18 July 2008 as there was a possibility at the time that ZPYR may not have been able to pay its debts. These procedures were commenced on 28 July 2008. The rehabilitation plan of ZPYR was approved at a creditors' meeting and confirmed by the Tokyo District Court on 18 February 2009.

As a result, SBI Incubation Co., Ltd. (formerly Partners Investment) has classified the outstanding loan (including interest) extended to ZPYR by SBI Incubation Co., Ltd. as a defaulted receivable and reserved ¥4,198 million as a loss reserve.

Other than SBI Incubation Co., Ltd., no Group companies have receivables due from ZPYR. The history of repayments made by ZPYR to SBI Incubation Co. Ltd is as follows.

Repayment Date	<u>Repayment Amount</u>
9 July 2008	¥3,036 million
7 November 2008	¥280 million
18 November 2008	¥751 million
4 December 2008	¥179 million
30 June 2010	¥369 million
30 August 2010	<u>¥259 million</u>
Total	<u>¥4,873 million</u>

The aggregate amount of outstanding loans (including interest) as of 30 September 2010 was ¥10,740 million.

SBI Incubation Co., Ltd. recognises in its annual accounts for the year ended 31 December 2010, that ¥6,541 million is recoverable through distribution in accordance with the civil rehabilitation plan and the disposal of collateral properties. However, the recoverability from ZPYR of this debt will be affected by the re-valuation of the mortgaged properties in the future and by the on-going civil rehabilitation proceedings.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board of Directors is the primary decision making body of our Company and consists of 17 Directors, of whom 8 concurrently serve as Executive Officers, 4 are non-executive Directors and 5 are independent non-executive Directors. Shareholders elect the Directors at the annual general Shareholders' meeting based on an elective list of Directors recommended by the Board of Directors, instead of via a nomination committee. The term of office of a Director shall expire on the date of the general Shareholders' meeting relating to the last business year, closing within 1 year after his or her appointment under the Company's Articles. Directors may serve any number of consecutive terms. A Representative Director is elected by the Board of Directors.

One of the many roles of the Board of Directors is to review and determine the terms of remuneration packages, bonuses and other compensation payable to each of our Directors, within the aggregate amounts of remuneration determined at the annual general Shareholders' meeting. Statutory Auditors supervise all of the resolutions regarding Directors' remuneration, including the amount of remuneration and check that such amounts are determined appropriately.

The following table presents certain information in respect of the members of our Board.

Members of our Board

Name	Age	Position	Date of Appointment
Yoshitaka Kitao	60	Representative Director and Chief Executive Officer (<i>Daihyo torishimariyaku, Shikkoyakuin, CEO</i>)	8 July 1999
Yasutaro Sawada	48	Director and Chief Financial Officer (<i>Torishimariyaku, Shikkoyakuin, CFO</i>)	19 December 2002
Kenji Hirai	45	Director and Executive Officer (<i>Torishimariyaku, Shikkoyakuin</i>)	29 June 2005
Takashi Nakagawa	47	Director and Executive Officer (<i>Torishimariyaku, Shikkoyakuin</i>)	29 June 2006
Tomoya Asakura	45	Director and Executive Officer (<i>Torishimariyaku, Shikkoyakuin</i>)	28 June 2007
Takashi Okita	34	Director and Executive Officer (<i>Torishimariyaku, Shikkoyakuin</i>)	27 June 2008
Noriaki Maruyama	45	Director and Executive Officer (<i>Torishimariyaku, Shikkoyakuin</i>)	26 June 2009
Shumpei Morita	36	Director and Executive Officer (<i>Torishimariyaku, Shikkoyakuin</i>)	26 June 2009
Taro Izuchi	54	Director (<i>Torishimariyaku</i>)	26 June 2009
Hiroyoshi Kido	45	Director (<i>Torishimariyaku</i>)	26 June 2009
Noriyoshi Kimura	42	Director (<i>Torishimariyaku</i>)	26 June 2009

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of Appointment
Hiroshi Tasaka	59	Director (<i>Torishimariyaku</i>)	29 June 2005
Masaki Yoshida	51	Director (<i>Torishimariyaku</i>) (Independent non-executive Director)	29 June 2010
Kiyoshi Nagano	70	Outside Director (<i>Shagai Torishimariyaku</i>) (Independent non-executive Director)	29 June 2010
Keiji Watanabe	68	Outside Director (<i>Shagai Torishimariyaku</i>) (Independent non-executive Director)	29 June 2010
Takeshi Natsuno	46	Outside Director (<i>Shagai Torishimariyaku</i>) (Independent non-executive Director)	27 June 2008
Akihiro Tamaki	44	Outside Director (<i>Shagai Torishimariyaku</i>) (Independent non-executive Director)	29 June 2010

EXECUTIVE DIRECTORS

Yoshitaka Kitao, aged 60, is our Representative Director and Chief Executive Officer (**CEO**) and is in charge of overall strategy and business planning. He is also responsible for managing investments in Japan and abroad. Mr. Kitao has more than 25 years of experience in the financial industry (primarily in the securities sector) and has been an Executive Officer for more than 10 years. Mr. Kitao was appointed in July 1999 as the Representative Director and President (*Daihyo Torishimariyaku Shacho*) of the Company and has been the Company's Representative Director and CEO (*Daihyo Torishimariyaku, Shikkoyakuin, CEO*) since June 2003.

Mr. Kitao has been the Representative Director (*Daihyo Torishimariyaku*) of Wall Street Journal Japan K.K. since June 2009. He was appointed as an Outside Director (*Shagai Torishimariyaku*) of Living Corporation, Inc. (currently called "SBI Life Living Co., Ltd.") in December 2007. He has been a Director of SBI VEN HOLDINGS PTE. LTD., a holding company that owns 100% of SBI VEN CAPITAL PTE. LTD. (a Singapore-based venture capital firm), since June 2007 and is responsible for overseeing its overall portfolio of investments, particularly in Asia. He has been a Director and CEO (*Torishimariyaku, Shikkoyakuin, CEO*) of SBI VeriTrans (listed on the JASDAQ at OSE) since June 2006. He has been a Director and CEO (*Torishimariyaku, Shikkoyakuin, CEO*) of Morningstar Japan K.K. (listed on the JASDAQ at OSE), which provides investment research, including stock and fund analysis, reports and tools, as well as company, investment, and financial news, since March 2006. He has been a Director (*Riji*) of SBI Children's Hope Foundation since October 2005. He has been a Director and Chairman (*Torishimariyaku Kaicho*) of Gomez Consulting Co., Ltd. (listed on the JASDAQ at OSE), which will become a wholly-owned subsidiary of Morningstar Japan K.K. on 22 April 2011, since September 2005. He has been a Director and Chairman (*Torishimariyaku Kaicho*) of SBI Mortgage Co., Ltd. since August 2005. He has been the Representative Director and CEO (*Daihyo Torishimariyaku, Shikkoyakuin, CEO*) of SBI Ventures Inc. (currently called SBI Investment Co., Ltd.), which primarily manages a number of venture capital funds, since June 2005. He has been the Representative Director and CEO (*Daihyo Torishimariyaku, Shikkoyakuin, CEO*) of SBI Card Co.,

DIRECTORS AND SENIOR MANAGEMENT

Ltd. since June 2005. He has been a Director and Chairman (*Torishimariyaku Kaicho*) of E*TRADE SECURITIES Co., Ltd. (currently called SBI SECURITIES Co., Ltd.) since July 2004. Mr. Kitao has utilised his expertise in decision making regarding financial derivative services, capital operation and in the high-tech industry. He has been a Director of SBI KOREA HOLDINGS CO., LTD., which is an investment company in Korea and wholly-owned by the Company, since March 2002. He was appointed as the Representative Director of SOFTBANK FINANCE CORPORATION (which was merged by SOFTBANK TELECOM Corp. in February 2007) in March 1999 and was appointed its Representative Director and CEO (*Daihyo Torishimariyaku, Shikkoyakuin, CEO*) in November 2001. He was appointed as a Managing Director (*Jomu Torishimariyaku*) of SOFTBANK CORP. (listed on TSE) in June 1995 and its Director in June 2000.

Mr. Kitao was appointed as a Director of Nomura Corporate Advisor Co., Ltd. in June 1991. He was appointed as a Managing Director of Wasserstein Perella & Co, an investment bank in London, in November 1989. He started his career at Nomura Securities Co., Ltd. (currently called Nomura Holdings, Inc. and listed, amongst others, on the TSE and OSE) in April 1974 and was appointed as the General Manager of the third Corporate Division in June 1992.

Mr. Kitao received his Bachelor of Arts degree from Christ's College at the University of Cambridge (UK) in 1978. He received his Bachelor of Arts in Economics degree from Keio University (Japan) in 1974.

Yasutaro Sawada, aged 48, is our Director and Chief Financial Officer (**CFO**). Mr. Sawada has been a Director and CFO (*Torishimariyaku, Shikkoyakuin, CFO*) of the Company since June 2009, and is primarily responsible for the Group's overall business operations and strategic planning. Mr. Sawada has substantial experience in the financial industry and, in particular, more than 10 years of experience in the securities sector. He has held various positions at securities brokers and within the information technology industry. He was appointed as the Company's Director, COO and CFO (*Torishimariyaku, Shikkoyakuin, COO Ken CFO*) in June 2008. He was appointed as the Company's Director and COO (*Torishimariyaku, Shikkoyakuin, COO*) in June 2005. He was appointed as the Company's Representative Director, COO and CFO (*Daihyo Torishimariyaku, Shikkoyakuin, COO Ken CFO*) in June 2003. He was appointed as the Company's Representative Director and Vice President (*Daihyo Torishimariyaku Fuku Shacho*) in December 2002. He joined the Company as a Consultant (*Komon*) in November 2002.

Mr. Sawada was appointed as a Representative Director and COO (*Daihyo Torishimariyaku, COO*) of SBI Ventures Inc. (currently called SBI Investment Co., Ltd.) , which manages a number of venture capital funds, in June 2005 and as its Director and Executive Officer (*Torishimariyaku, Shikkoyakuin*) in July 2006, and has been its Director and CFO (*Torishimariyaku, Shikkoyakuin, CFO*) responsible for strategic planning since November 2008. Since June 2008, he has been a Representative Director and Chairman (*Daihyo Torishimariyaku kaicho*) of C4 Technology, Inc. (currently called SBI Net Systems Co., Ltd.). SBI Net Systems Co., Ltd. provides research and development services for the Company, as well as information security products, and Mr. Sawada is primarily responsible for its strategic planning. He was appointed as a Director of SBI Securities Co., Ltd. (which was merged by SBI SECURITIES Co., Ltd. in October 2007) in June 2006. He has been a Director of SOFT TREND CAPITAL Corp. since March 2004. He was appointed as an Outside Director (*Shagai Torishimariyaku*) of BroadBand Tower, Inc. (listed on the JASDAQ at OSE) in September 2003. He was appointed as a Director of SOFTBANK FINANCE CORPORATION (which was merged by SOFTBANK TELECOM Corp. in February 2007) in March 1999. He joined SOFTBANK CORP. (listed on TSE) in December 1995 and was appointed as its General Manager of the General Planning Division of the Soft Network Business Department in August 1997. He started his career at Nomura Securities Co., Ltd. (currently called Nomura Holdings, Inc. and listed, amongst others, on the TSE and OSE) in April 1985.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Sawada received his Bachelor of Engineering degree from Waseda University (Japan) (早稲田大学) in 1985.

Kenji Hirai, aged 45, is our Director and Executive Officer. Mr. Hirai has been a Director and Executive Officer (*Torishimariyaku, Shikkouyakuin*) and the General Manager of the Overseas Business Administration Department of the Company since September 2010. He was appointed as a Director and Executive Officer (*Torishimariyaku, Shikkouyakuin*) and the General Manager of the Overseas Business Department of the Company in June 2009. Mr. Hirai is primarily responsible for the management and finance of overseas business. He has been engaged in the finance function at the Company for more than 8 years and he is particularly experienced in the management and finance of overseas businesses. He was appointed as the Company's Director and Senior Executive Officer (*Torishimariyaku, Shikkouyakuin, Senmu*) and the General Manager of the Overseas Business Department in June 2008. He was appointed as the Company's Director and Senior Executive Officer, CFO, (*Torishimariyaku, Shikkouyakuin, Senmu, CFO*) and the General Manager of the Overseas Business Department in August 2007. He was appointed as the Company's Director and Senior Executive Officer, CFO (*Torishimariyaku, Shikkouyakuin, Senmu, CFO*) in June 2007. He was appointed as the Company's Director and Executive Officer, CFO (*Torishimariyaku, Shikkouyakuin, Jomu, CFO*) in April 2006. He was appointed as the Company's Director and CFO (*Torishimariyaku, Shikkouyakuin, CFO*) in June 2005. He was appointed as the Company's Executive Officer (*Shikkouyakuin*) in October 2002. He was the Company's General Manager of the Finance Department in October 2001. He joined the Company in April 2000.

Mr. Hirai was appointed as a Director and CFO (*Torishimariyaku, Shikkouyakuin, CFO*) of SBI Ventures Inc. (currently called SBI Investment Co., Ltd.), the main business of which is venture capital fund management, in June 2005 and has been its Director and Executive Officer (*Torishimariyaku, Shikkouyakuin*) since July 2008. In this capacity, Mr. Hirai is responsible for its strategic planning, particularly in the finance area. He was appointed as a Director of SBI&BDJB Management Limited, in February 2008. He has been a Director of SBI VEN HOLDINGS PTE. LTD since December 2007. He was appointed as a Statutory Auditor (*Kansayaku*) of SBI Asset Management Co., Ltd. in May 2002.

Mr. Hirai joined Andersen Consulting (currently called Accenture Japan Ltd) in September 1998 where he was engaged in management consulting. He started his career at Suntory Limited (currently called Suntory Liquors Limited) in April 1988.

Mr. Hirai has been a United States Certified Public Accountant since October 1999. He received his Master of Business Administration degree from Kellogg Graduate School of Management at Northwestern University (US) in 1998. He received his Bachelor of Arts degree in Human Sciences from Osaka University (Japan) (大阪大学) in 1988.

Takashi Nakagawa, aged 47, is our Director and Executive Officer. He has primarily been engaged in domestic venture capital investment and has more than 10 years of experience both in the banking industry and venture investment business. Mr. Nakagawa has been the Director and Executive Officer (*Torishimariyaku, Shikkouyakuin*) of the Company since June 2009 and he is primarily responsible for domestic venture capital investment. He was appointed as the Company's Director and Senior Executive Officer (*Torishimariyaku, Shikkouyakuin, Senmu*) in June 2008. He was appointed as the Company's Director and Executive Officer (*Torishimariyaku, Shikkouyakuin, Jomu*) in June 2007. He was appointed as the Company's Director in June 2006. He was appointed as the Company's Director and Executive Officer (*Torishimariyaku, Shikkouyakuin*) in June 2003. He then resigned from office and resumed office in June 2006. He

DIRECTORS AND SENIOR MANAGEMENT

was appointed as the Company's Director in December 2002. He was appointed as the Company's Executive Officer (*Shikkouyakuin*) in August 2002. He was appointed as the Company's General Manager of the second Investment Division of the Fund Investment Department in July 2000. He joined the Company in June 2000.

Mr. Nakagawa was appointed as a Director and Executive Officer (*Torishimariyaku, Shikkouyakuin, Jomu*) of SBI Ventures Inc. (currently called SBI Investment Co., Ltd.), the main business of which is venture capital fund management, in June 2005 and has been its Representative Director and COO (*Daihyo Torishimariyaku, Shikkouyakuin, COO*) since July 2006, where he is engaged in its business operations and strategic planning. He joined SOFTBANK FINANCE CORPORATION (which was merged by SOFTBANK TELECOM Corp. in February 2007) in April 1999.

Mr. Nakagawa started his career at The Fuji Bank, Limited (currently called Mizuho Financial Group, Inc. and listed on TSE and OSE) in April 1987.

Mr. Nakagawa received his Bachelor of Arts degree in Commerce from Otaru University of Commerce (小樽商科大学) (Japan) in 1987.

Tomoya Asakura, aged 45, is our Director and Executive Officer. Mr. Asakura has been a Director and Executive Officer (*Torishimariyaku, Shikkouyakuin*) of the Company since June 2007. Mr. Asakura primarily manages and oversees the financial services business. Mr. Asakura has more than 10 years of experience in the financial services industry.

Mr. Asakura has been a Director of Wall Street Journal Japan K.K. since June 2009. He was appointed as a Director of KABUSHIKI SHIMBUN, INC. (which was merged into Morningstar Japan K.K. in April 2008), the main business of which is rating information for investment trusts, in June 2006, where he is engaged in its business operations and strategic planning. He has been the Representative Director and COO (*Daihyo Torishimariyaku, Shikkouyakuin, COO*) of Morningstar Japan K.K. since December 2005. He was appointed as its Representative Director and CEO (*Daihyo Torishimariyaku, Shikkouyakuin, CEO*) in March 2005. He was appointed as its Representative Director and President (*Daihyo Torishimariyaku, Shacho*) in July 2004. He was appointed as its Representative Director and Senior Executive Officer (*Daihyo Torishimariyaku, Senmu*) in March 2004. He was appointed as its Managing Director (*Jomu Torishimariyaku*) in March 2001. He was appointed as its Director and the General Manager of the Internet Business Department in March 2000. He joined Morningstar Japan K.K. in November 1998. He has been a Director of Morningstar Asset Management Co., Ltd. since May 2001. He joined SOFTBANK CORP. (listed on TSE) in June 1995.

Mr. Asakura joined Merrill Lynch Japan Incorporated (currently called Merrill Lynch Japan Securities Co., Ltd.) in January 1990. He started his career at The Hokkaido Takushoku Bank, Ltd. in April 1989.

Mr. Asakura received his Master of Business Administration degree from University of Illinois (US) in 1995. He received his Bachelor of Arts (Faculty of Letters) degree from Keio University (Japan) (慶應義塾大學) in 1989.

Takashi Okita, aged 34, is our Director and Executive Officer. Mr. Okita has been a Director and Executive Officer (*Torishimariyaku, Shikkouyakuin*) of the Company since June 2008. Mr. Okita primarily manages and oversees the financial services business. He has more than 10 years of experience in the electronic money settlement business and has substantial knowledge of the e-commerce business that is conducted by SBI VeriTrans.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Okita was appointed as the Representative Director of SBI ChinaBranding Co., Ltd. in January 2009 and has been its Representative Director and CEO (*Daihyo Torishimariyaku, Shikkouyakuin, CEO*) since July 2009. He was appointed as the Representative Director, CEO and COO (*Daihyo Torishimariyaku, Shikkouyakuin, CEO Ken COO*) of eCURE Co., Ltd. in November 2006 and has been its Representative Director and CEO (*Daihyo Torishimariyaku, Shikkouyakuin, CEO*) since May 2009. He has been a Representative Director, Executive Officer and COO (*Daihyo Torishimariyaku, Shikkouyakuin, COO*) of SBI VeriTrans (listed on the JASDAQ at OSE), which is concerned with the provision of settlement services for e-commerce businesses, since June 2006, where he is engaged in its business operations and strategic planning. He was appointed as its Representative Director and COO (*Daihyo Torishimariyaku, COO*) in June 2005. He was appointed as its Director in February 2004. He was appointed as a Director of Office Work Systems Corporation (which was merged by SBI Business Solutions Co., Ltd. in February 2006) in October 2002.

Mr. Okita started his career at SOFTBANK FINANCE CORPORATION (which was merged by SOFTBANK TELECOM Corp. in February 2007) in April 1999. During his employment with SOFTBANK FINANCE CORPORATION, he was seconded to CyberCash K.K. (currently called SBI VeriTrans) in April 1999. He transferred to CyberCash K.K. in August 2001.

Mr. Okita received his Bachelor of Commerce and Management degree from Hitotsubashi University (Japan) (一橋大学) in 1999.

Noriaki Maruyama, aged 45, is our Director and Executive Officer. Mr. Maruyama is primarily responsible for the management and oversight of the housing and real estate business. Mr. Maruyama has more than 10 years of experience in the housing and real estate business (in particular, the housing loan business). He has been a Director and Executive Officer (*Torishimariyaku, Shikkouyakuin*) of the Company since June 2009. He was appointed as the Company's Director and Executive Officer (*Torishimariyaku, Shikkouyakuin*) in June 2007. He resigned from office in November 2008 and resumed office in June 2009. He was appointed as the Company's Director in June 2006.

Mr. Maruyama was appointed as a Director of GOODLOAN Co., Ltd. (currently called SBI Mortgage Co., Ltd.) in April 2001 and since March 2005 he has been its Representative Director and COO (*Daihyo Torishimariyaku, Shikkouyakuin, COO*). GOODLOAN Co., Ltd. (currently called SBI Mortgage Co., Ltd.) provides housing loan services. Mr. Maruyama is primarily responsible for its business operations and strategic planning. He was appointed as the Representative Director, COO and CFO (*Daihyo Torishimariyaku, Shikkouyakuin, COO Ken CFO*) of Equal Credit Co., Ltd. (which was merged by SBI Card Co., Ltd. in January 2010) in April 2004. He was appointed as a Director of FINANCE ALL CORPORATION (which was merged by the Company in March 2006) in February 2003. He joined E-Loan Japan K.K. (which was merged by FINANCE ALL CORPORATION in February 2003) in February 2000.

Mr. Maruyama started his career at The Tokai Bank, Ltd. (currently called The Bank of Tokyo-Mitsubishi UFJ, Ltd.) in April 1989.

Mr. Maruyama received his Bachelor of Business Administration degree from Kobe University (Japan) (神戸大学) in 1989.

Shumpei Morita, aged 36, is our Director and Executive Officer. Mr. Morita is primarily responsible for the management and oversight of the financial services business. Mr. Morita has been a certified public accountant for more than 8 years. Mr. Morita has been a Director and Executive Officer (*Torishimariyaku, Shikkouyakuin*) of the Company since June 2009.

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He has been an Outside Statutory Auditor (*Shagai Kansayaku*) of Gomez Consulting Co., Ltd. (listed on the JASDAQ at OSE) since March 2007. He has been the Representative Director and President (*Daihyo Torishimariyaku, Shacho*) of JCN Land Co., Ltd. (currently called SBI Business Solutions Co., Ltd.), the main business of which is the provision of back office support services, since November 2005. Mr. Morita is primarily responsible for its business operations and strategic planning. He was appointed as the Representative Director and President (*Daihyo Torishimariyaku, Shacho*) of Office Work Systems Corporation (which was merged by JCN Land Co., Ltd. in February 2006) in October 2002. He was appointed as the Representative Director and President (*Daihyo Torishimariyaku, Shacho*) of Office Work Corporation (which was merged by JCN Land Co., Ltd. in February 2006) in July 2000. He joined SOFTBANK Accounting Corporation (currently called SOFTBANK TELECOM Corp.) in April 1999. He started his career at SOFTBANK CORP. (listed on TSE) in April 1998.

Mr. Morita has been a Japanese Certified Tax Accountant since December 2002. He has been a Japanese Certified Public Accountant since July 2002. He received his Bachelor of Economics degree from the University of Tokyo (Japan) (東京大学) in 1998.

NON-EXECUTIVE DIRECTORS

Taro Izuchi, aged 54, is our Director. Mr. Izuchi has been a Director of the Company since June 2009. Mr. Izuchi is primarily responsible for the management and oversight of the brokerage and investment banking business. Mr. Izuchi has more than 30 years of experience in the securities business. He was appointed as the Company's non-executive Director in June 2005. He resigned from office in June 2007 and resumed office on 26 June 2009.

He has been the Representative Director, Executive Officer and President (*Daihyo Torishimariyaku, Shikkouyakuin, Shacho*) of E*TRADE SECURITIES Co., Ltd. (currently called SBI SECURITIES Co., Ltd.) since June 2005. Mr. Izuchi is responsible for its business operations and strategic planning. He was appointed as its Representative Director and President (*Daihyo Torishimariyaku, Shacho*) in October 1998. He was appointed as the Representative Director and President (*Daihyo Torishimariyaku, Shacho*) of E*TRADE Japan K.K. (which was merged by the Company in June 2003) in May 2000. He was appointed as a Director of SoftVenture Capital Co., Ltd. (which was merged by the Company in January 2000) in July 1998.

Mr. Izuchi started his career at Nomura Securities Co., Ltd. (currently called Nomura Holdings, Inc. and listed, amongst others, on the TSE and OSE) in April 1979.

Mr. Izuchi received his Bachelor of Economics degree from Kyoto University (Japan) (京都大学) in 1979.

Hiroyoshi Kido, aged 45, is our Director. Mr. Kido has been a Director of the Company since June 2009. Mr. Kido has overall responsibility for the management and oversight of the financial services business and has more than 8 years of experience in the banking industry. He was appointed as the Company's Director and Executive Officer (*Torishimariyaku, Shikkouyakuin Jomu*) and General Manager of Financial Service Business Department in June 2006. He resigned from office in June 2008 and resumed office as a Director in June 2009. He was appointed as the Company's Director and Executive Officer (*Torishimariyaku, Shikkouyakuin*) and General Manager of Financial Service Business Department in March 2006. He has substantial experience in the management and supervision of financial services businesses (particularly the insurance business).

Mr. Kido has been a Representative Director and President (*Daihyo Torishimariyaku, Shacho*) of SBI Insurance Co., Ltd., an Internet-based non-life insurance company, since June 2008 where he is in charge of its business operations and strategic planning. He was appointed

DIRECTORS AND SENIOR MANAGEMENT

as a Director and Executive Officer (*Torishimariyaku, Shikkouyakuin*) of SBI VeriTrans (listed on the JASDAQ at OSE) in April 2007. He was appointed as a Representative Director of SBI Financial Agency Co., Ltd. in June 2006. He was appointed as a Representative Director and President (*Daihyo Torishimariyaku, Shacho*) of WEB-Lease Co., Ltd. (currently called SBI Lease Co., Ltd.) in December 2001 and was appointed as its Representative Director and COO (*Daihyo Torishimariyaku, Shikkouyakuin, COO*) in June 2005. He was appointed as a Director of FINANCE ALL CORPORATION (which was merged by the Company in March 2006) in February 2002 and was appointed as its Director and Senior Executive Officer (*Torishimariyaku, Shikkouyakuin, Senmu*) and CFO in March 2005. He joined SOFTBANK FINANCE CORPORATION (which was merged by SOFTBANK TELECOM Corp. in February 2007) as the General Manager of IR Division in December 1999.

Mr. Kido started his career at The Dai-Ichi Kangyo Bank, Ltd. (currently called Mizuho Financial Group, Inc. and listed on the TSE and OSE) in April 1990.

Mr. Kido received his Bachelor of Economics degree from Rikkyo University (Japan) (立教大学) in 1990.

Noriyoshi Kimura, aged 42, is our Director. He has been a Director of the Company since June 2009. He has approximately 19 years of experience in system development.

He was appointed as a Director and CTO (*Torishimariyaku, CTO*) of Sumishin SBI Net Bank Research Co., Ltd. (currently called SBI Sumishin Net Bank, Ltd.) in April 2006 and was appointed as its Managing Director and CTO (*Torishimariyaku, CTO*) in September 2007. He has been its Managing Executive Officer and CTO (*Jomu Shikkouyakuin, CTO*) since June 2009. He has participated in the launch of the Internet-based bank since its preparation stage, and manages the information technology divisions (mainly system development and system maintenance). He joined E*TRADE Japan K.K. (which was merged by the Company in June 2003) since November 1998 and was appointed as the General Manager of System Development Department, which was responsible for the system development of financial products, in April 2000 and moved to Net Banking Department in December 2005.

Mr. Kimura started his career at Dentsu System International Co., Ltd. (which was merged by Information Services International-Dentsu, Ltd. in July 1997) in April 1992.

Mr. Kimura received his Bachelor of Engineering degree from Keio University (Japan) in 1992.

Hiroshi Tasaka, aged 59, is our Director. He has been a Director of the Company since June 2005. He was appointed as the Company's Director in March 2000. He resigned from office in June 2003 and resumed office on 29 June 2005. Mr. Tasaka specialised in social entrepreneurship.

He has been a Fellow of The Japan Research Institute, Ltd. (株式会社日本総合研究所), which is concerned with researching, consulting and systems integration, since March 2000. He joined The Japan Research Institute, Ltd. in April 1990 and was appointed as its Director in June 1996. He has also previously been appointed as a chief of the technology researching department, the business planning department and Souhatsu strategy centre at The Japan Research Institute, Ltd. At The Japan Research Institute, Ltd., he has been working to create new industry by a private sector initiative and has established and managed 702 companies and 20 consortiums in the last 10 years. He started working at Mitsubishi Metal Corporation (which was merged by Mitsubishi Materials Corporation in December 1990) in April 1981.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tasaka was appointed as an Outside Director (*Shagai Torishimariyaku*) of CCC Casting Co., Ltd. (which was merged by Culture Convenience Club Co., Ltd. in April 2009) in June 2007. He was appointed as an Outside Director (*Shagai Torishimariyaku*) of OKWeb (currently called OKWave and listed on the Centrex at NSE) in December 2005. He was appointed as a Director of SOFTBANK FINANCE CORPORATION (which was merged by SOFTBANK TELECOM Corp. in February 2007) in June 2000. He has been a Representative Director of SophiaBank Limited, a think-tank, since June 2000. At SophiaBank Limited, he operates a management business that provides seminars as the representative of SophiaBank Limited. He has been an Outside Director (*Shagai Torishimariyaku*) of Lawson, Inc. (listed on TSE and OSE) since May 2000. He has been a Professor of Tama University (多摩大学) Graduate School for more than 10 years, where he has lectured on social entrepreneurship, Japanese corporate social responsibility and social innovation since April 2000.

Mr. Tasaka received his Ph.D in Nuclear Engineering from the University of Tokyo (Japan) in 1981. He received his Master of Engineering degree from the University of Tokyo (Japan) in 1978. He received his Bachelor of Engineering degree from the University of Tokyo (Japan) in 1974.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Masaki Yoshida, aged 51, is our Independent non-executive Director. Mr. Yoshida has been a Director of the Company since June 2010. Mr. Yoshida has more than 20 years of experience in planning and producing TV shows and digital content.

Mr. Yoshida has been an Outside Director (*Shagai Torishimariyaku*) of Giga Media Inc. since May 2009. He was appointed as an Outside Company Auditor (*Shagai Kansayaku*) of KLab Inc. in April 2007 and has been its Outside Director (*Shagai Torishimariyaku*) since March 2009. He has been a Representative Director and Chairman (*Daihyo Torishimariyaku, Kaicho*) of Watanabe Entertainment Co., Ltd., a talent agency, since January 2009 and he is primarily responsible for managing the talent agency. He started his career at Fuji Television Network, Inc. (currently called Fuji Media Holdings, Inc. and listed on TSE), one of the biggest TV stations in Japan, in April 1983. He was appointed as its General Manager of the Variety Programs Production Center, Organisation/Production Division and the Digital Planning Section of the Digital Contents Division in June 2006. He was appointed as its Planning Manager at the Variety Programs Production Center, Organisation/Production Division in June 2003. At Fuji Television Network, Inc. he was engaged in the planning, producing and editing of TV shows and digital content.

Mr. Yoshida received his Bachelor of Law degree from the University of Tokyo (Japan) in 1983.

Kiyoshi Nagano, aged 70, is our Independent non-executive Director. Mr. Nagano has been an Outside Director (*Shagai, Torishimariyaku*) of the Company since June 2010. Mr. Nagano has more than 30 years of experience in the securities industry.

Mr. Nagano has been an Outside Corporate Auditor (*Shagai Kansayaku*) of Shin-Etsu Chemical Co., Ltd. (listed on TSE) since June 2007. He was appointed as the Representative Director and President (*Daihyo Torishimariyaku, Shacho*) of Jasdq Market Services Inc. (which was merged into Osaka Securities Exchange Company, Limited in April 2010) in June 1999 and was appointed as its Representative Director, Chairman and President (*Daihyo Torishimariyaku, Kaicho Ken Shacho*) in June 2004. He was appointed as its Supreme adviser in June 2005. At Jasdq Market Services Inc., he was engaged in the management of the company. He was appointed as the Representative Director and President of Yamaka Securities Co., Ltd. (which was merged into Kazaka Securities Co., Ltd. in October 1998) in June 1997. At Yamaka Securities Co.,

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Ltd., he was primarily responsible for the management of the securities house. He started his career at Nikko Securities Co., Ltd. (currently called Nikko Cordial Securities Inc.) in April 1963. He was appointed as its Director in June 1994 and was appointed as its Managing Director (*Jomu Torishimariyaku*) in February 1996.

Mr. Nagano received his Bachelor of Arts degree in commerce from Seinan Gakuin University (西南学院大学) (Japan) in 1963.

Keiji Watanabe, aged 68, is our Independent non-executive Director. He has been an Outside Director (*Shagai, Torishimariyaku*) of the Company since June 2010. Mr. Watanabe has been a certified public accountant for more than 20 years.

Mr. Watanabe has been an Outside Director (*Shagai, Torishimariyaku*) of ASAHI KOGYOSHA CO., LTD. (listed on TSE and OSE) which mainly designs, installs and manages various equipment since June 2008 and has been giving advice on, and managing, the operation of the company. He was appointed as an Outside Director (*Shagai, Torishimariyaku*) of Ichiyoshi Securities Co., Ltd. (listed on TSE) in June 2000. He joined Kansa Hojin Tohmatsu (currently called Yugen Sekinin Kansa Hojin Tohmatsu), an auditing firm, in August 1995, and was appointed as its Representative Member (*Daihyo Shain*) in April 1996. He was appointed as a “Deloitte Touche Tohmatsu Global Middle Market Leader” in July 2003. He joined PricewaterhouseCoopers Kaikei Jimusho (currently called Arata Kansa Hojin) in October 1975, and was appointed as its Representative Member (*Daihyo Shain*) and a Partner of PricewaterhouseCoopers (currently called Arata Kansa Hojin) at the same time in July 1987.

Mr. Watanabe has been a Japanese Certified Public Accountant since March 1982. He received his Bachelor of Commerce degree from Chuo University (中央大学) (Japan) in 1967. He received his Bachelor of Laws degree from Chuo University (Japan) in 1965.

Takeshi Natsuno, aged 46, is our Independent non-executive Director. He has been an Outside Director (*Shagai, Torishimariyaku*) of the Company since June 2008. Mr. Natsuno has been engaged in the field of content for mobile phones for more than 10 years as well as the management of venture companies.

Mr. Natsuno has been an Outside Director (*Shagai, Torishimariyaku*) of GREE, Inc. (listed on TSE), which is mainly engaged in social networking and Internet media business, since September 2009 where he has been giving advice on, and managing, the operation of the company. He has been a Chairman of IT Kokusai Kyosoryoku Kenkyukai since April 2009. He has been a Director of DWANGO Co., Ltd. (listed on TSE), which mainly plans, develops, manages, supports and provides consulting services regarding contents and systems for network entertainment, since December 2008. He has been a Fellow of Rakuten Institute of Technology of Rakuten, Inc. (listed on TSE) (楽天技術研究所) since August 2008. He has been an Adviser of NTT DOCOMO INC. (listed on TSE), which primarily provides mobile voice, data and multimedia services, since July 2008, where he has developed i-mode (the service that provides an Internet connection to the company’s mobile phones) and planned and implemented new businesses including “Osaifu-Keitai” (the electronic money service for the company’s mobile phones). He has been an Outside Director (*Shagai, Torishimariyaku*) of Transcosmos Inc. (listed on TSE) since June 2008. He has been a Director of PIA Corporation (listed on TSE) since June 2008. He has been an Outside Director (*Shagai, Torishimariyaku*) of SEGA SAMMY HOLDINGS INC. (listed on TSE) since June 2008. He has been a professor invited to teach at the Graduate School of Media and Governance at Keio University since May 2008. He was appointed as a Managing Director (*Shikkouyakuin*) of the Multi-Media Service Department of NTT DOCOMO INC. (listed on TSE) in

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June 2005. He was appointed as a Media Director of the Gateway Business Department of NTT Mobile Communications Network Inc. (currently called NTT DOCOMO INC.) in September 1997. He started his career at TOKYO GAS Co., Ltd. (listed, amongst others, on TSE and OSE) in April 1988.

Mr. Natsuno received his Master of Business Administration degree from The Wharton School at University of Pennsylvania (US) in 1995. He received his Bachelor of Arts in Economics degree from Political Science and Economics at Waseda University (Japan) in 1988.

Akihiro Tamaki, aged 44, is our Independent non-executive Director. He has been an Outside Director (*Shagai, Torishimariyaku*) of the Company since June 2010. He has been a certified public accountant for more than 10 years.

Mr. Tamaki has been an Outside Statutory Auditor (*Shagai Kansayaku*) of Avex Group Holdings Inc. (listed on TSE), the main business of which is management of the business operations of group companies engaged in music business and video business, since June 2008 and has been in charge of supervising the business activities of management. He has been a Representative Director of SiFA Co., Ltd., which provides training programs for companies and services of facilitation, management consulting and e-learning, since June 2006. He has been responsible for the management of the company. He has been a Statutory Auditor (*Kansayaku*) of Essentia Corp. since April 2005. He joined Innovation and Initiative Institute (イノベーション・アンド・イニシアチブ) (currently called INVENIO Co., Ltd.) in July 2001. He joined IntellAsset, Inc. in January 2000. He joined Kansa Hojin Tohmatsu (currently called Yugen Sekinin Kansa Hojin Tohmatsu) in September 1996. He joined Price Waterhouse LLP, New York (currently called PricewaterhouseCoopers LLP) in September 1994.

Mr. Tamaki is a United States Certified Public Accountant since March 1999. He received his Master of Business Administration degree from Daniels College of Business at University of Denver (US) in 1994. He received his Bachelor of Sociology degree from Rikkyo University (Japan) in 1990.

STATUTORY AUDITORS

The following table (on page 207) presents certain information concerning the Statutory Auditors of our Group (other than our Directors).

Our Company has adopted a statutory auditors system under the Companies Act in order to establish good corporate governance. We are required to adopt either (a) Statutory Auditors and a Board of Statutory Auditors; or (b) three committees, being a nominating committee, a compensation committee and an audit committee ("**Three Committees**") in accordance with Articles 327 and 328 of the Companies Act. Similarly, Article 437 of the TSE Listing Regulations and Article 8 of Regulation of the Corporate Activities of the OSE provide that a domestic company listed on the TSE or the OSE (as applicable) must set up either a Board of Statutory Auditors or Three Committees. Consistent with the vast majority of listed companies in Japan, we have adopted a Board of Statutory Auditors.

Under this regime, the primary decision making body of our Company is our Board of Directors, which is monitored by our Board of Statutory Auditors, whose role (which is set out in more detail below) is stated to include auditing the executive actions of our Directors in the proper execution of their duties. The roles of our Board of Directors include fulfilling the role of the compensation committee and the nominating committee, which would be independent bodies had

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we adopted the Three Committees system. Our Accounting Auditor assists the Statutory Auditors in reviewing the financial and accounting arrangements activities conducted by our Board of Directors. Our Company has appointed Deloitte Touche Tohmatsu LLC as our Accounting Auditor.

The 4 members of Board of Statutory Auditors are all proficient in financial affairs, and includes 2 independent Statutory Auditors. The Board of Statutory Auditors organically combines the audits performed by each Statutory Auditor, the Internal Audit Department and our Accounting Auditor in an effort to maintain an appropriate standard of corporate governance. The constitution and operation of the Board of Statutory Auditors and the Statutory Auditors of the Company are set out in the Articles and the Rules of the Board of the Statutory Auditors (“**Rules**”) and the Standards for Audit by the Statutory Auditors (which also sets out the duties of the Statutory Auditors and the Board of Statutory Auditors) (“**Standards**”), while certain of the roles and responsibilities of our Statutory Auditors and the Board of Statutory Auditors are set out in the Companies Act. Please refer to the section headed “Waivers and Voluntary Measures — Audit Committee” for details of the amendments made to the Rules and the Standards, which are available for inspection (as amended), as set out in Appendix IX to this prospectus.

The Board of Statutory Auditors are responsible for auditing the executive actions of the Directors, including ensuring the continuance of a sound corporate governance system, and it has a broad authority to oversee the Company’s audit functions, including: (i) independently reviewing corporate documentation and financial statements; (ii) sharing information with, co-ordinating with and interviewing the Accounting Auditor; and (iii) dealing with any issues arising from the Company’s audit. In order to fulfil such responsibilities, the Statutory Auditors are given various authorities, such as the right to request Directors to report to them regarding the Company’s business, the right to investigate the Company’s business and assets (Article 381 of the Companies Act) and the right to demand that Directors cease certain acts which are outside the scope or the purpose of the Company or in violation of laws and regulations or the Articles where such an act is likely to cause substantial detriment to the Company (Article 385 of the Companies Act)).

The Board of Statutory Auditors of our Company co-ordinates its efforts with our Group’s internal audit division by sharing information on a regular basis and through other means.

The Statutory Auditors are required to attend meetings of the Board of Directors and to state their opinions if they find it necessary. In addition, they are required to attend meetings of other important corporate bodies such as the risk management committee and the compliance committee of the Company, review key decisions of the Board of Directors and observe the proper execution of any duties by Directors. The Statutory Auditors must also: (i) exchange opinions with the Representative Director, Directors and other members of senior management; (ii) review our audit internal control systems based on the “audit practice standards for internal control system” (which sets out the requirements for such audits); (iii) monitor transactions between the Company and its Directors; (iv) review business reports; (v) review and audit financial statements; (vi) monitor the Accounting Auditor; (vii) review the accounting policies the Company adopts; (viii) co-ordinate with our Company’s internal audit division and Accounting Auditor; (ix) monitor the public disclosures of the Company; and (x) prepare audit reports and submit these to the Board of Statutory Auditors in accordance with the Rules and the Standards.

We will make an announcement on the appointment or resignation of a Statutory Auditor of the Company.

As noted previously, although the structure of the Board of Statutory Auditors, in addition to the identity of its members, is distinct from that required by the Listing Rules, the principal functions of this committee are commensurate and arguably wider ranging than that of an audit committee established pursuant to Rule 3.21 of the Listing Rules. We have been granted a waiver

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from compliance with the requirement to establish an audit committee under Rules 3.21 and 3.22 of the Listing Rules by the Hong Kong Stock Exchange owing to the commensurate nature of the role, responsibilities and functions of the Board of Statutory Auditors. For more details, please refer to the section headed “Waivers and Voluntary Measures — Audit Committee”.

Name	Age	Position	Date of Appointment
Susumu Watanabe	77	Outside Standing Statutory Auditor (<i>Shagai Joukin Kansayaku</i>) (Independent full-time Statutory Auditor)	18 February 2000
Ryujiro Shimamoto	65	Outside Statutory Auditor (<i>Shagai Kansayaku</i>) (Independent Statutory Auditor)	19 December 2002
Atsushi Fujii	55	Statutory Auditor (<i>Kansayaku</i>) (Statutory Auditor)	29 June 2006
Minoru Tada	65	Statutory Auditor (<i>Kansayaku</i>) (Statutory Auditor)	29 June 2010

Susumu Watanabe, aged 77, is our independent full-time Statutory Auditor responsible for monitoring the execution of duties by Directors and the Accounting Auditor. Mr. Watanabe has been an Outside Standing Statutory Auditor (*Shagai Joukin Kansayaku*) of our Company since 18 February 2000. He has more than 30 years of experience in the securities industry.

Mr. Watanabe was appointed as a Director and President (*Torishimariyaku, Shacho*) of KOKUSAI Investment Management Co., Ltd. (which was merged by KOKUSAI Asset Management Co., Ltd. in June 1997), which provides investment advisory and investment trust management services, in June 1990, where he is responsible for the management and oversight of investment advisory services and investment trust management. He was appointed as a Senior Managing Director (*Senmu Torishimariyaku*) of KOKUSAI Securities Co., Ltd. (currently called Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.) in December 1984, and was appointed as its Director and Vice President (*Torishimariyaku Fuku Shacho*) in December 1987. He started his career at Nomura Securities Co., Ltd. (currently called Nomura Holdings, Inc. and listed, amongst others, on TSE and OSE) in April 1957. He was appointed as its Director in December 1979, and was appointed as its Managing Director (*Jomu Torishimariyaku*) in December 1982.

Mr. Watanabe received his Bachelor of Commercial Science degree from Kobe University (Japan) in 1957.

Ryujiro Shimamoto, aged 65, is our independent Statutory Auditor responsible for monitoring the execution of duties by Directors and the Accounting Auditor. Mr. Shimamoto has been an Outside Statutory Auditor (*Shagai Kansayaku*) of our Company since 19 December 2002. He has more than 30 years of experience in the banking industry.

Mr. Shimamoto has been an Outside Standing Statutory Auditor (*Shagai Joukin Kansayaku*) of Sumishin SBI Net Bank Research Co., Ltd. (currently called SBI Sumishin Net Bank, Ltd.), an Internet-based full service bank, since April 2006, responsible for auditing the execution of duties by directors. He has been an Outside Statutory Auditor (*Shagai Kansayaku*) of InsAgency K.K. (currently called SBI Financial Agency Co., Ltd.), an Internet-based insurance broker, since February 2003, where he is responsible for monitoring the execution of duties by directors and

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accounting auditors. He has been an Outside Statutory Auditor (*Shagai Kansayaku*) of WEB-Lease Co., Ltd. (currently called SBI Lease Co., Ltd.) since June 2002. He was appointed as an Outside Statutory Auditor (*Shagai Kansayaku*) of GOODLOAN Co., Ltd. (currently called SBI Mortgage Co., Ltd.) in June 2002. He was appointed as an Outside Standing Statutory Auditor (*Shagai Joukin Kansayaku*) of FINANCE ALL CORPORATION (which was merged by the Company in March 2006) in March 2002. He was appointed as an Outside Statutory Auditor (*Shagai Kansayaku*) of SOFTBANK FINANCE CORPORATION (which was merged by SOFTBANK TELECOM Corp. in February 2007) in March 1999.

Mr. Shimamoto was appointed as the General Manager of the Osaka Foreign Exchange Division of The Fuji Bank, Limited (currently called Mizuho Financial Group, Inc. and listed on TSE and OSE) in May 1994. He was appointed as the General Manager of Ouji Branch of the same bank in October 1991. He was transferred to International Planning Division of the same bank and seconded to Kwong On Bank Limited (廣安銀行) in Hong Kong in May 1987. He started his career at the same bank in April 1968.

Mr. Shimamoto received his Bachelor of Political Science degree from Hiroshima University (Japan) (広島大学) in 1968.

Atsushi Fujii, aged 55, is our Statutory Auditor responsible for monitoring the execution of duties by Directors and the Accounting Auditor. Mr. Fujii has been a Statutory Auditor (*Kansayaku*) of our Company since 29 June 2006. He was a Statutory Auditor (*Kansayaku*) of the Company from August 2000 to June 2003. He has more than 20 years of experience in the accounting practice.

Mr. Fujii has been a Statutory Auditor (*Kansayaku*) of SBI Investment Co., Ltd., which primarily manages a number of venture capital funds, since March 2008. He is responsible for monitoring the execution of duties by directors and accounting auditors. He has been an Outside Statutory Auditor (*Shagai Kansayaku*) of E*TRADE SECURITIES Co., Ltd. (currently called SBI SECURITIES Co., Ltd.) since June 2006, where he is responsible for monitoring the execution of duties by directors and accounting auditors. He was appointed as an Outside Statutory Auditor (*Shagai Kansayaku*) of Morningstar Japan K.K. (listed on the JASDAQ at OSE) in March 2006. He was appointed as a Director and Executive Officer (*Torishimariyaku, Shikkouyakuin*) of Megabrain, Inc. (which was merged by the Company in March 2006) in September 2004, and was appointed as its Standing Statutory Auditor (*Joukin Kansayaku*) in September 2005. He was appointed as a Director responsible for accounting at SOFTBANK FINANCE CORPORATION (which was merged by SOFTBANK TELECOM Corp. in February 2007) in April 2001. He joined SOFTBANK CORP. (listed on TSE) in May 1996, and was appointed as its General Manager of the Accounting Division of the Administration Department in July 1998.

Mr. Fujii started his career at Mitsubishi Chemical Industries Limited (currently called Mitsubishi Chemical Corporation) in April 1980.

Mr. Fujii has been a Japanese Certified Public Accountant since July 2010. He received his Bachelor of Arts in Economics degree from Political Science and Economics at Waseda University (Japan) in 1980.

Minoru Tada, aged 65, is our Statutory Auditor responsible for monitoring the execution of duties by Directors and the Accounting Auditor. Mr. Tada has been a Statutory Auditor (*Kansayaku*) of our Company since 29 June 2010. He has more than 40 years of experience in the securities business.

Mr. Tada was appointed as an Outside Statutory Auditor (*Shagai Kansayaku*) of E*TRADE SECURITIES Co., Ltd. (currently called SBI SECURITIES Co., Ltd.) in June 2006 and has been its Outside Standing Statutory Auditor (*Shagai Joukin Kansayaku*) since October 2007, where he

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is responsible for monitoring the execution of duties by directors and accounting auditors. He was appointed as an Outside Auditor (*Shagai Kansayaku*) of Ace Securities Co., Ltd. in February 2005. He joined WORLD Securities Co., Ltd. (which was merged by SBI SECURITIES Co., Ltd. in October 2007) as a Director in June 1995 and was appointed as its Managing Director (*Jomu Torishimariyaku*) in June 1997. He was appointed as its Managing Executive Officer (*Jomu Shikkouyakuin*) in April 1999 and its Standing Statutory Auditor (*Joukin Kansayaku*) responsible for monitoring the execution of duties by directors and accounting auditors in June 2004.

Mr. Tada started his career at Nomura Securities Co., Ltd. (currently called Nomura Holdings, Inc. and listed, amongst others, on the TSE and OSE) in April 1968.

Mr. Tada received his Bachelor of Arts in Economics degree from Kagawa University (香川大学) (Japan) in 1968.

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Executive Officers

The Company has 19 Executive Officers. Eight of them (including the CEO and the CFO) are also Directors, as shown in the section on the Board of Directors.

Executive Officers, unlike Directors under the Companies Act, are positions created under our Company's internal rules. They are key members of senior management, who directly manage businesses under the authorisation of the Representative Director. Such management structures are often adopted by Japanese companies (the responsibilities of executive officers may vary depending on the management policy of each company). With respect to our Company, there are two types of executive officers: Executive Officers concurrently appointed as Directors; and Executive Officers who are not Directors. Executive Officers who are not Directors are not engaged in decision-making on material matters that are required to be resolved at a meeting of the Board of Directors under the Companies Act or our internal rules. However, each of our Executive Officers must be appointed by the Board of Directors under our internal rules. Each of our Executive Officers is expected to assume a leading role in each business for which he/she is responsible and the role of Executive Officer is regarded as an important position in our Company.

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Senior management

The following table presents certain information concerning the senior management personnel of our Group (other than our Directors).

Name	Age	Position
Shiho Aihara	45	Executive Officer
Reiko Kinoshita	46	Executive Officer
Toshiharu Fujita	55	Executive Officer
Masayuki Yamada	48	Executive Officer
Hideo Nakamura	41	Executive Officer
Makoto Miyazaki	46	Executive Officer
Yoshimi Takahashi	46	Executive Officer
Feng Wang (Masakazu Motoki)	39	Executive Officer
Kazuhito Uchio	35	Executive Officer
Shinji Yamauchi	52	Executive Officer
Masaki Takayanagi	41	Executive Officer

Shiho Aihara, aged 45, is our Executive Officer. She previously worked in a real estate company and a business investment company. Since joining the Company, she has been primarily responsible for the real estate business. She has more than 12 years of experience in the real estate business. She has been involved in various projects based on her extensive knowledge and experience and has contributed to the expansion of the real estate business. Ms. Aihara has been an Executive Officer of the Company since June 2009. Ms. Aihara was appointed as a Director and Executive Officer of the Company in March 2006. She is the General Manager of our Company's real estate business division. She is also in charge of the Company's General Affairs, Human Resources and IT Solution departments. Ms. Aihara joined the Company in February 2003.

Ms. Aihara was appointed as a Director of SBI Life Living Co., Ltd. in December 2007, and has been the Representative Director of SBI Life Living Co., Ltd., a property development and construction company, since March 2008, after it was acquired by the Company. In addition to her involvement in the overall operation of the business, she was also involved in improving the management structure of this company. She has been a Director of SBI Investment Co., Ltd., the main business of which is management of venture capital funds, since June 2005.

Ms. Aihara started her career at Gold Property Management Co., Ltd. in April 1998.

Ms. Aihara received her Associate in Arts from General Education Course at Kagoshima Women's Junior College (Japan) in 1986.

Reiko Kinoshita, aged 46, is our Executive Officer. She is primarily responsible for the management and operation of the asset management business along with other managers. Ms. Kinoshita has experience in restructuring finance and mezzanine finance business since she has worked in a number of financial institutions. After joining the Group, she set up a new fund specialising in mezzanine finance. Ms. Kinoshita has significant expertise from her extensive experience of past investments. Ms. Kinoshita has been an Executive Officer of the Company since June 2009. Ms. Kinoshita was appointed as a Director and Executive Officer of the Company in June 2006.

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Ms. Kinoshita has been the Representative Director of SBI Capital Solutions Co., Ltd., which manages mezzanine funds, since June 2006 and she is primarily responsible for the company's overall business operations. She has been the Representative Director of SBI Servicer Co., Ltd., which has the primary business of managing, purchasing and recovering receivables, since January 2006 and she is primarily responsible for the company's overall business operations. Ms. Kinoshita joined SBI CAPITAL Co., Ltd., a subsidiary of the Company, in August 2004. Ms. Kinoshita expanded the scope of the business of this company into the area of servicer business as she has experience in dealing with companies in financial difficulty and restructuring companies and uses her ability in this area to manage this subsidiary which focuses on the servicer business.

Ms. Kinoshita started her career at the Industrial Bank of Japan, Limited in April 1987.

Ms. Kinoshita is a Chartered Member of the Securities Analysts Association of Japan (日本証券アナリスト協会), certified in 1994. She received her Master of Business Administration degree from Harvard Business School at Harvard University (US) in 1994. She received her Bachelor of Economics degree from the University of Tokyo (Japan) in 1987.

Toshiharu Fujita, aged 55, is our Executive Officer. He has been domestic legal counsel, compliance adviser and department head of the domestic legal department. Mr. Fujita has more than 20 years of experience in in-house corporate legal work and extensive knowledge of Japanese domestic legislation and areas of regulation such as the Companies Act, compliance, corporate finance (IPO and M&A), fund management, asset management, general management and fund raising. Mr. Fujita has been assisting with the legal aspects of the operation of the Company's investment funds since the revision of investment related acts and regulations in Japan. The Group was expanding around the time of the revision of major acts that had an impact on the company such as the Companies Act and the FIEA. In such circumstances, Mr. Fujita has contributed to the present expansion of the Group's business by taking the lead in the corporate reorganisation and contributing in areas such as M&A, take over bids, the exchange of shares, demerger, the acquisition of Treasury Shares conducted by the Group and other relevant corporate procedures (including resolutions at the general meeting of Shareholders). Mr. Fujita has been an Executive Officer of the Company since June 2009. Mr. Fujita is the General Manager of the Company's Legal Department and the Compliance Department. Mr. Fujita joined the Company in October 2001. He has been a Director of SBI Investment Co., Ltd., which manages venture capital funds, since March 2006 and he is primarily responsible for legal and compliance, asset management, and investment. He has been an Outside Director of SBI Asset Management Co., Ltd., which manages assets, since December 2003 and he is primarily responsible for legal and compliance, and fund management. Mr. Fujita was appointed as our Joint Japanese Company Secretary on 24 February 2011.

Mr. Fujita started his career at Kumagai Gumi Co., Ltd., a general developer, in April 1979 where he was primarily responsible for legal and compliance.

Mr. Fujita received his Bachelor of Laws degree from School of Law at Hokkaido University (北海道大学) (Japan) in 1979.

Masayuki Yamada, aged 48, is our Executive Officer. Mr. Yamada has been an Executive Director of the Company since June 2009. Mr. Yamada is the General Counsel of the Company's Legal Department (International) and is primarily responsible for corporate legal work, corporate finance and general management of the Company as a head of the international legal department. Mr. Yamada has been engaged in corporate legal practice for over 20 years. He has extensive knowledge in overseas investment, overseas fund management, fund raising, overseas business development, international strategy, US and international legal issues, corporate finance

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(including M&A and IPO) and general management. When he worked for Softbank Finance Corporation, formerly the parent of the Company, he was involved in a number of transactions (such as the establishment of joint ventures or business and/or capital alliances with US companies) for the development in Japan of US originated business models. After he joined the Company, he took a position supervising the research of local regulations in each country to provide support for the expansion of the business in overseas markets. Mr. Yamada joined the Company in June 2003.

Mr. Yamada has been an Outside Statutory Auditor of SBI Benefit Systems Co., Ltd., which manages the system for recording the pension fund, since June 2010. He has been an Outside Statutory Auditor of SBI Biotech Co., Ltd., a research and development company for medicines, since June 2007.

Mr. Yamada joined SOFTBANK FINANCE CORPORATION in November 1999. Mr. Yamada was in charge of fund management and corporate legal work. He started his career at Sogo Horei Co., Ltd., a publishing company, in 1985. Mr. Yamada was in charge of corporate legal work (mainly work relating to corporate law) and overseas planning.

Mr. Yamada is an Attorney at Law in the State of New York, certified in 1999. He received his Master of Comparative Jurisprudence degree from School of Law at New York University (US) in 1997. He received his Bachelor of Laws degree from Chuo University (Japan) in 1987.

Hideo Nakamura, aged 41, is our Executive Officer. He has more than 17 years of experience in the corporate finance and investment industries. He was appointed as the head of our Hong Kong office on 1 January 2011 and has been in charge of the preparation for the Company's listing on the Hong Kong Stock Exchange. Mr. Nakamura has been an Executive Officer of the Company since June 2009. Mr. Nakamura was the General Manager of the Company's Finance Department and oversees the financial matters of the Company. Mr. Nakamura joined the Company in June 2001. After having been engaged in corporate finance matters at a bank, Mr. Nakamura has been consistently in charge of financial affairs since he joined the Company. Aside from leading a number of finance projects, he has been involved with most reorganisation projects of our Company (such as M&A projects) since our incorporation. He was also in charge of business venture projects undertaken by the Company and has extensive knowledge and experience in business investments and developments. In addition, for many years he has hosted meetings with institutional investors, as he is the person in charge of investor relations for the Group. He has resided in Hong Kong since January 2011 and carries forward the Hong Kong Stock Exchange listing project as well as managing projects in this area.

Mr. Nakamura has been an Outside Director of SBI Life Living Co., Ltd., which engages in property development and construction businesses, since December 2007. There, he joined management as one of the board members as well as advising on financial matters. He has been a Director and has participated in the management of SBI Lease Co., Ltd., which engages in leasing business, since June 2008. He has been the Representative Director and responsible for overall management of the company of e-Research Inc., which manages investments and finance, since March 2006.

Mr. Nakamura started his career at The Mitsubishi Bank, Ltd. (currently called The Bank of Tokyo-Mitsubishi UFJ, Ltd.) in 1993.

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Mr. Nakamura is a Chartered Member of the Securities Analysts Association of Japan, certified in September 2002. He received his Master of Business Administration degree in Finance from Graduate School of International Corporate Strategy at Hitotsubashi University (一橋大学大学院国際企業戦略研究科) (Japan) in 2005. He received his Bachelor of Economics degree from the University of Tokyo (Japan) in 1993.

Makoto Miyazaki, aged 46, is our Executive Officer. He is in charge of the China investment business and manages various funds in China. He has more than 10 years of experience in private equity and venture capital investments. Mr. Miyazaki has been an Executive Officer of the Company since June 2010. Mr. Miyazaki joined the Company in April 2004. Mr. Miyazaki has been the Chief Representative of our Company's representative office in Beijing since September 2005. He has been a Manager of Incubation Department of SBI Investment Co., Ltd. since April 2004. He has been a director of SBI Ven Capital Pte. Ltd. since September 2007. He has been a director of SBI Hong Kong Co., Ltd. since September 2008. He was appointed as Manager of Investment Department 3 despatched by CDIB Asia in June 2001.

Mr. Miyazaki was appointed as Investment Manager of Overseas Department of CDIB Asia, which manages various funds, in October 2000. There, he was responsible for making investment decisions as the Investment Manager. He was appointed as Manager/Overseas Portfolio Management Department and Assistant Manager/Overseas Fund Management Department of Kwang Hua Securities Investment Trust (currently called ABN AMRO Asset Management, Taiwan), which engages in asset management in January 2000. He was engaged in fund management and analysed companies in Taiwan. He started his career at UBS Philips and Drew Securities, Tokyo, which is a securities company, (currently called UBS Securities, Tokyo) in 1992 and worked in fund management. Mr. Miyazaki has an extensive personal network in Taiwan and China as well as knowledge and substantial experience in fund management in the financial industry. He contributed to the establishment of our Beijing Office, our first overseas resident office, and in setting up the New Horizon Fund, and contributed to the business development of our company in China.

Mr. Miyazaki received his Bachelor of Science degree in Business from the Western Oregon State College (currently called Western Oregon University) (US) in 1991.

Yoshimi Takahashi, aged 46, is our Executive Officer and manages our Korean business. He has more than 19 years of experience in the capital markets in South Korea. Mr. Takahashi has been an Executive Officer of our Company since June 2010. Mr. Takahashi joined the Company in March 2000. Mr. Takahashi has been the Representative Director of SBI Korea Holdings Co., Ltd. since March 2000 and is responsible for the overall management of the company. He has been the Representative Director, Chairman and CEO of Korea Technology Investment Corporation since March 2010. He has been a Director and Chairman of SBI GLOBAL INVESTMENT CO., LTD. since January 2010 and he is in charge of the overall management of the company. Since August 2008, he has been a Director and the Chairman responsible for overall management of SBI Private Equity Co.,Ltd., which engages in asset management. He served as the Chairman of E*TRADE Korea until September 2008.

Mr. Takahashi started his career at Nomura Securities Co., Ltd. (currently called Nomura Holdings, Inc. and listed, amongst others, on the TSE and OSE in 1988.

Mr. Takahashi has an extensive personal network in South Korea that he established while he lived there during his previous career at a securities company. After joining us, he led the establishment and operation of E*TRADE Korea and contributed to its listing on KOSDAQ. He executed a number of investments in Korea, took over a venture capital company in Korea, and has deep knowledge in the Korean investment industry.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Takahashi received his Bachelor of Arts degree in Law from Waseda University (Japan) in 1988.

Feng Wang (Masakazu Motoki), aged 39, is our Executive Officer. He has more than 10 years of experience as a top executive of the company he founded. Mr. Motoki has been an Executive Officer of the Company since June 2010. Mr. Motoki has been the General Manager of the Company's Web Finance Department since July 2010. Mr. Motoki is the founder and representative director of Searchina Co., Ltd., which provides information on Chinese finance to Japanese investors via its website, and has been the Representative Director and President (*Shacho*) since September 1999. Mr. Motoki joined the Group in February 2010 after Searchina Co., Ltd. was acquired by the Company.

Mr. Motoki started his career by founding Searchina Co., Ltd. in September 1999.

He founded Searchina Co., Ltd. after he came to Japan as a student and developed it to become one of the most well-known websites on Chinese financial information in Japan. Searchina Co., Ltd. was profitable for eight consecutive fiscal terms under his management.

Mr. Motoki received his Bachelor of Laws degree from Asia University (亜細亜大学) (Japan) in 1995.

Kazuhito Uchio, aged 35, is our Executive Officer. Mr. Uchio has been an Executive Officer of the Company since June 2010. Mr. Uchio is the General Manager of our Company's Corporate Communications Department and is responsible for Investors Relations and Public Relations. He is also committed to the establishment of the Company's corporate branding and has provided support to the management in planning the Group's overall strategies. Mr. Uchio has experience in the banking business. He has participated in the Group's online securities business in Japan and was involved in the listing preparations of E*Trade Japan K.K. (currently SBI Securities Co., Ltd.). He has more than 5 years of experience in corporate communications, and 7 years of experience in corporate finance and strategy businesses. He joined the Company in June 2005. He joined E*Trade Japan K.K. in November 1999 and was in charge of its finance and accounting.

Mr. Uchio started his career at The Sakura Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation) in 1998 and was in charge of its corporate and retail banking business.

Mr. Uchio is a Chartered Member of the Securities Analysts Association of Japan, certified in January 2004. He received his Bachelor of Laws degree from Kyoto University (Japan) in 1998.

Shinji Yamauchi, aged 52, is our Executive Officer. Mr. Yamauchi has been an Executive Officer of the Company since September 2010. Mr. Yamauchi is the General Manager of the Company's Overseas Business Promotion Department. He was appointed as a Managing Director of the Company in October 2007. He has been a Director of SBI & TH Venture Capital Enterprise since April 2005. He joined the Company in June 2004.

Mr. Yamauchi was appointed as a Director of InsAgency K.K. (currently called SBI Financial Agency Co., Ltd.), an insurance brokerage company, in September 2002. He was appointed as a Director of PLX K.K. (currently called Intechstra Co., Ltd.) in December 2000. He was appointed as a Representative Director (*Daihyo Torishimariyaku Shacho*) of E*GOLF Corporation (currently called Golf-Stadium INC.) , providing an online reservation service for golf, in November 1999.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yamauchi joined SOFTBANK FINANCE CORPORATION in April 1999. Mr. Yamauchi was appointed as a Managing Director (*Jomu Torishimariyaku*) of Trend Micro Incorporated (listed on the TSE), a security software company, in February 1997 and was responsible for the overall management of its operations.

Mr. Yamauchi started his career at Nissho Iwai Corporation (currently called Sojitz Corporation), a general trading company, in April 1983.

After gaining management experience in Trend Micro Incorporated and the Group's insurance comparison service, intellectual property management and online reservation businesses, Mr. Yamauchi was engaged in conducting tie-up negotiations with overseas financial institutions and institutional investors in order to deploy overseas the competitive business models that the Company has developed in Japan.

Mr. Yamauchi received his Master of Business Administration degree from Columbia Business School at Columbia University (US) in 1988. He received his Bachelor of International Relations degree from Department of International Relations at National Defense Academy of Japan in 1978.

Masaki Takayanagi, aged 41, is our Executive Officer and the head of the business in Singapore. Mr. Takayanagi has been an Executive Officer of the Company since September 2010. Mr. Takayanagi joined the Company in September 2010. He has engaged in sales and marketing to overseas institutional investors and for many years provided support services to Japanese companies while working for leading Japanese securities firms. He also has an extensive knowledge of finance gained at graduate schools in different countries.

Mr. Takayanagi has been a Managing Director of SBI Ven Capital Pte. Ltd., which mainly manages a number of funds, since October 2010 where he is responsible for business operations and strategic planning. He was appointed a Director of Daiwa Securities SMBC Co. Ltd. (currently called Daiwa Securities Capital Markets Co. Ltd.) in May 2003 and was appointed a Director of Daiwa Securities SMBC Europe Limited (currently called Daiwa Securities Capital Markets Europe Limited) since May 2003, where he engaged in sales and marketing to institutional investors and provided support to Japanese companies that were mainly based in London. He has been an Executive Director of Nomura Australia, which provides investment banking services, since January 2009, where he has engaged in sales and marketing to institutional investors and provided support to Japanese companies in Australia.

Mr. Takayanagi started his career at KDD Co. Ltd. in April 1992.

Mr. Takayanagi received his Masters in Finance degree from London Business School at University of London (UK) in 2005. He received his Master in Public Administration degree from John F. Kennedy School of Government at Harvard University (US) in 1999. He received his Master's degree in Business Administration from Said Business School at University of Oxford (UK) in 1997. He received his Bachelor of Arts degree in Economics from Political Science and Economics at Waseda University (Japan) in 1992.

COMPANY SECRETARY

We have appointed Mr. Toshiharu Fujita to act as our Joint Japanese company secretary and Ms. Leung Wai Han Corinna to act as our joint Hong Kong company secretary. Our company secretary in Hong Kong has the requisite Hong Kong qualifications and experience in order to fulfil the Company's obligations under Rule 8.17 of the Listing Rules. Our company secretary in Japan has the knowledge and experience necessary for fulfilling the role of company secretary although

DIRECTORS AND SENIOR MANAGEMENT

Mr. Toshiharu Fujita does not have the relevant Hong Kong qualifications and experience and will receive the benefit of the experience of our joint Hong Kong company secretary. For more details of the Company's company secretary arrangements, please see "Waivers and Voluntary Measures — Company Secretary".

Mr. Fujita, aged 55, has been a company secretary of our Company in Japan since his appointment on 24 February 2011. He is an executive officer, and the general manager of the Legal Department and Compliance Department of the Company. Mr. Fujita is responsible for the supervision and management of the Company's domestic legal affairs and compliance activities. He also participates in the management of several subsidiaries of the Company and is a director of SBI Investment Co., Ltd. and SBI Asset Management Co., Ltd. He has over 20 years' experience in in-house corporate legal work with Japanese listed companies on the TSE.

Ms. Leung Wai Han Corinna, aged 42 has been the joint company secretary of our Company in Hong Kong since her appointment on 24 February 2011. She is a senior manager of Tricor Services Limited and has almost 20 years of experience in corporate secretarial work. Ms. Leung is an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries (香港特許秘書公會). As of the Latest Practicable Date, Ms. Leung acts as the joint company secretary of Honghua Group Limited (stock code: 196), a company listed on the Hong Kong Stock Exchange.

CORPORATE GOVERNANCE

To enhance management transparency and corporate governance, our Company recognises that one of its most crucial management issues is to build, maintain and improve upon an organisational structure capable of responding quickly to changes in the business environment, as well as a shareholder-oriented and fair management system.

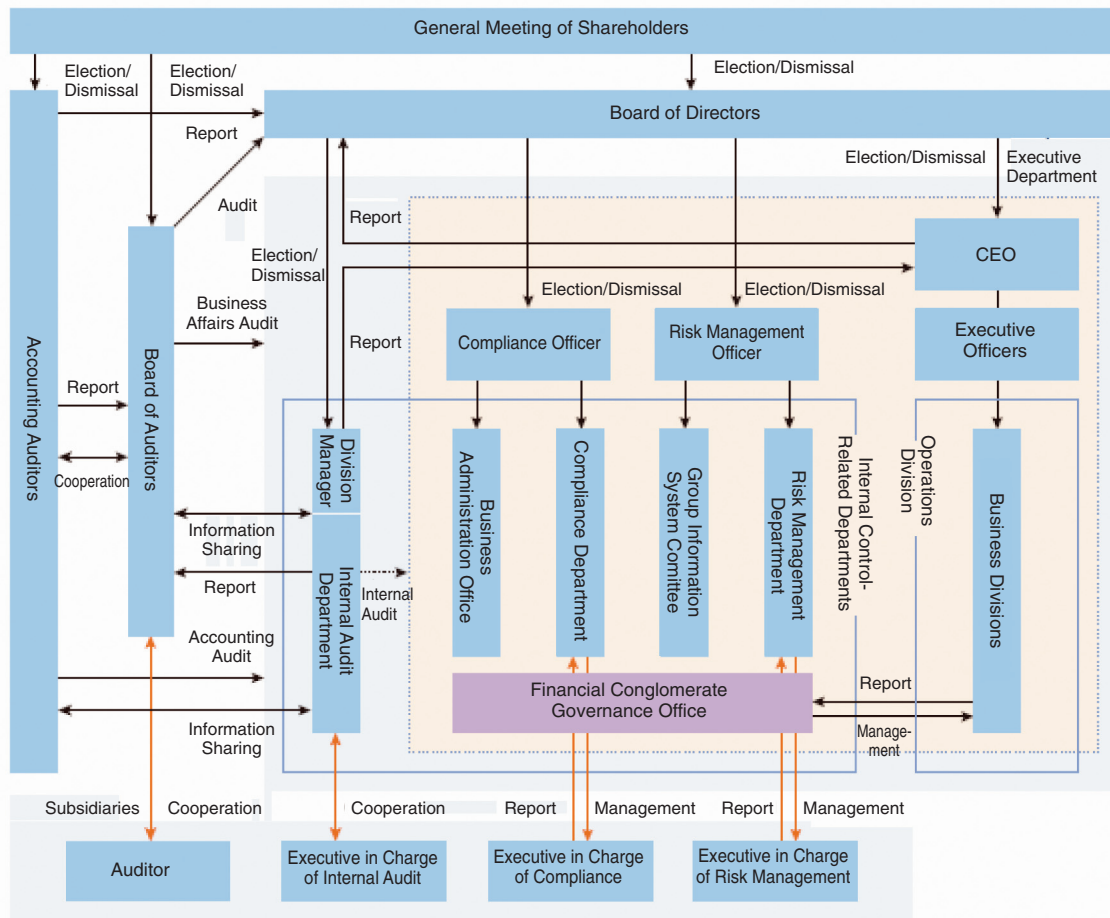
Our Board of Directors consists of 17 Directors, and our Company has adopted the executive officer system to clarify the functions and responsibilities of the Board of Directors, which includes the CEO and the CFO, 6 Directors who are also Executive Officers who control each business division, and 9 non-executive Directors. There are a total of 17 individuals charged to manage the execution of business affairs. We have also built a corporate governance system that facilitates quick and flexible responses to drastic changes in the business environment. Moreover, as a general rule, the Board of Directors convenes once a month and extraordinary meetings are held when necessary to make decisions on important matters and to monitor the execution of business operations. Our Company has increased the number of independent Directors to 5, with each having a high degree of independence and no conflicts of interest with general stakeholders, to fortify the monitoring of the management of our Group.

Our Company has adopted a Statutory Auditors system under the Companies Act in order to establish good corporate governance. Under this regime, the primary decision making body of our Company is our Board of Directors, which is monitored by our Company's Board of Statutory Auditors, whose role is stated to include monitoring the proper execution by the Directors of their duties. Furthermore, our Accounting Auditor assists the Statutory Auditors in reviewing the financial and accounting arrangements conducted by the Board of Directors.

The Board of Statutory Auditors, which comprises 4 members all proficient in financial affairs and includes 2 independent Statutory Auditors, organically combines the audits performed by each Statutory Auditor, the Internal Audit Department and the Accounting Auditor in an effort to maintain an appropriate standard of corporate governance.

DIRECTORS AND SENIOR MANAGEMENT

Structure of Corporate Governance and Internal Control



COMMITTEES UNDER OUR BOARD OF DIRECTORS

Under Japanese law, companies are not required to have any statutory sub-committees of the Board of Directors. However, we have certain non-statutory sub-committees which we have put in place.

Internal control

- Compliance Department

A compliance department has been established to identify and manage our Company's compliance-related issues. Kenji Hirai is the Director responsible for compliance.

We have also established an internal reporting system for submitting reports directly to the internal audit department and the Statutory Auditors, allowing Directors and employees to report information concerning violations of laws, regulations and the Articles, as well as to report compliance-related issues. Compliance conferences are held to provide an opportunity to exchange information about compliance for the entire Group and to discuss compliance issues. The Directors in charge of compliance and the compliance department attend these conferences along with the compliance officers of our Group companies.

DIRECTORS AND SENIOR MANAGEMENT

The compliance department consists of 2 members (1 general manager and 1 administrator). Toshiharu Fujita is the general manager of the Compliance Department and concurrently serves as an Executive Officer of the Company and the Joint Japanese Company Secretary. He has been working in our legal department and compliance department for more than 20 years. As the general manager of the compliance department, he is responsible for monitoring the Company's compliance (as well as its officers' and employees' compliance) with applicable rules and regulations (including the Directors' personal obligations under the Companies Act and stock exchange rules). He is also responsible for giving appropriate training to officers and employees. The current administrator has been working in the compliance department and assisting Mr. Fujita for 3 years.

- *Internal Audit Department*

Our Company has established an internal audit department. It is independent from all business divisions and administrative divisions, allowing it to comprehensively and objectively evaluate, amongst other things, the appropriateness of our Company's internal management structure. The internal audit department works in conjunction with the Board of Statutory Auditors.

In accordance with the "Standards for Audit by the Statutory Auditors" set out by the Board of Statutory Auditors, the internal auditors are required to attend meetings of the Board of Directors and other important corporate bodies, review key documents, exchange opinions with Directors and other members of senior management, and audit internal control systems based on our "practice standards for internal controls" that set out the requirements for such audits.

The internal audit department consists of 6 members (1 general manager, 1 manager and 4 other members). Satoe Kusakabe, the general manager of the internal audit department, is a certified public accountant and gained experience of audit work at Ernst & Young, where she worked for more than 17 years as a manager and a director, specialising in various financial sectors such as broker-dealer, investment banking and asset management. In addition, she has experience in US-SOX internal control assessment and has acted as a consultant for NYSE-listed companies. As the general manager of the internal audit department, she is responsible for inspecting and evaluating risk-management and governance process of our Company and also for improving the quality of our Company's organisational operation. Further, she has conducted an audit in light of J-SOX and evaluated our financial reporting controls. The manager of the internal audit department is responsible for information technology internal control, drawing on his previous experience of information technology internal control and information technology security in investment business. The internal audit department also engages external professionals to conduct business and risk audits.

Risk Management

Our Company manages risks that may impede the execution of our business operations. The Board of Directors appoints a Director to be in charge of risk management, currently Yasutaro Sawada, a Director and our CFO holds this role. He has substantial experience in the financial industry and, in particular, more than 10 years of experience in the securities sector. He has been in charge of risk management at the Company since May 2006.

- *Risk Management Department*

The risk management department was established to identify, properly evaluate and manage risks for the entire Group, including our Company. In the event of any potential or actual issue arising that would have a major impact on our Company's existence, the Director in charge of risk

DIRECTORS AND SENIOR MANAGEMENT

management, appointed by the Board of Directors as the person with overall responsibility, will gather all relevant information and consider and implement countermeasures and measures to prevent reoccurrences, while reporting and disclosing information to relevant third parties where necessary.

The risk management department consists of 5 members (1 head and 4 members). Tadato Ono, the head of the risk management department, has concurrently served as a Director, a Statutory Auditor and an Outside Statutory Auditor of our Company's subsidiaries, such as SBI Entertainment Co., Ltd., SBI Insurance Co., Ltd., SBI Marketing Co., Ltd. and SBI Asset Management Co., Ltd. He has more than 10 years of experience in corporate accounting and finance in business sectors such as information technology, private equity, financial service and electronic devices manufacturing. As the head of the risk management department, he is responsible for addressing the risk assessment of our Group's portfolio, arising from our Group's various business sectors such as private equity fund management, stock brokerage business and money lending business. He is also responsible for monitoring any potential risk of the Company and making periodic reports to the management of the Company. Other department members also have experience of corporate information security operations or corporate risk management operations in business sectors such as information technology, private equity and financial services.

- *Group Information System Committee*

As a part of efforts to ensure the protection of customer information and to restrict system risk, we have established the Group Information System Committee, composed of members appointed from each division, with the Director in charge of risk management as the chairman. To maintain business continuity, our Company has also built a structure to respond to any type of contingency through redundant systems and backup structures at multiple locations.

The Group information system committee consists of 17 members (1 chairman, 14 committee members (5 of which are also secretaries) and 2 observers). The committee is chaired by Yasutaro Sawada, who is a Director and our CFO. Other members include the head of compliance, the head of general affairs, the head of human resources, the head of financial conglomerate governance, the head of internal auditing, the head of IT solutions, the head of the risk management and seven other members from various departments and two subsidiaries (SBI SECURITIES Co., Ltd. and SBI Life Living Co., Ltd.). The Chairman and half of the committee members of the Group information system committee are serving as heads of the relevant departments in the Company and have sufficient experience in business sectors such as information technology, private equity and financial services that enable them to evaluate and mitigate risks associated with the Group's information system. The secretaries of the committee are responsible for convening regular meetings of the committee and for drafting minutes of the meetings. They are also responsible for conveying the result of the meetings to our Group's management and/or employees. In addition, the committee has two observers, who have also concurrently served as a directors of the Company's subsidiaries, such as SBI Technology Co., Ltd., SBI Net Systems Co., Ltd. and SBI Trade Win Tech Co., Ltd. They are responsible for giving advice to the committee with their knowledge and experience obtained through information technology business and information security business.

DIRECTORS AND SENIOR MANAGEMENT

RETIREMENT SCHEMES

(A) Pension schemes

Our Company and most of our subsidiaries which have retirement schemes, such as SBI Investment Co., Ltd., Morningstar Japan K.K. and SBI Mortgage Co., Ltd., have contributory funded defined benefit pension plans and defined contribution pension plans.

Certain of our subsidiaries which have retirement schemes, such as SBI SECURITIES Co., Ltd., SBI Life Living, Co., Ltd. and SBI Business Support Co., Ltd. have non-contributory funded defined benefit pension plans, contributory funded defined benefit pension plans and/or defined contribution pension plans.

There are two kinds of defined benefit pension plans, a contributory funded defined benefit pension plan and a non-contributory funded defined benefit pension plan. In each case the benefits are defined and do not depend solely on the level of contributions. Under a contributory funded defined benefit pension plan, pension contributions are to be borne by both the relevant member of the pension plan and the relevant company, and under a non-contributory funded defined benefit pension plan, only the company will bear pension contributions. In the case of the current contributory funded defined benefit pension plans of the Company and its consolidated subsidiaries, the amount of the contribution to be borne by each member of the plans and the Company (or each consolidated subsidiary) is 13% of average index monthly earnings and 15% of average index monthly earnings respectively. In addition, the Company contributes an additional 1.05% of average index monthly earnings. The only consolidated subsidiary that has adopted a non-contributory funded defined benefit pension plan is C4 Business Integration, Inc. and the amount of contribution to be borne by C4 Business Integration Inc. under the non-contributory funded defined benefit pension plan was ¥16 million as at the end of the fiscal year ended 31 March 2010.

At the end of the fiscal year, the Company reserves certain amounts that are required to pay the retirement benefits of those who will voluntarily retire in the future.

A defined contribution pension plan is a type of pension plan under which the members will only receive the amount having been paid into the plan as contributions. The contributions to a defined contribution pension plan are to be borne by the company. In the case of the defined contribution pension plans of the consolidated subsidiaries of the Company, the amount of contributions to be borne by the respective consolidated subsidiaries is equal to 3% of the remuneration of each member of the plan and up to ¥216,000 per year.

The total pension cost for all pension plans of the Company and its consolidated subsidiaries was ¥454 million for the fiscal year ended 31 March 2010.

There is no retirement pension plan designed specially for the Directors and senior management. The Directors and senior management may participate in the above mentioned pension plans under the same conditions as the employees.

We classify contributions to the defined contribution schemes that are no longer payable, owing to employees' retirement, as other income in our financial statements.

With respect to the contributory funded defined benefit pension plan, the actuarial calculation of the pension fund is dealt with by Mitsubishi UFJ Trust and Banking Corporation, which employs qualified actuaries. The actuarial method used with respect to this pension plan is the open aggregate cost method with past service liability. Fair value of the assets under this pension plan

DIRECTORS AND SENIOR MANAGEMENT

amounted to ¥163,024 million as at the end of the fiscal year ended 31 March 2010. The funds are managed by approximately 20 companies. Pension plan funds are invested in offshore debt and equity securities, insurance, and alternative financial assets to ensure risk dispersion. Rate of return on the plan assets was 17.16% for the year ended March 2010. Returns on the plan assets were ¥22,928 million for the year ended 31 March 2010. Actuarial assumptions with respect to the contributory funded defined benefit pension are as follows:

		Basic portion		Additional portion	
		Male	Female	Male	Female
(1)	Expected management rate (%)		5.50 (5.50)	5.50 (5.50)	5.50 (5.50)
(2)	Rate multiplied to standard mortality rate	1.00 (1.00)	1.00 (1.00)	1.00 (1.00)	1.00 (1.00)
(3)	Calculated average rate of withdrawal (%)	10.9 (11.2)	17.3 (17.6)	10.9 (11.2)	17.3 (17.6)
(4)	Latest year of participation (age)	65 (65)	65 (65)	65 (65)	65 (65)
(5) Index for salary increase	(i) Earliest year of participation (age)	15 (15)	15 (15)	15 (15)	15 (15)
	(ii) Ceiling (age)	51 (51)	65 (65)	51 (51)	65 (65)
	(iii) Average rate of increase (%)	3.9 (3.9)	2.3 (2.3)	3.9 (3.9)	2.3 (2.3)
	(iv) Base-up rate (%)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)
(6) Index for bonus increase	(i) Earliest year of participation (age)	— (—)	— (—)	— (—)	— (—)
	(ii) Ceiling (age)	— (—)	— (—)	— (—)	— (—)
	(iii) Average rate of increase (%)	— (—)	— (—)	— (—)	— (—)
	(iv) Base up rate (%)	— (—)	— (—)	— (—)	— (—)
(7) Employees newly participated in the plan	(i) Number of employees participated	6,763 (6,923)	3,482 (3,554)	6,732 (6,891)	3,472 (3,544)
	(ii) Age of participation	32 (31)	30 (30)	32 (31)	30 (30)
	(iii) Salary (¥)	371,175 (364,834)	312,939 (312,572)	314,503 (311,773)	269,935 (269,619)
	(iv) Average period of participation	9.17 (8.96)	5.80 (5.68)	9.17 (8.96)	5.80 (5.68)

Note

- (1) Figures shown in parentheses represent those before recalculation or revision.
- (2) If the figures are revised (which does not include recalculation), only amended figures are set out above the numbers in the brackets.
- (3) With regard to “(6) index for bonus increase” of the basic portion, it is assumed that the bonus occupies 18% of annual salaries for male employees and 16% for female employees, based on the actual amount of the bonus in the past three years.
- (4) The number in the column “(iii) Salary” in “(7) Employees newly participated in the plan” of the basic portion shows the sum of the standard monthly salary and the standard bonus (converted in monthly basis).

DIRECTORS AND SENIOR MANAGEMENT

With respect to the defined benefit plan of C4 Business Integration, Inc, an actuary of Sumitomo Life Insurance Company deals with the actuarial valuation. The actuary performs a “finance assessment” at the end of every financial year to examine the funded status of the plan for its sufficiency, both on a continuous basis and a non-continuous basis. Under the continuous basis, plan assets are assessed as to whether they are sufficient to meet the plan’s obligations assuming the plan continues in effect in future. Under non-continuous basis, the plan assets are assessed for their sufficiency in providing defined benefits to eligible employees under the plan assuming the defined benefit plan discontinues at year-end. The financial position of the pension plan ended in surplus at the latest financial year-end, and the finance assessment of the plan reported that the funded status of the plan assets was adequate. The fair value of the plan assets as at 31 January 2010 was ¥58,730,434. The rate of return on plan assets was 1.59% for the plan’s financial year ended 31 January 2010. Revenues and expenses information for the plan’s financial year ended 31 January 2010 was as follows:

Expense accounts (in thousand of Yen)	
Balance of current transactions	17,073
Balance of extraordinary transactions	—
Balance of actuarial gains/losses	8,112
Basic amount	580
Total	25,766

Revenue accounts (in thousand of Yen)	
Balance of current transactions	8,339
Balance of extraordinary transactions	—
Balance of actuarial gains/losses	17,426
Basic amount -	
Total	25,766

(b) Retirement allowance

Set out below are the retirement allowances that have been paid to the retired Directors and senior management of the Company and its consolidated subsidiaries during the period of fiscal year ended 31 March 2008 to fiscal year ended 31 March 2010.

	Fiscal years ended 31 March		
	2008	2009	2010
E*TRADE KOREA CO., LTD ⁽¹⁾	¥6,881,940	¥5,267,143	—

Note:

(1) We disposed of all the shares we owned in E*TRADE KOREA CO., LTD. in August 2008.

PRE-IPO ISSUANCE OF SARs AND WARRANTS

We have issued SARs and Warrants pursuant to the Pre-IPO SAR Resolutions. For details of the Pre-IPO SAR Resolutions, selection criteria, eligibility and determination of entitlement and principal terms, please refer to the section headed “Statutory and General Information — Other Information — Share Acquisition Rights” in Appendix VIII to this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate remuneration our Directors have received (including fees, salaries, stock-based benefits, discretionary bonus, contributions to pension schemes, housing and other allowances, and other benefits in kind) for each of the fiscal years ended 31 March 2008, 2009 and 2010 and the six months ended 30 September 2010 were approximately ¥653 million for the fiscal year ended 31 March 2008, ¥709 million for the fiscal year ended 31 March 2009, ¥388 million for the fiscal year ended 31 March 2010 and ¥205 million for the six months ended 30 September 2010.

The aggregate amount of fees, salaries, stock-based benefits, contributions to pension schemes, housing and other allowances, other benefits in kind and discretionary bonuses paid by our Group to our five highest paid individuals, including certain Directors, for each of the fiscal years ended 31 March 2008, 2009 and 2010 and the six months ended 30 September 2010 were approximately ¥478 million for the fiscal year ended 31 March 2008, ¥564 million for the fiscal year ended 31 March 2009, ¥276 million for the fiscal year ended 31 March 2010 and ¥146 million for the six months ended 30 September 2010 respectively.

No remuneration was paid by our Group to our Directors or the 5 highest paid individuals as an inducement to join or upon joining our Group or as compensation for loss of office in respect of the three financial years ended 31 March 2010 and the six months ended 30 September 2010.

Other than as provided in this section, there has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31 March 2010 and the six months ended 30 September 2010. Further, none of our Directors has waived any remuneration during the same period.

Ken Izawa waived the Pre-IPO SARs issued to him when he resigned his position as a director of SBI Securities Co., Ltd. on 30 September 2007.

Noriyuki Ishihara did not waive any SBIH Pre-IPO SARs issued to him while he was a Director of our Company nor when he resigned his position as a director on 26 June 2009. He continued to work for our Company as an employee (not as a Director nor Statutory Auditor). After that, he waived the SBIH Pre-IPO SARs issued to him when he left his position as a general employee of the Company on 10 July 2010.

The aggregate remuneration, including benefits and contributions, but excluding any discretionary bonus, paid by us to our Directors in respect of the year ended 31 March 2010 was approximately ¥384 million.

Under arrangements currently in force, the aggregate remuneration of our Directors, including benefits and contributions but excluding any discretionary bonuses, for the financial year ended 31 March 2011 is estimated to be no more than approximately ¥438 million.

Our Directors anticipate that they will periodically review the compensation levels of key executives of our Group. Based on our Group's performance and the executives' respective contributions to our Group, our Board of Directors may, within the aggregate remuneration amount having been approved by a Shareholders' meeting of our Company, grant salary increases or pay bonuses to each respective Director.

DIRECTORS AND SENIOR MANAGEMENT

Our Independent non-executive Directors are entitled to receive annual salaries as described in “Statutory and General Information — Further Information about Directors and Shareholders — 8. Directors and substantial shareholders — (d) Directors, remuneration” in Appendix VIII to this prospectus and such annual salaries are determined by our Board of Directors within the aggregate remuneration amount approved by our Company’s Shareholders at a general Shareholders’ meeting. All Directors receive reimbursements from us for expenses which are necessarily and reasonably incurred for providing services to us or executing matters in relation to the operations of our Company.

COMPLIANCE ADVISER

We have appointed Daiwa Capital Markets Hong Kong Limited as our compliance adviser (the “**Compliance Adviser**”) upon Listing in compliance with Rule 3A.19 of the Listing Rules.

We have entered into a compliance adviser’s agreement with the Compliance Adviser, the material terms of which are as follows:

- 1) we have appointed the Compliance Adviser for the purpose of Rule 3A.19 of the Listing Rules for a period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is earlier;
- 2) the Compliance Adviser shall provide us with services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines, and to act as one of our principal channels of communication with the Hong Kong Stock Exchange; and
- 3) we may terminate the appointment of the Compliance Adviser only if the compliance adviser’s work is of an unacceptable standard or if there is a material dispute (which cannot be resolved within 30 days) over fees payable to the compliance adviser as permitted by Rule 3A.26 of the Listing Rules. The Compliance Adviser will have the right to resign or terminate its appointment if we breach the agreement.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately after completion of the Global Offering (taking no account of any HDRs which may be allotted and issued upon the exercise of the Over-Allotment Option and any Pre-IPO SARs which have been or may be issued under the Pre-IPO SARs Resolutions since 16 March 2011) have an interest or a short position in the Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at Shareholders' meetings of our Company.

Name	Nature of Interest	Number of Shares ⁽¹⁾	Approximate percentage of Shareholding in our Company immediately after the Global Offering ⁽²⁾
CBNY-ORBIS Funds	Direct	1,662,356 ^(L)	7.66%
Japan Trustee Services Bank, Ltd. (Trust account)	Trust account	1,092,055 ^(L)	5.03%
CBNY-ORBIS SICAV	Direct	1,086,071 ^(L)	5.00%

Notes:

(L) Denotes a long position in Shares

(1) These figures reflect the number of Shares held by each Shareholder as at 16 March 2011.

(2) These figures assume that the Shareholders will not participate in the Global Offerings or in the trading of any Shares between 16 March 2011 and the Listing Date. These figures also assume that the Over-Allotment Option is not exercised.

The Company does not have any substantial shareholders (as defined in the Listing Rules)⁽¹⁾. Further, the Company does not have any Controlling Shareholders and our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

Notes:

(1) Based on the number of shares held by the top 10 shareholders of SBI VeriTrans as of 30 September 2010, and assuming that these shareholders hold the same number of shares as of 1 August 2011, none of the shareholders of SBI VeriTrans will become a substantial shareholder of the Company as a result of the Share Exchange.

SHARE CAPITAL

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company as at the date of this prospectus and immediately after completion of the Global Offering:

Authorised capital

The Company does not have an authorised share capital as the concept of share with par value was abolished when the Commercial Code was amended in 2001. The total number of Shares authorised to be issued by our Company is 34,169,000.

Shares issued and to be issued:

19,944,018	Shares in issue
<u>1,750,000</u>	Shares to be issued pursuant to the Global Offering
Total:	
<u>21,694,018</u>	Shares

ASSUMPTION

The above table assumes that the Global Offering becomes unconditional.

It does not take into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the SBIH Pre-IPO SARs.

RANKING

The Shares represented by the Offer HDRs and the Shares that may be issued pursuant to the Over-allotment Option rank pari passu with all existing Shares in issue on the date of the allotment and issue of such shares, and in particular will be entitled to all dividends or other distributions the record dates for which are on or after the issuance of the Shares represented by the Offer HDRs.

SHARE ACQUISITION RIGHTS

Our Company has issued the SBIH Pre-IPO SARs representing approximately 1.15% of the issued share capital of our Company immediately after completion of the Global Offering as enlarged by issue of Shares pursuant to the exercise of all of the SBIH Pre-IPO SARs as of the Latest Practicable Date but without taking into account any Shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option. Details of the Pre-IPO SARs are set out in “Statutory and General Information — Other Information — Share Acquisition Rights” in Appendix VIII to this prospectus.

SHARE CAPITAL

DEALINGS IN THE SHARES PRIOR TO LISTING

According to Rule 9.09(b) of the Listing Rules, there must be no dealing in the securities of a new applicant for which listing is sought by any connected person of the issuer from the date which is four clear days before the listing hearing date until listing is granted. In the context of a Secondary Listing of a widely held, publicly traded company, our Company has no control over the investment decisions of its Shareholders. Our Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 9.09(b) of the Listing Rules which restricts such dealings in the Shares prior to Listing. Please refer to the section entitled “Waivers and Voluntary Measures — Dealings in Shares Prior to Listing” in this prospectus for details of the waiver.

DESCRIPTION OF HONG KONG DEPOSITARY RECEIPTS

A deposit agreement has been entered into in respect of the Secondary Listing. This section includes a summary of the principal terms of the Deposit Agreement. Because it is a summary, it does not contain all the information that may be important. For more complete information, you should read the entire Deposit Agreement and the form of HDR which contains the terms of HDSs. A copy of the Deposit Agreement is available for inspection as provided in Appendix IX to this prospectus.

See the sections in this prospectus headed “Risk Factors — Risks Relating to the Global Offering — HDR Holders may be subject to additional obligations under the rules, regulations and laws of Japan and there are uncertainties and ambiguities as to what these additional obligations are” and “Risk Factors — Risks Relating to the Global Offering — HDR Holders are subject to additional obligations under the Deposit Agreement”.

LISTINGS

Application has been made to the Listing Committee for granting the admission to the Secondary Listing on the Main Board of the Hong Kong Stock Exchange of, and permission to deal in, the HDRs.

Application had been made in respect of the HDRs, each of which represents 0.1 Share listed on TSE and 0.1 Share listed on OSE in Japan.

The HDRs will be denominated in HK dollars with no par value.

TERMS OF HDRS

Each HDR will be issued against a HDS for the account of the Depositary.

JPMorgan Chase Bank, N.A., as Depositary, will issue HDRs representing the HDSs to investors in the HDRs pursuant to the Global Offering.

Each HDS will represent an ownership interest in 0.1 Share, which will each be deposited with the Custodian, as agent of the Depositary, under the Deposit Agreement.

The Custodian will hold the Shares for the account of the Depositary on behalf of the HDR Holders, segregated from all other property of the Custodian.

In the future, each HDS will also represent any securities, cash or other property deposited with the Depositary or the Custodian for the account of the HDR Holders. Unless their holders specifically request otherwise, all HDSs will be registered on the books of the Depositary in book-entry form and periodic statements will be mailed to holders upon receiving the request from the HDR Holder(s) which reflect their ownership interest in such HDSs. In this description, references to HDRs shall include the statements that holders will receive which reflect their ownership of HDS.

The Depositary's representative office is located at 20/F, Chater House, 8 Connaught Road, Central, Hong Kong.

Holders may hold HDSs either directly or indirectly through their broker or other financial institution. If they hold HDSs directly, by having an HDS registered in their name on the books of the Depositary, they are an HDR Holder. This description assumes direct holding of HDSs. If holders hold the HDSs through their broker or financial institution nominee, they must rely on the procedures of such broker or financial institution to assert the rights of an HDR Holder described in this section. They should consult with their broker or other professional adviser to find out what those procedures are.

DESCRIPTION OF HONG KONG DEPOSITARY RECEIPTS

HDR Holders are not Shareholders. Japanese law governs the rights of Shareholders. Because the Depositary or its nominee will be the holder of record for the Shares represented by all outstanding HDSs, Shareholder rights rest with such holder of record. The rights of an HDR Holder derive from the terms of the Deposit Agreement that are analogous to, but more restricted than, the rights of the Shareholders. For details of the differences in respect of the material Shareholder protections in Japan and Hong Kong, please refer to the section headed “Appendix VI — Shareholder Protection Matters” in this prospectus. The obligations of the Depositary and its agents are also set out in the Deposit Agreement. Because the Depositary or its nominee will actually be the registered owner of the HDSs, HDR Holders must rely on the Depositary to exercise on their behalf the rights that are otherwise available to the Shareholders. The Deposit Agreement is governed by Hong Kong law and the HDRs will be created under and governed by Hong Kong law.

Share Dividends and Other Distributions

How will dividends and other distributions on the Shares underlying the HDSs be received?

We may make various types of distributions with respect to our securities. The Depositary has agreed that, to the extent practicable, it will pay the cash dividends or other distributions it or the Custodian receives on Shares or other deposited securities, after converting any cash received into HK dollars and, in all cases, making any necessary deductions provided for in the Deposit Agreement. Any conversion of dividends paid in a currency other than HK dollars will occur at the available market rates prevailing at the time of conversion.

Except as stated below, the Depositary will deliver such distributions to HDR Holders in proportion to their interests in the following manner:

- **Cash.** The Depositary will distribute any HK dollars available to it resulting from a cash dividend or other cash distribution or the net proceeds of sales of any other distribution or portion thereof (to the extent applicable), on an averaged or other practicable basis, subject to (i) appropriate adjustments for taxes withheld, (ii) such distribution being impermissible or impracticable with respect to certain registered HDR Holders, and (iii) deduction of the Depositary’s expenses in (1) converting any foreign currency to HK dollars to the extent that it determines that such conversion may be made on a reasonable basis, (2) transferring foreign currency or HK dollars to Hong Kong by such means as the Depositary may determine to the extent that it determines that such transfer may be made on a reasonable basis, (3) obtaining any approval or licence of any governmental authority required for such conversion or transfer, which is obtainable at a reasonable cost and within a reasonable time and (4) making any sale by public or private means in any commercially reasonable manner. Any conversion of dividends paid in a currency other than HK dollars will occur at the available market rates prevailing at the time of conversion. *If exchange rates fluctuate during a time when the Depositary cannot convert a foreign currency, HDR Holders may lose some or all of the value of the distribution.*
- **Shares.** In the case of a distribution in Shares, the Depositary will issue additional HDRs to evidence the number of HDSs representing such Shares. Only whole HDSs will be issued. Any Shares comprised in a distribution which would result in fractions of HDSs will be sold and the net proceeds will be distributed in the same manner as a cash distribution to the HDR Holder entitled thereto.

DESCRIPTION OF HONG KONG DEPOSITARY RECEIPTS

- *Rights to receive additional Shares.* In the case of a distribution of rights to subscribe for or acquire additional Shares or other similar rights, if we provide evidence satisfactory to the Depositary that it may lawfully distribute such rights, the Depositary will distribute warrants or other instruments in the discretion of the Depositary representing such rights. The Company has given no undertaking and is not obliged to provide the aforesaid evidence to the Depositary in case it distributes rights to receive additional Shares. However, if we do not furnish such evidence, the Depositary may:
 - sell such rights if practicable and distribute the net proceeds in the same manner as cash to the HDR Holders entitled thereto; or
 - if it is not practicable to sell such rights, do nothing and allow such rights to lapse, in which case HDR Holders will receive nothing.
- *Other distributions.* In the case of a distribution of securities or property other than those described above, the Depositary may either (i) distribute such securities or property in any manner that it deems equitable and practicable; or (ii) to the extent the Depositary deems distribution of such securities or property not to be equitable and practicable, sell such securities or property and distribute any net proceeds in the same way it distributes cash.

If the Depositary determines that any distribution described above is not practicable with respect to any specific registered HDR Holder, the Depositary may choose any method of distribution that it deems practicable for such HDR Holder, including the distribution of foreign currency, securities or property, or it may retain such items, without paying interest on or investing them, on behalf of the HDR Holder as deposited securities, in which case the HDSs will also represent the retained items.

Any HK dollars will be distributed by cheques for whole dollars and cents. Fractional cents will be withheld without liability and dealt with by the Depositary in accordance with its then current practices.

The Depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any HDR Holders.

There can be no assurance that the Depositary will be able to convert any currency at a specified exchange rate or sell any property, rights, Shares or other securities at a specified price, nor that any of such transactions can be completed within a specified time period.

Deposit, Withdrawal and Cancellation

How does the Depositary register title to HDSs?

The Depositary will register title to HDSs if Shareholders or their broker deposit Shares or evidence of rights to receive Shares with the Custodian and pay the fees and expenses owing to the Depositary.

Shares deposited with the Custodian might be required to be accompanied by certain delivery documentation, including instruments showing that such Shares have been properly transferred or endorsed to the person on whose behalf the deposit is being made.

The Custodian will hold all deposited Shares for the account of the Depositary on behalf of the HDR Holders. HDR Holders thus have no direct ownership interest in the Shares and only have such rights as are contained in the Deposit Agreement. The Custodian will also hold any additional securities, property and cash received on or in substitution for the deposited Shares. The deposited Shares and any such additional items are referred to as “deposited securities”.

DESCRIPTION OF HONG KONG DEPOSITARY RECEIPTS

Upon each deposit of Shares, receipt of the related delivery documentation and compliance with the other provisions of the Deposit Agreement, including the payment of the fees and charges of the Depositary and any taxes or other fees or charges owing, the Depositary will issue a HDR(s) in the name or upon the order of the person entitled thereto evidencing the number of HDSs to which such person is entitled. All of the HDSs issued will be registered on the books of the Depositary in book-entry form and a registered holder will receive periodic statements from the Depositary upon request from the HDR Holder(s) which will show the number of HDSs registered in such holder's name.

How do HDR Holders cancel an HDS and obtain deposited securities?

When HDR Holders turn in their HDR certificate at the HDR Registrar's office, or when they provide proper instructions and documentation in the case of direct registration HDSs, the Depositary will, upon payment of certain applicable fees, charges and taxes, deliver the underlying deposited securities to the HDR Holder or to their written order, who have an account opened at an Account Managing Institution. At the risk, expense and request of the HDR Holder, the Depositary may deliver deposited securities (other than Shares) at such other place as may be requested.

The Depositary may restrict the withdrawal of deposited securities in connection with:

- temporary delays caused by closing our transfer books or those of the Depositary or the deposit of Shares in connection with voting at a Shareholders' meeting, or the payment of dividends;
- the payment of fees, taxes and similar charges;
- compliance with any Hong Kong or foreign laws governmental regulations or regulations of JASDEC relating to the HDRs or to the withdrawal of deposited securities; or
- any other situation where restriction of the right to withdraw at that time is deemed advisable by the Depositary.

Record Dates

The Depositary may, after consultation with us if practicable, fix record dates for the determination of the registered HDR Holders who will be entitled (or obligated, as the case may be):

- to receive any distribution on or in respect of Shares,
- to give instructions for the exercise of voting rights at a meeting of Shareholders,
- to pay the fee assessed by the Depositary for administration of the HDR programme and for any expenses as provided for in the Deposit Agreement,
- to receive any notice or to act in respect of other matters, or

all subject to the provisions of the Deposit Agreement.

DESCRIPTION OF HONG KONG DEPOSITARY RECEIPTS

Voting Rights

How to vote?

If the Depositary asks to be provided with voting instructions, HDR Holders may instruct the Depositary how to exercise the voting rights for the Shares which underlie the HDSs. As soon as practicable after receiving notice of any meeting or solicitation of consents or proxies from us, the Depositary will distribute to the registered HDR Holders a notice stating such information as is contained in the voting materials received by the Depositary and describing how HDR Holders may instruct the Depositary or any other person to exercise the voting rights for the Shares which underlie HDSs. For instructions to be valid, the Depositary must receive them in the manner and on or before the date specified. The Depositary will try, as far as is practical, subject to the provisions of and governing the underlying Shares or other deposited securities, to vote or to have its agents vote the Shares or other deposited securities as instructed. The Depositary will only vote or attempt to vote as instructed. The Depositary will not itself exercise any voting discretion. Furthermore, neither the Depositary nor its agents are responsible for any failure to carry out any voting instructions, for the manner in which any vote is cast or for the effect of any vote.

There is no guarantee that HDR Holders will receive voting materials in time to instruct the Depositary to vote and it is possible that HDR Holders, or persons who hold their HDSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote, although in practice our Company and the Depositary will endeavour to make arrangements to ensure as far as practicable that all HDR Holders will be able to vote.

Reports and Other Communications

Will HDR Holders be able to view our reports?

Subject to such waivers and exemptions from compliance with the requirements of the Listing Rules as may be granted by the Hong Kong Stock Exchange to us, if we are required to send printed copies of any notices, reports, voting forms or other communications to HDR Holders under the Listing Rules or any other laws or regulations, we will make available printed copies thereof to the Depositary, who will distribute the same to the HDR Holders. Any such documents or communication will also be made available for inspection at the offices of both the Depositary and the Custodian listed in the section in this prospectus entitled “Directors and parties involved in the Global Offering”.

Fees and Expenses

What are the fees and expenses?

The Depositary may charge each person holding HDSs, including, without limitation, issuances against deposits of Shares; issuances in respect of Share distributions, rights and other distributions; or issuances pursuant to a stock dividend or stock split declared by us; or pursuant to a merger, exchange of securities or any other transaction or event affecting the HDSs or deposited securities, and each person surrendering HDSs for withdrawal of deposited securities or whose HDRs are cancelled or reduced for any other reason, HK\$0.40, in accordance with the specific provisions of the Deposit Agreement, for each HDR (or any portion thereof) issued, delivered, reduced, cancelled or surrendered, as the case may be. The Depositary may sell (by public or private sale) sufficient securities and property received in respect of Share distributions, rights and/or other distribution prior to such deposit to pay such charge.

DESCRIPTION OF HONG KONG DEPOSITARY RECEIPTS

The following additional charges shall be incurred by the HDR Holders, by any party depositing or withdrawing Shares or by any party surrendering or receiving HDSs (including, without limitation, issuance pursuant to a stock dividend or stock split declared by us or an exchange of stock regarding the HDRs or the deposited securities or a distribution of HDSs), whichever is applicable:

- a fee of up to HK\$0.40 per HDR for any cash distribution made pursuant to the Deposit Agreement;
- a fee of HK\$2.50 per HDR for transfers of certificated HDR(s);
- a fee of HK\$0.40 per HDR per calendar year (or portion thereof) for services performed by the Depositary in administering the HDRs (which fee may be charged on a periodic basis during each calendar year and shall be assessed against HDR Holders as of the record date or record dates set by the Depositary during each calendar year and shall be payable in the manner described in the next succeeding provision);
- reimbursement of such fees, charges and expenses as are incurred by the Depositary and/or any of the Depositary's agents (including, without limitation, the Custodian, and expenses incurred on behalf of holders in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment) in connection with the servicing of the Shares or other deposited securities, the delivery of deposited securities or otherwise in connection with the Depositary's or the Custodian's compliance with applicable law, rule or regulation (which charge shall be assessed on a proportionate basis against holders as of the record date or dates set by the Depositary and shall be payable at the sole discretion of the Depositary by billing such holders or by deducting such charge from one or more cash dividends or other cash distributions);
- a fee for the distribution of securities (or the sale of securities in connection with a distribution), such fee being in an amount equal to the fee for the execution and delivery of HDSs which would have been charged as a result of the deposit of such securities (treating all such securities as if they were Shares) but which securities or the net cash proceeds from the sale thereof are instead distributed by the Depositary to those holders entitled thereto;
- stock transfer or other taxes and other governmental charges;
- cable, telex and facsimile transmission and delivery charges incurred at the request of HDR Holders in connection with the deposit or delivery of Shares;
- transfer or registration fees for the registration of transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities; and
- expenses of the Depositary in connection with the conversion of foreign currency into HK dollars,

each in accordance with the specific provisions of the Deposit Agreement.

We will pay all other charges and expenses of the Depositary and any agent of the Depositary (except the Custodian) pursuant to agreements from time to time between us and the Depositary. The charges described above may be amended from time to time by agreement between us and the Depositary.

DESCRIPTION OF HONG KONG DEPOSITARY RECEIPTS

HKSCC Nominees, as the nominee of CCASS Participants, shall not be liable for the payment or collection of any fees or charges.

Reclassifications, Recapitalisations and Mergers

If we take certain actions that affect the deposited securities, including (i) any change in par value, split-up, consolidation, cancellation or other reclassification of deposited securities or (ii) any distributions not made to HDR Holders or (iii) any recapitalisation, reorganisation, merger, consolidation, liquidation, receivership, bankruptcy or sale of all or substantially all of our assets, then the Depositary may choose to:

- (1) amend the form of HDR;
- (2) distribute additional or amended HDRs;
- (3) distribute cash, securities or other property it has received in connection with such actions;
- (4) sell any securities or property received and distribute the proceeds as cash; or
- (5) none of the above.

If the Depositary does not choose any of the above options, any of the cash, securities or other property it receives will constitute part of the deposited securities and each HDS will then represent a proportionate interest in such property.

Lost, Destroyed, Stolen or Mutilated HDR Certificates

In the event that the certificate to any certificated HDR is lost, destroyed, or stolen, unless the Depositary has notice that such HDR has been acquired by a bona fide purchaser, the Depositary shall execute and deliver a new certificated HDR in substitution for such destroyed, lost or stolen certificated HDR upon the HDR Holder thereof filing with the Depositary a request for such execution and delivery and a sufficient indemnity bond and satisfying any other reasonable requirements imposed by the Depositary. In the event that the certificate to any certificated HDR is mutilated the Depositary shall execute and deliver a new certificated HDR in exchange and substitution for any mutilated certificated HDR upon cancellation thereof.

TERMS OF THE DEPOSIT AGREEMENT

The Deposit Agreement is required to be in a form acceptable to the Hong Kong Stock Exchange.

Appointment and Role

Under the Deposit Agreement, the Depositary is appointed to act on our behalf in accordance with its terms. The Depositary's role is to issue the HDRs as our agent and to arrange for deposit of the HDSs which the HDRs represent.

DESCRIPTION OF HONG KONG DEPOSITARY RECEIPTS

Amendment and Termination

How may the Deposit Agreement be amended?

Our Company and the Depositary may only amend the terms of the HDRs and Deposit Agreement in accordance with their provisions, namely in respect of:

- any amendment that imposes or increases any fees or charges payable under a single head of fee/charge mentioned in “Terms of HDRs — Fees and Expenses” above in respect of one HDR (other than stock transfer or other taxes and other governmental charges, transfer or registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses) by 25% or HK\$1.00 (whichever is the lesser increase) or less from the rate in effect at the time of proposed amendment shall become effective upon the expiry of 30 days’ notice and HDR Holders continuing to hold HDRs shall be deemed to consent and agree to such amendment and to be bound by the relevant Deposit Agreement as amended;
- any amendment that:
 - imposes or increases such fees in respect of one HDR by more than 25% or HK\$1.00 (whichever is the lesser increase) from the rate in effect at the time of proposed amendment; or
 - in the sole opinion and absolute discretion (which shall be exercised with reasonable care) of our Company, will prejudice any substantial rights of the HDR Holders (including any amendment that relates to any matter set out in Rule 19B.16(a) to (t) of the Listing Rules), the Depositary shall provide HDR Holders with not less than 21 days’ nor more than 60 days’ notice of the proposed amendment and of HDR Holders’ right to vote for or against such amendment, the record date for determining entitlement to vote, all necessary details regarding the procedures for voting and the method and date by which HDR Holders will be notified of the results, and any HDR Holder who does not vote (for whatever reason) in accordance with the terms and procedures set out in such amendment notice shall be taken to have abstained from voting. A proposal for any such amendment shall be approved by a majority of votes cast in favour, and votes must be cast in respect of HDRs held by at least three HDR Holders or, if there are fewer than three HDR Holders, by all HDR Holders who cast their vote.

We may agree with the Depositary to amend the Deposit Agreement and the HDRs without the consent of the HDR Holders in circumstances other than those described above and such amendments shall become effective in accordance with the terms of any agreement between us and the Depositary.

Notwithstanding the foregoing, if any governmental body or regulatory body should adopt new laws, rules or regulations which would require amendment or supplement of the Deposit Agreement or the form of HDR to ensure compliance therewith, we and the Depositary may amend or supplement the Deposit Agreement and the HDRs at any time in accordance with such changed laws, rules or regulations, which amendment or supplement may take effect before a notice is given or within any other period of time as required for compliance. No amendment, however, will impair the right of HDR Holders to surrender their HDSs and receive the underlying securities, except in order to comply with mandatory provisions of applicable law.

DESCRIPTION OF HONG KONG DEPOSITARY RECEIPTS

How may the Deposit Agreement be terminated?

The Depositary may, and shall at our written direction, terminate the Deposit Agreement and the HDRs by mailing notice of such termination to the HDR Holders at least 30 days prior to the date fixed in such notice for such termination; provided, however, if the Depositary shall have (i) resigned as Depositary under the Deposit Agreement, notice of such termination by the Depositary shall not be provided to registered holders unless a successor Depositary shall not be operating under the Deposit Agreement within 90 days of the date of such resignation, and (ii) been removed as Depositary under the Deposit Agreement, notice of such termination by the Depositary shall not be provided to HDR Holders unless a successor Depositary shall not be operating under the Deposit Agreement on the 90th day after our notice of removal was first provided to the Depositary. After termination, the Depositary's only responsibility will be (i) to deliver deposited securities to HDR Holders who surrender their HDRs, and (ii) to hold or sell distributions received on deposited securities. As soon as practicable after the expiration of six months from the termination date, the Depositary will sell the deposited securities which remain and hold the net proceeds of such sales (as long as it may lawfully do so), without liability for interest, in trust for the HDR Holders who have not yet surrendered their HDRs. After making such sale, the Depositary shall have no obligations except to account for such proceeds and other cash. After the termination date, we shall be discharged from all obligations under the Deposit Agreement, except for obligations to the Depositary and its agents.

How may the Custodian be replaced or removed?

The Depositary reserves the right to add to, replace, discharge or remove a Custodian, after consultation with our Company to the extent practicable. The Depositary will give prompt notice of any such action, which will be advance notice if practicable in accordance with the Listing Rules.

The Custodian may resign from its duties hereunder by serving at least 45 days written notice to the Depositary. The Custodian ceasing to act hereunder as Custodian shall deliver, upon the instruction of the Depositary, all deposited securities held by it to a Custodian continuing to act.

Notwithstanding the foregoing, if the removal of a Custodian is made by the Depositary for the protection of HDR Holders (including, but not limited to, where (i) the Custodian has committed a material breach under the custodian agreement and the breach cannot reasonably be remedied or (ii) the Custodian has become insolvent, or there are legal restrictions for the appointment of the Custodian and the Depositary and our Company could reasonably be expected to incur a loss or liability if the Custodian is not removed), the Depositary is entitled to remove the Custodian immediately.

How may the Depositary be replaced or removed?

The Depositary may resign by written notice to our Company, such resignation to take effect upon the appointment of a successor Depositary and its acceptance of such appointment as provided in the Deposit Agreement. The Depositary may at any time be removed by our Company by no less than 90 days notice and such termination shall take effect upon the later of the expiry of such 90-day period or the time when a successor depositary has been appointed and has accepted such appointment as provided in the Deposit Agreement.

DESCRIPTION OF HONG KONG DEPOSITARY RECEIPTS

Limitations on Obligations and Liability to HDR Holders

Limits on our obligations and the obligations of the Depositary; limits on liability to HDR Holders and holders of HDSs

Prior to the issue, registration, registration of transfer, split-up, combination, or cancellation of any HDRs, or the delivery of any distribution in respect thereof, and from time to time, we or the Depositary or the Custodian may require:

- payment with respect thereto of (i) any stamp duty, stock transfer or other tax or other governmental charge, (ii) any stock transfer or registration fees in effect for the registration of transfers of Shares or other deposited securities upon any applicable register and (iii) any applicable fees and expenses described in the Deposit Agreement;
- the production of proof satisfactory to it of (i) the identity of any signatory and genuineness of any signature and (ii) such other information, including without limitation, information as to citizenship, residence, exchange control approval, beneficial ownership of any securities, compliance with applicable law, regulations, provisions of or governing deposited securities and terms of the Deposit Agreement and the HDRs, as it may deem necessary or proper; and
- compliance with such regulations as the Depositary may establish consistent with the Deposit Agreement.

The issuance of HDRs, the acceptance of deposits of Shares, the registration, registration of transfer, split-up or combination of HDRs or the withdrawal of Shares, may be suspended, generally or in particular instances, when the HDR Register or any register for deposited securities or book-entry of the Shares is closed or when any such action is deemed advisable by the Depositary; provided that the ability to withdraw Shares may only be limited under the following circumstances (i) temporary delays caused by closing transfer books of the Depositary or our transfer books or the deposit of Shares in connection with voting at a Shareholders' meeting, or the payment of dividends, (ii) the payment of fees, taxes, and similar charges, and (iii) compliance with any laws or governmental regulations relating to HDRs or to the withdrawal of deposited securities.

The Deposit Agreement expressly limits the obligations and liability of the Depositary, ourselves and our respective agents. Neither we nor the Depositary nor any such agent will be liable if:

- any present or future law, rule, regulation, fiat, order or decree of the United States, Japan, Hong Kong or any other country, or of any governmental or regulatory authority or securities exchange or market or automated quotation system, JASDEC, the provisions of or governing any deposited securities, any present or future provision of the Articles of Incorporation, any act of God, war, terrorism or other circumstance beyond our, the Depositary's or our respective agents' control shall prevent, delay or subject to any civil or criminal penalty any act which the Deposit Agreement or the HDRs provide shall be done or performed by us, the Depositary or our respective agents (including, without limitation, voting);
- it exercises or fails to exercise discretion under the Deposit Agreement or the HDRs;
- it performs its obligations under the Deposit Agreement and HDRs without negligence or bad faith;

DESCRIPTION OF HONG KONG DEPOSITARY RECEIPTS

- it takes any action or refrains from taking any action in reliance upon the advice of or information from legal counsel, accountants, any person presenting shares for deposit, any registered HDR Holders, or any other person believed by it to be competent to give such advice or information; or
- it relies upon any written notice, request, direction or other document believed by it to be genuine and to have been signed or presented by the proper party or parties.

Neither the Depositary nor its agents have any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the HDRs. We and our agents shall only be obligated to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the HDRs, which in our opinion may involve us in expense or liability, unless indemnity satisfactory to us against all expense (including fees and disbursements of counsel) and liability is furnished as often as may be required. The Depositary and its agents may fully respond to any and all demands or requests for information maintained by or on its behalf in connection with the Deposit Agreement, any HDR Holder or Holders, any HDRs or otherwise related to the Deposit Agreement or HDRs to the extent such information is requested or required by or pursuant to any lawful authority, including without limitation laws, rules, regulations, administrative or judicial process, banking, securities or other regulators. The Depositary shall not be liable for the acts or omissions made by any securities depository, clearing agency or settlement system in connection with or arising out of book-entry settlement of deposited securities or otherwise. Furthermore, the Depositary shall not be responsible for, and shall incur no liability in connection with or arising from, the insolvency of the Custodian, if not a branch or affiliate of JPMorgan Chase Bank, N.A.

Additionally, none of us, the Depositary or the Custodian shall be liable for the failure by any registered HDR Holders or beneficial owner therein to obtain the benefits of credits on the basis of non-US tax paid against such holder's or beneficial owner's income tax liability. Neither we nor the Depositary shall incur any liability for any tax consequences that may be incurred by holders or beneficial owners on account of their ownership of HDRs or HDSs.

Neither the Depositary nor its agents will be responsible for any failure to carry out any instructions to vote any of the deposited securities, for the manner in which any such vote is cast or for the effect of any such vote. Neither the Depositary nor any of its agents shall be liable to HDR Holders or beneficial owners of interests in HDSs for any indirect, special, punitive or consequential damages (including, without limitation, lost profits) of any form incurred by any person or entity, whether or not foreseeable and regardless of the type of action in which such a claim may be brought.

The Depositary may own and deal in any class of our securities and in HDRs.

Disclosure of Interest in HDSs

To the extent that the provisions of or governing any deposited securities may require disclosure of or impose limits on beneficial or other ownership of deposited securities, other shares and other securities and may provide for blocking transfer, voting or other rights to enforce such disclosure or limits, HDR Holders (except in the case of HKSCC Nominees) must comply with all such disclosure requirements and ownership limitations and with any reasonable instructions we may provide in respect thereof. We reserve the right to instruct HDR Holders to deliver their HDSs for cancellation and withdrawal of the deposited securities so as to permit us to deal with them directly as a holder of Shares and, by holding an HDS or an interest therein, they agree to comply with such instructions.

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Books of Depositary

The Depositary or its agent will maintain in Hong Kong a register for the registration of issue, transfer, combination, split-up and cancellation of HDRs. HDR Holders may inspect such records at the HDR Registrar's office at all reasonable times, which office shall be open for such inspection by HDR Holders and our Company for the purpose of communicating with other holders in the interest of the business of our Company or a matter relating to the Deposit Agreement. Such register may be closed from time to time, when deemed expedient by the Depositary.

The Depositary will maintain facilities for the delivery and receipt of HDRs.

Pre-release of HDSs

In its capacity as Depositary, the Depositary shall not lend Shares or HDSs; provided, however, that the Depositary may (i) issue HDSs prior to the receipt of Shares and (ii) deliver Shares prior to the receipt of HDSs for withdrawal of deposited securities, including HDSs which were issued under (i) above but for which Shares may not have been received (each such transaction a "pre-release"). The Depositary may receive HDSs in lieu of Shares under (i) above (which HDSs will promptly be cancelled by the Depositary upon receipt by the Depositary) and receive Shares in lieu of HDSs under (ii) above. Each such pre-release will be subject to a written agreement whereby the person or entity (the "applicant") to whom HDSs or Shares are to be delivered (a) represents that at the time of the pre-release the applicant or its customer owns the Shares or HDSs that are to be delivered by the applicant under such pre-release, (b) agrees to indicate the Depositary as owner of such Shares or HDSs in its records and to hold such Shares or HDSs in trust for the Depositary until such Shares or HDSs are delivered to the Depositary or the Custodian, (c) unconditionally guarantees to deliver to the Depositary or the Custodian, as applicable, such Shares or HDSs, and (d) agrees to any additional restrictions or requirements that the Depositary deems appropriate. Each such pre-release will be at all times fully collateralised with cash, US government securities or such other collateral as the Depositary deems appropriate, terminable by the Depositary on not more than five (5) Business Days' notice and subject to such further indemnities and credit regulations as the Depositary deems appropriate. The Depositary will normally limit the number of HDSs and Shares involved in such pre-release at any one time to thirty percent (30%) of the HDSs outstanding (without giving effect to HDSs outstanding under (i) above), provided, however, that the Depositary reserves the right to change or disregard such limit from time to time as it deems appropriate. The Depositary may also set limits with respect to the number of HDSs and Shares involved in pre-release with any one person on a case-by-case basis as it deems appropriate. The Depositary may retain for its own account any compensation received by it in conjunction with the foregoing. Collateral provided pursuant to (b) above, but not the earnings thereon, shall be held for the benefit of HDR Holders (other than the applicant).

Deeming provision

In the Deposit Agreement, each registered HDRs and each person holding an interest in HDSs, upon acceptance of any HDSs (or any interest therein) issued in accordance with the terms and conditions of the Deposit Agreement will be deemed for all purposes to:

- be a party to and bound by the terms of the Deposit Agreement and the applicable HDR or HDRs, and

DESCRIPTION OF HONG KONG DEPOSITARY RECEIPTS

- appoint the Depositary its attorney-in-fact, with full power to delegate, to act on its behalf and to take any and all actions contemplated in the Deposit Agreement and the applicable HDR or HDRs, to adopt any and all procedures necessary to comply with applicable laws and to take such action as the Depositary in its sole discretion may deem necessary or appropriate to carry out the purposes of the Deposit Agreement and the applicable HDR and HDRs, the taking of such actions to be the conclusive determinant of the necessity and appropriateness thereof.

Governing Law and Jurisdiction

The Deposit Agreement and the HDRs shall be governed by and construed in accordance with the laws of Hong Kong. In the Deposit Agreement, we have submitted to the jurisdiction of the courts of Hong Kong. The Deposit Agreement does not contain any provisions which preclude any party from electing to submit to the jurisdiction of the courts of Hong Kong for the resolution of any disputes or claims arising from the Deposit Agreement.

THE RIGHTS ACCRUED TO THE HDR HOLDERS PURSUANT TO THE DEED POLL

Our Company and the Depositary have executed a Deed Poll in favour of the HDR Holders. Pursuant to the Deed Poll, if our Company is in breach of any obligation imposed towards HDR Holders on it in the Deposit Agreement, any HDR Holder may enforce the relevant provisions of the Deposit Agreement (as if it is a party to the Deposit Agreement and in the capacity of the Depositary in respect of the number of HDRs held by the relevant HDR Holder) against our Company.

Our Company is further required to indemnify the HDR Holder for any direct loss arising from or incurred as a result of the breach (set out in the preceding paragraph) by our Company of any provisions of the Deposit Agreement imposing upon our Company any obligation towards HDR Holders.

Each HDR Holder shall be able to enforce the rights to which it is entitled to pursuant to the Deposit Agreement against our Company and the Depositary.

DEALINGS AND SETTLEMENT

Issuance and cancellation of certificated HDRs

The HDR Registrar shall issue a certificated HDR upon receipt of the issuance instruction from the Depositary on the first Business Day after receipt of that instruction. The certificated HDR will be ready for collection at the office of the HDR Registrar on the second Business Day thereafter.

For certificated HDR cancellation, investors are required to present the physical certificate together with the cancellation instruction and duly executed transfer form stamped by the Hong Kong stamp office to the HDR Registrar's counter during its business hours.

HDRs will be eligible for admission into CCASS

Subject to the granting of Secondary Listing of, and permission to deal in, the HDRs on the Hong Kong Stock Exchange and our Company's compliance with the admission requirements of HKSCC, the HDRs will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the HDRs on the Hong Kong Stock Exchange or any other date as HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the CCASS Rules. All necessary arrangements have been made for the HDRs to be admitted into CCASS.

DESCRIPTION OF HONG KONG DEPOSITARY RECEIPTS

Commencement of dealings in the HDRs

The HDRs are expected to be issued and dealings in the HDRs on the Hong Kong Stock Exchange are expected to commence at 9:00 a.m. on Thursday, 14 April 2011.

INSPECTION OF THE DEPOSIT AGREEMENT AND THE RELATED DOCUMENTS

Copies of the latest Deposit Agreement and the provisions of or governing the HDSs and any written communications from our Company will be available for inspection by the HDR Holders after the Secondday Listing at the offices of the Company and at the office of the HDR Registrar and will be available on our Company's website and the website of the Hong Kong Stock Exchange. Each of the HDR Holders will be provided with the proxy card with web link(s) to proxy materials or other relevant documents from time to time.

FILING, TAXATION AND REPORTING REQUIREMENTS UNDER JAPANESE LAW

Among other things, the following requirements or regulations might apply to HDR Holders:

- Takeover regulations and certain trading regulations, including insider trading regulations, under the FIEA; and
- Notification requirement prior to the acquisition of shares under the Act Relating to Prohibition of Private Monopoly and Methods of Preserving Fair Trade of Japan (Act No.54 of 1947, as amended).
- Filing large shareholding report, sale-purchase report and short-swing regulation for major shareholders under the FIEA;
- Certain obligations and requirements as major shareholders of a bank, an insurance company or financial instruments business operators under the Banking Act of Japan (Act No. Act No. 59 of 1881, as amended), Insurance Business Act of Japan (Act No. 105 of 1995, as amended) or the FIEA;
- Certain reporting requirements under the Foreign Exchange and Foreign Trade Act of Japan (Act No. 228 of 1949, as amended); and
- Certain requirements regarding taxation under the Income Tax Act, the Corporation Tax Act and the Act on Special Measures concerning Taxation of Japan and related tax treaties.

For more information, see "Appendix V — Summary of the Constitution of Our Company, Certain TSE and OSE Listing Regulations and Japanese Corporations Law."

The Depositary will not comply with such filing, tax reporting and/or disclosure of interest obligations as set out above or any other applicable additional obligations on behalf of the HDR Holders and the HDR Holders shall obtain independent professional advice in order to comply with the filing, tax reporting, disclosure of interest or other obligations under the then applicable Japanese law. For your reference, see the section headed "Risk Factor — HDR Holders may be subject to additional obligations under the rules, regulations and laws of Japan and there are uncertainties and ambiguities as to what these additional obligations are" in this prospectus.

DESCRIPTION OF HONG KONG DEPOSITARY RECEIPTS

CONVERSION OF SHARES TO HDRS

All Japanese listed companies, including the Company, are unable to issue physical certificates with respect to the listed shares and all transfers of listed shares of Japanese listed companies must be made through the book-entry system operated by JASDEC. Under Japanese law, any transfer of Shares in the Company becomes effective only through the book-entry system operated by JASDEC, and the title to the Shares of the Company passes to the transferee at the time when the transferred number of Shares is recorded in the transferee's account opened at an Account Managing Institution.

Accordingly, a Shareholder who wishes to convert his Shares into HDRs will be required to instruct his Account Management Institution to transfer his Shares to the account designated by the Depositary or its agent through the book-entry system operated by the JASDEC.

The Depositary and the HDR Registrar expect to complete the conversion of Shares to HDRs within three Business Days. Upon completion of the conversion of the Shares into HDRs, the names and address(es) of such HDR Holders will appear on the HDR Register. Once any HDR has been registered to the HDR Register, the HDR certificates may be deposited in CCASS in accordance with CCASS Rules. Whether such HDR will be immediately credited to the account of the CCASS participant for electronic book-entry settlement in CCASS will also be subject to the CCASS Rules.

Fees and expenses for conversion from the Listing Date

The following table sets forth the conversion services offered by the Depositary and HDR Registrar from the Listing Date:

	Conversion of Shares to HDRs	Trading of HDRs on the Hong Kong Stock Exchange
Depositary fees		
Maximum issuance and cancellation fee.	HK\$0.4/HDR	N/A
Trading costs <i>(Note 1)</i>		
Stamp duty		0.2% (0.1% each for the N/A buyer and the seller)

Note:

- (1) Other transaction costs include broker commission, transaction levy, trading fees and safekeeping fees which depends on the transaction volume and size.

CANCELLATION OF HDRS AND CONVERSION OF HDRS TO SHARES

Any HDR Holder whose HDRs are registered on the HDR Register will be able to obtain a request for conversion form from the HDR Registrar for a conversion of the HDRs to Shares from the Listing Date. On the return of such form to the HDR Registrar, duly completed, together with the corresponding HDR certificates and payment for the relevant charges, the HDR Registrar will arrange for the conversion of such HDRs to Shares. HDRs held in CCASS must be withdrawn from CCASS in accordance with the CCASS Rules and registered onto the HDR Register before the conversion.

DESCRIPTION OF HONG KONG DEPOSITARY RECEIPTS

HDR Holders should note that all Japanese listed companies, including the Company, are unable to issue physical certificates with respect to the listed shares and all transfers of listed shares must be made through the book-entry system operated by JASDEC. Under Japanese law, any transfer of Shares in the Company becomes effective only through the book-entry system operated by JASDEC, and the title to the Shares of the Company passes to the transferee at the time when the transferred number of Shares is recorded in the transferee's account opened at an Account Managing Institution. Accordingly, HDR Holders who wish to convert their HDRs into Shares will require an account opened at an Account Managing Institution for deposit of Shares converted from HDRs.

Where a duly completed request for conversion form is received by the HDR Registrar together with the corresponding HDR certificate prior to 12:00 noon (Hong Kong time) on a Business Day, the HDR Registrar expects to complete the conversion to Shares within three Business Days. This service will be available to the HDR Holder concerned. Once an HDR has been converted to Shares, it may be deposited into the relevant HDR Holder's account opened at an Account Managing Institution in accordance with the relevant rules and regulations of Japan.

The cancellation of the HDRs and the conversion of the HDRs into Shares will be subject to the following conversion fees payable to the HDR Registrar collected on behalf of the Depositary:

	<u>Conversion of HDRs to Shares</u>
Depositary fees	
Maximum issuance and cancellation fee	HK\$0.4/HDR
Cable fees	HK\$155/transaction

FINANCIAL INFORMATION

The following discussion and analysis should be read in conjunction with the audited consolidated financial statements of our Company for the three fiscal years ended 31 March 2010 and the six months period ended 30 September 2010, in each case, together with the accompanying notes, included elsewhere in this prospectus. These consolidated financial statements have been prepared in accordance with JGAAP, which differ in certain significant respects from generally accepted accounting principles in certain other countries. Please refer to section C of the Accountants' Report in Appendix I to this prospectus for a discussion on the material differences between JGAAP and IFRS. Potential investors should note that we are unable to quantify, and have not quantified, the financial impact of non-fair valued available-for-sale investments arising from different accounting treatment under JGAAP and IFRS. See "Risk Factors — Risks Relating to the Global Offering — Material differences exist between JGAAP and IFRS", which may be material to investors' assessments of our financial condition. Potential investors should consult their own professional advisers for an understanding of the differences between JGAAP and IFRS and how these differences might affect the financial information in this prospectus and how these differences might affect any comparison with a company presenting financial information under IFRS. We will disclose the quantified financial effect for non-fair valued available-for-sale investments in our financial reports starting from the fiscal year ending 31 March 2011. The acceptance of adopting JGAAP in the preparation of its accountants' report and subsequent financial reports until it prepares financial reports in accordance with IFRS starting from the year ending 31 March 2013 is on conditions that: (1) The Company will include in its accountants' report and subsequent financial reports a summary of material differences between JGAAP and IFRS applicable to the Company, together with a statement of quantified financial effects of all material differences (except for the difference relating to the Non-Fair Valued AFS Investments which is unquantifiable in the accountants' report) between JGAAP and IFRS; and (2) The Company must revert to HKFRS or IFRS if Shares of the Company are no longer listed on the TSE and OSE. After the Secondary Listing, we will publish our unaudited quarterly financial reports prepared under JGAAP with reconciliation to IFRS in accordance with the requirements under Rule 13.09(1) of the Listing Rules. The consolidated statements of operations of our Company for each of the fiscal years ended 31 March 2008, 2009, 2010 and the six months ended 30 September 2009 and 2010, and the consolidated balance sheet of the Company as at 31 March 2008, 2009, 2010 and 30 September 2010, have been taken from Accountant's Report in Appendix I to this prospectus.

This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below as well as in "Risk Factors" and elsewhere in this prospectus.

FINANCIAL INFORMATION

OVERVIEW

We are an Internet-based financial group based in Japan, offering a broad range of financial products and services to our customers. Our businesses are divided into the following four core segments and other businesses segment:

- **Asset Management** We establish and manage a range of investment funds, including venture capital, biotechnology, buyout and other funds, to invest both in Japan and overseas. We have expanded our operations overseas, particularly in China and other parts of Asia, Eastern Europe, Russia, the United States and Brazil, often by partnering with local partners. We also provide investment trust management services to individuals.
- **Brokerage and Investment Banking** Our subsidiary, SBI SECURITIES Co., Ltd., is the market leader among Japan's online securities companies by measures such as customer accounts and share of retail trading value and total stock brokerage trading value. It is a comprehensive securities company that also provides investment banking services to corporate clients, including underwriting and corporate finance advisory services. We are expanding complementary businesses such as the proprietary trading system operated by our equity-method non-consolidated subsidiary and our foreign exchange clearing operations.
- **Financial Services** In recent periods we have diversified our offerings of financial products and services to include Internet-based banking, non-life insurance products, financial research and advisory services, financial product comparison services, credit cards, automobile financing, e-commerce payment settlement systems and others. With a consistent customer-centric philosophy under the "SBI" brand, we are striving to be an Internet-based financial conglomerate.
- **Housing and Real Estate** We are engaged in the provision of housing loans, real estate-secured loans, real estate investment and development, real estate fund management, real estate-related investments and the lifestyle networks business. In addition to investments in Japan, we have overseas real estate projects in China and Hawaii. Further, in our lifestyle network business, we use our Internet experience to offer individuals a unified network of convenient services. The network pillars are our area guide and community portal services, service and product comparison services and media, and an e-commerce platform for services such as the brokerage of concert tickets and brand products.
- **Other Businesses** We are involved in the planning, design and operation of information technology systems, including next-generation financial services and system solutions for financial institutions, as well as the research and development of technology and information security products for encryption technology. We are also engaged in the beauty care and health food products retail and services business and biotechnology business, which focuses on the development of new immunotherapy and cancer treatment through the combination of antibody, nucleic acid and low-molecular drugs with cell remedies.

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We experienced a significant decrease in net sales for the fiscal year ended 31 March 2009 as compared to the fiscal year ended 31 March 2008 primarily due to a decrease in revenue from our asset management segment and brokerage and investment banking segment as a result of difficult economic and market conditions during the height of the global financial crisis. We suffered a net loss for the fiscal year ended 31 March 2009 primarily due to the Tokyo District Court's decision in July 2008 to commence civil rehabilitation proceedings against ZEPHYR Co., Ltd., our former affiliate. Due to the commencement of the civil rehabilitation proceedings, our investment in ZEPHYR Co., Ltd and a ¥11 billion loan to them were recorded as losses in our accounts. For the fiscal year ended 31 March 2010, we had consolidated net sales of ¥124.5 billion, operating income of ¥3.4 billion and a net income of ¥2.4 billion. For the six months ended 30 September 2010, we had consolidated net sales of ¥62.9 billion, operating income of ¥3.6 billion and net income of ¥686 million.

As at 30 September 2010, our total assets were ¥1,254.9 billion. Total assets in the asset management, brokerage and investment banking, financial services, housing and real estate and other businesses segments on 30 September 2010 were ¥200,981 million, ¥875,965 million, ¥126,505 million, ¥109,521 million and ¥18,211 million, respectively. Such data reflects the eliminations of all intra-segment transactions and balances but not the eliminations of inter-segment balances. Our total assets of ¥1,254,886 million also reflect the eliminations of inter-segment balances, which was ¥93,549 million as at 30 September 2010.

Portfolio companies

We have a multi-level management system where overall management is centered at the holding company level and implementation is carried out at the portfolio company level. We have five types of portfolio companies: consolidated subsidiary, equity-method non-consolidated subsidiary, equity-method affiliated company, non-consolidated subsidiary and non-equity-method affiliated company. A consolidated subsidiary is a company whose financial and operating policies we control directly or indirectly so as to obtain benefits from its activities. An equity-method non-consolidated subsidiary is a company whose financial and operating policies we control directly or indirectly so as to obtain benefits from its activities and is recognised by equity accounting. An equity-method affiliated company is a company whose financial and operating policies we have the ability to exercise significant influence and is recognised by equity accounting. A non-consolidated subsidiary and non-equity-method affiliated company are companies over which we have the ability to exercise significant influence but no equity accounting is recognised because the impact of the equity accounting is immaterial to our consolidated financial statements.

We control, or have significant influence over, the management of our principal portfolio companies.

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The following table shows our principal portfolio companies as at 30 September 2010:

Segment	Principal portfolio company	Effective economic interest ⁽¹⁾	Voting interest ⁽²⁾
Asset management	SBI Investment Co., Ltd.	100%	100%
	SBI Incubation Co., Ltd.	100%	100%
	SBI CAPITAL Co., Ltd.	100%	100%
	SBI Capital Solutions Co., Ltd.	100%	100%
	SBI Asset Management Co., Ltd.	100%	100%
	SBI VEN HOLDINGS PTE. LTD.	100%	100%
Brokerage and investment banking	SBI SECURITIES Co., Ltd.	100%	100%
	SBI Japannext Co., Ltd.	45.7%	45.7%
	SBI Liquidity Market Co., Ltd.	100%	100%
Financial services	SBI VeriTrans Co., Ltd.	42.7%	42.7%
	Morningstar Japan K.K.	49.6%	49.6%
	Gomez Consulting Co., Ltd.	74.0%	77.8%
	SBI Lease Co., Ltd.	100%	100%
	SBI Servicer Co., Ltd.	100%	100%
	SBI Marketing Co., Ltd.	93.0%	93.0%
	SBI Business Support Corp.	100%	100%
	Autoc one K.K.	51.3%	51.3%
	SBI Credit Co., Ltd.	100%	100%
	SBI Sumishin Net Bank, Ltd.	50%	50%
	SBI Insurance Co., Ltd.	65.5%	65.5%
SBI Card Co., Ltd.	50.0%	50.0%	
Housing and real estate	SBI Mortgage Co., Ltd.	94.0%	99.1%
	SBI Life Living, Co., Ltd.	68.2%	68.2%
	CEM Corporation	79.7%	79.7%
Other businesses	SBI Net Systems Co., Ltd.	81.0%	81.0%
	HOMEOSTYLE Inc.	80.9%	100%

Notes:

- (1) Effective economic interest is computed based on the Company's proportionate ownership of the relevant entity and represents equity interests held directly or indirectly through subsidiaries.
- (2) Voting interest represents equity interests over which the Company has voting or investment control, whether directly or indirectly.

Please refer to "History and Corporate Structure — Organisation" for more detailed information regarding our principal portfolio companies.

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As part of our growth strategy, we acquire and dispose of portfolio interests from time to time in accordance with our investment objectives. These portfolio interests are in the form of equity interests in portfolio companies at varying percentages. There were no significant acquisitions or disposals of subsidiaries or associates after the Track Record Period. The following tables set forth, for the periods indicated, significant changes in our portfolio:

		Fiscal year ended 31 March 2008		
		Percentage of shareholding immediately prior to acquisition	Percentage of shareholding acquired	Percentage of shareholding immediately after acquisition
	Business segment			
Portfolio interests acquired				
Autoc one K.K.	Financial services	23.3%	30.1%	53.4%
SBI Life Living Co., Ltd.	Housing and real estate	0.0%	52.3%	52.3%
SBI Net Systems Co., Ltd.	Other businesses	0.0%	69.1%	69.1%
		Fiscal year ended 31 March 2009		
		Percentage of shareholding immediately prior to acquisition/ disposal	Percentage of shareholding acquired/ disposed	Percentage of shareholding immediately after acquisition/ disposal
	Business segment			
Portfolio interests acquired				
SBI SECURITIES Co., Ltd.	Brokerage and investment banking	55.8%	44.2%	100.0%
SBI Futures Co., Ltd.	Brokerage and investment banking	78.6%	6.0%	84.6%
Portfolio interests disposed				
E*TRADE Korea Co., Ltd.	Brokerage and investment banking	71.4%	71.4%	0.0%
ZEPHYR Co., Ltd.	Housing and real estate	21.4%	21.4%	0.0%
		Fiscal year ended 31 March 2010		
		Percentage of shareholding immediately prior to acquisition/ disposal	Percentage of shareholding acquired/ disposed	Percentage of shareholding immediately after acquisition/ disposal
	Business segment			
Portfolio interests acquired				
Searchina Co., Ltd.	Financial services	4.9%	75.7%	80.6%
SBI Futures Co., Ltd.	Brokerage and investment banking	84.6%	15.4%	100.0%
Portfolio interests disposed				
SBI Card Processing Co. Ltd.	Financial services	75.0%	75.0%	0.0%
SBI AXA Life Insurance Co. Ltd.	Financial services	55.0%	55.0%	0.0%
SBI Robo Co., Ltd.	Other businesses	84.0%	84.0%	0.0%
Broadmedia Corporation.	Financial services	47.2%	27.5%	19.7%

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		Six months ended 30 September 2010		
Business segment		Percentage of shareholding immediately prior to acquisition	Percentage of shareholding acquired	Percentage of shareholding immediately after acquisition
Portfolio interests acquired				
SBI Global Investment Co., Ltd.	Asset management	22.9%	17.2%	40.1%
Korea Technology Investment Corporation	Asset management	26.8%	17.9%	44.7%
SBI Credit Co., Ltd.	Financial services	0.0%	100.0%	100.0%

The aggregate amounts of total assets of the subsidiaries disposed of and the newly acquired subsidiaries listed above during each period of the Track Record Period are set out below:

	As of 31 March			As of 30 September
	2008	2009	2010	2010
	<i>(¥ in millions)</i>			
Subsidiaries disposed of.	45,071	6,962	—	—
Newly acquired subsidiaries	13,536	11,665	12,500	31,847

The aggregate amounts of the net profits or losses of the subsidiaries disposed of and the newly acquired subsidiaries proportionate to the Group's shareholding in these subsidiaries (without consideration of the other consolidation aspects) during each period of the Track Record Period are set out below:

	Fiscal Year Ended 31 March			6 Months Ended 30 September
	2008	2009	2010	2010
	<i>(¥ in millions)</i>			
Subsidiaries disposed of.	-7	-414	-496	—
Newly acquired subsidiaries	119	-668	-684	-267

We restructure our portfolio interests from time to time in the ordinary course of business. Such restructuring may at times involve the dissolution or liquidation of selected portfolio companies. None of these portfolio companies were insolvent at the time of their dissolution or liquidation.

As at 30 September 2010, we did not have any contingent liabilities associated with our acquisition and disposition of portfolio interests.

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FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and the period-to-period comparability of our financial results and results of operations are primarily affected by the following factors:

General economic and stock market conditions

As a financial conglomerate with investments both within and outside Japan, we, particularly our asset management business and brokerage and investment banking business, are affected by the general economic and stock market conditions in Japan, United States, Europe, Asia and elsewhere in the world. Business conditions characterised by low or declining interest rates and strong equity markets generally provide a more positive environment for us to generate attractive returns on existing businesses, particularly in our asset management and brokerage and investment banking segments. We may benefit, however, from periods of market volatility and disruption which allow us to use our capital base to make investments at attractive prices and on favourable terms.

(i) Brokerage and investment banking segment

The strength and liquidity of equity markets affect the volume and value of the securities transactions undertaken by our customers, which directly affect net sales generated through brokerage commissions from equity trading by our customers and income from margin trading in our brokerage and investment banking segment, which accounted for the majority of the net sales of this segment during the Track Record Period. The segment performance of our brokerage and investment business in fiscal years ended 31 March 2009 and 2010 was severely impacted amidst declines in trading volume, trading value and stock prices in Japanese domestic stock markets caused by the deteriorating market conditions following the global financial crisis which began in the second half of 2008.

The tables below set forth certain data with respect to the performance of the TSE and our brokerage and investment banking segment during the Track Record Period:

Trading value and price performance of the TSE

	Fiscal years ended 31 March			Six months ended 30 September
	2008	2009	2010	2010
Total trading value ⁽¹⁾ (¥ in billions)	720,140	497,363	378,966	180,897
Average daily trading value ⁽¹⁾ (¥ in billions)	2,939	2,030	1,553	1,459
Weighted Stock Price Average in the last month of each period (TOPIX (1st Section)) ⁽¹⁾ (¥)	262.33	148.09	171.41	145.47

Note:

(1) Source: Tokyo Stock Exchange

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Certain data relating to the performance of our brokerage and investment banking business

	Fiscal years ended 31 March			Six months ended 30 September
	2008	2009	2010	2010
Total stock trading value (¥ in billions)	87,846	63,797	54,445	21,649
Total value of margin transactions (¥ in billions) . .	55,162	42,462	33,888	13,858
Revenue from brokerage and margin trading (¥ in billions)	52.6	39.1	32.5	14.7

(ii) Asset management segment

Our ability to increase our net sales in our asset management business depends on our ability to continue to attract capital and investors, secure investment opportunities, consummate investments and deliver attractive investment returns. The amount of capital that we attract and our investment returns directly affect the level of our assets under management, which in turn affects the fees, carried interest and other amounts that we earn in connection with our asset management activities.

The net sales of our asset management segment is principally derived from the capital gains on the disposal of shareholdings and management revenue from investment partnerships. These revenue sources are easily affected by fluctuations in economic and stock market conditions, particularly the market for initial public offerings, which is one of the key investment exit strategies of our asset management business. The market conditions for initial public offerings in particular will greatly affect the timing and opportunity to realise our investments, the capital gains or losses on investments, and our ability to raise new funds to operate our investment funds as planned.

Strong equity market conditions enable our investment funds to increase the value and effect realisations of their portfolio company investments. Equity market conditions also affect the carried interest that we receive. After a prolonged period of positive performance and liquidity, equity markets experienced considerable declines and volatility in Japan, the United States and in other markets in the second half of 2008 and throughout 2009. The United States, European and Asian economies experienced significant declines in employment, household wealth, and lending, which has further negatively impacted equity markets. Negative market conditions make it more difficult for us to exit our investments in investee companies profitably through offerings in the public markets. With the deterioration in economic and stock market conditions, the operating results of our asset management business were adversely affected during the Track Record Period. Equity markets, however, stabilized and showed signs of recovery in the latter half of 2009, creating an improved environment for us to realise our investments in investee companies through the public markets in the fiscal year ended 31 March 2010, though it is uncertain whether such markets will remain accessible.

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The table below sets forth the number of investee companies exited and the net sales from our investment in operational investment securities during the Track Record Period:

	Fiscal years ended 31 March			Six months ended 30 September
	2008	2009	2010	2010
Number of exits from investee companies ⁽¹⁾	12	0	8	2
Net sales from our investment in operational investment securities ⁽²⁾ (¥ in billions)	54.7	12.9	17.4	9.5

Notes:

- (1) The manner of exits included initial public offerings and disposals in mergers and acquisitions transactions in and outside Japan.
- (2) Includes operating revenue derived from both in and outside Japan.

(iii) Impact on credit risks and default rates

Furthermore, the credit risks of our businesses, in particular in relation to our margin lending and mortgage and housing loans are also affected by general economic conditions. Revenue from many of our businesses is dependent on our customers or counterparties performing their obligations, including repayment obligations under loans. Adverse economic and market conditions and a prolonged economic downturn may heighten credit risks and affect the ability of our customers and counterparties to fulfill their obligations, thereby increasing default risks. Provision for allowance for doubtful accounts increased during the Track Record Period under difficult Japan domestic economic conditions, which amounted to ¥2,770 million, ¥5,717 million, ¥4,290 million and ¥1,253 million, respectively, for the fiscal years ended at 31 March 2008, 2009 and 2010 and the six months ended 30 September 2010.

Investments of our asset management business

We, and investment partnerships managed by us, have invested in many venture companies and companies undergoing restructuring with the aim to earn investment return when we realise the investments. The operating performance and prospects of these companies are affected by many uncertainties and the investment risks associated with those uncertainties may affect the investment return of our funds. Furthermore, our funds may not be fully invested during certain periods of time as we may not be able to identify suitable investment opportunities due to risks, investment cost or investment return considerations as governed by our investment principles. These factors, as well as the effect of general economic and stock market conditions as discussed in the paragraph headed “General economic and stock market conditions” above, may subject our asset management business to large fluctuations in its operating results as the realisation of investment profits may be concentrated in a fixed period.

Real estate market conditions

Net sales from real estate development and investment, as well as financial real estate business, comprising principally housing loans and real estate secured loans, accounted for the majority of the net sales in our housing and real estate segment during the Track Record Period. Supply and demand in the real estate industry are affected by many factors, including domestic real estate market conditions in Japan, general economic conditions and interest rates. Moreover, the working capital required for real estate development is significant, as it generally takes many months or possibly years before pre-sales may commence. Gross profit margins of real estate

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companies typically fluctuate with changes in market prices, land acquisition prices and construction costs. Our access to land parcels and investment properties at reasonable prices is affected by the Japan government's macroeconomic policies as well as supply and demand in general, and other factors beyond our control. Changes in real estate market conditions, such as land acquisition prices and lease rates, could affect the property value, property sales and investment income of our real estate holdings. During the Track Record Period, the net sales of our real estate development and investment businesses was adversely affected by the stagnant domestic real estate market in Japan, which amounted to ¥55.1 billion, ¥18.4 billion, ¥6.5 billion and ¥2.7 billion, respectively, for the fiscal years ended 31 March 2008, 2009 and 2010 and the six months ended 30 September 2010. In addition, since our long-term fixed-interest housing loan business is primarily focused on the provision of housing loans to consumers who are building or buying new homes, fluctuations in the volume of housing loans, which are affected by external factors such as new housing starts, could also impact our financial condition and results of operations.

Interest rate environment

The interest rate environment for our Group during the Track Record Period had been generally stable at a low level primarily due to the low interest rate environment in Japan. The interest rate environment will affect the interest income, cost of funds and interest spread of our various businesses engaged in lending and leasing, including the following businesses:

- *Leasing and consumer loan.* A significant portion of the funding required for purchases of leased assets in our leasing business is obtained through external borrowings. Dramatic increases in the interest rates at which we are able to borrow would result in increased costs in our leasing business. Increase in interest rates could also lead to increased expenses in our consumer loan business.
- *Real estate development and investment.* Fluctuations in interest rates will affect the procurement costs for real estate, including procurement costs for non-recourse loans.
- *Housing loans and mortgages.* Changes in interest rates will impact both the net interest income and loan demand as the interest rates of housing loans and mortgages will affect the number of new borrowers and refinancing borrowers and the entry hurdles for new entrants into the housing loan markets.

Our net income is also affected by fluctuations in interest rates due to the impact such changes have on finance income and finance cost from short-term deposits and other interest-bearing financial assets and liabilities. Our floating rate debt has an interest rate which is principally determined by reference to several benchmarks such as Tokyo Interbank Offered Rate, or TIBOR. We enter into interest rate swaps to hedge in part our exposure to interest rate risk. Upward fluctuations in interest rates increase the cost of new debt and interest cost of outstanding variable rate borrowings, thus adversely affecting our ability to service loans and our ability to raise and service long-term debt and to finance our developments, all of which in turn would adversely affect our results of operations.

Foreign exchange market conditions

Due to the geographic diversity of our businesses, we are exposed to foreign currency risks when making investments denominated in foreign currencies, in particular our asset management business, which has and will continue to invest in different emerging economies in Asia and elsewhere in the world. Fluctuations in exchange rates will affect our performance due to uncertainty over both the timing and recovery of the investment and the amount recovered.

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With respect to our foreign exchange margin trading business, subject to changes in foreign exchange market conditions, in cases where losses suffered exceed the amount of margin deposited, our results of operations could be materially and adversely affected, as bad debt losses may be incurred and further increase in loan loss provision may be necessary due to an increase in unsecured accounts receivable.

Changes in business composition and business restructuring

We acquire and dispose of our equity interests in portfolio companies from time to time in accordance with our business objectives. We strive to be an integrated Internet-based financial services conglomerate and we have been growing our business through investments and acquisitions, particularly in our asset management and financial services businesses, in order to establish our growth platform outside Japan. We dispose of a portfolio interest if the relevant business no longer falls within the focus of our core businesses, or meets our profitability objectives. Some of these acquisitions and dispositions have had a significant impact on our results of operations and financial condition. Period-to-period comparisons of the results of our operations must therefore be evaluated in light of the impact of such transactions. All significant intercompany transactions and balances within the Group have been eliminated in the preparation of our financial statements.

Changes in laws and regulations

Our operations are primarily subject to regulation and supervision in Japan. The level of regulation and supervision to which we are subject varies and is based on the type of business activity involved. We, in conjunction with our outside advisers and counsel, seek to manage our business and operations in compliance with such regulation and supervision. The regulatory and legal requirements that apply to our activities are subject to change from time to time and may become more restrictive, which may make compliance with applicable requirements more difficult or expensive or otherwise restrict our ability to conduct our business activities in the manner in which they are now conducted. Changes in applicable regulatory and legal requirements, including changes in their enforcement, could materially and adversely affect our business and our financial condition and results of operations.

Please refer to the sections headed “Supervision and Regulation” for a summary of the key regulations in Japan to which our business is subject.

SIGNIFICANT ACCOUNTING POLICIES

The preparation of our financial statements requires us to make subjective judgments in selecting the appropriate estimates and assumptions that affect the amounts reported in our financial statements. Actual results may differ from these estimates under different assumptions and conditions. The selection of significant accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our audited consolidated financial statements. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on our historical experience, terms of existing contracts, our observance of trends in the industry, information provided by our customers and information available from outside sources, as appropriate. There can be no assurance that our judgments will prove correct or that actual results reported in future periods will not differ from our expectations reflected in our accounting treatment of certain terms. Our significant accounting estimates and judgments are set out in detail in Note 11 of the Accountants’ Report set out in Appendix I to this prospectus. We have identified the policies below as significant to our business operations and the understanding of our financial conditions and results of operations.

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Segment information disclosure

In March 2008, the Accounting Standards Board of Japan (“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 1 April 2010.

For the three fiscal years ended 31 March 2010, we reported our results of operations based on five business segments: asset management; brokerage and investment banking; financial services; housing and real estate; and system solution. From 1 April 2010, we began to reclassify the system solutions business segment to other businesses segment following application of ASBJ Statement No. 17 and ASBJ Guidance No. 20.

Consolidation

Our consolidated financial statements as of and for the three fiscal years ended 31 March 2008, 2009 and 2010 and as of and for the six months ended 30 September 2010 included our accounts and those of our 74, 82, 103 and 101 significant subsidiaries, respectively. Under the control or influence concept, those companies in which we are able to directly or indirectly exercise control over operations are fully consolidated, and those companies over which we have the ability to exercise significant influence are accounted for by the equity method.

In May 2008, the ASBJ issued ASBJ Implementation Guidance No.22, “Guidance on determining a subsidiary and an affiliate”. We applied this guidance effective 1 April 2009 and three companies were newly included in the consolidation scope in the fiscal year ended 31 March 2010. We do not consider the effect of this change material to our Group’s financial statements for the fiscal year ended 31 March 2010.

For each of the three fiscal years ended 31 March 2010, investment in one non-consolidated subsidiary is accounted for by the equity method. For the three fiscal years ended 31 March 2010, seven, seven and five affiliates, respectively, are accounted for by the equity method. Investments in the remaining non-consolidated subsidiaries and affiliates 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 our investments in subsidiaries over the fair value of the net assets of the acquired subsidiaries at the date of acquisition, is amortised by the straight-line method over the estimated useful life of goodwill, while goodwill is amortised over 20 years when the useful life of goodwill is not reasonably estimable. Negative goodwill, representing the excess of the fair value of the net assets of the acquired subsidiaries at the date of acquisition over our investments in such subsidiaries, is amortised by the straight-line method over the appropriate period based on the facts and circumstances of the respective acquisition. Immaterial goodwill or negative goodwill is charged to income when incurred.

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 amortised by

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straight-line method over the estimated useful life of goodwill. Goodwill is amortised over 20 years when its useful life cannot be reasonably estimated. 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 amortised by straight-line method over periods appropriate to the circumstances of the respective acquisitions. Immaterial goodwill or negative goodwill is charged/credited to consolidated statements of operations when incurred.

Assets acquired and liabilities assumed at a business combination are recorded at its acquisition-date's fair value.

For the period beginning on 1 April 2010:

In December 2008, the ASBJ issued a revised accounting standard for business combinations, "Accounting Standard for Business Combinations" (ASBJ Statement No.21 issued on 26 December 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22 issued on 26 December 2008), "Partial amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No.23 issued on 26 December 2008), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7 (Revised 2008) issued on 26 December 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No.16 (Revised 2008) released on 26 December 2008) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10 (Revised 2008) issued on 26 December 2008), hereinafter referred to as "revised standards". The revised standards are effective for the business combinations transactions undertaken on or after 1 April 2010 and will be applied prospectively.

Major accounting changes under the revised accounting standards are as follows:

- (1) The previous 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 standards requires accounting for such business combination by the purchase method and the pooling of interests method of accounting is no longer allowed.
- (2) The previous accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standards, an in-process research and development (IPR&D) acquired by the business combination is capitalised as an intangible asset.
- (3) Under the previous accounting standard, a bargain purchase (negative goodwill) is capitalised and is amortised within 20 years. Under the revised standards, a bargain purchase is recognised as profit on the acquisition date.
- (4) When a parent obtains control over a subsidiary by a step acquisition, goodwill is measured on the date the parent obtains control as the difference between (a) the aggregate carrying amount of any previously held equity interests and the purchase consideration and (b) the net amount of the fair value of assets and the liabilities attributable to the parent on the date the parent obtains control. Under the revised standards, the acquirer should remeasure its previously held equity interests in the acquiree at its acquisition-date fair value and recognise any resulting gain or loss. Goodwill is measured at the acquisition date as the difference between (1) the aggregate of the acquisition date fair value of the consideration transferred, the amount of any non-controlling interests in the entity acquired and the acquisition-date fair value of any previously held equity interests in the entity acquired and (2) the net of the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed.

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All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealised profits included in assets resulting from transactions within the Group are eliminated.

In the three fiscal years ended 31 March 2010 investments in 48, 64 and 71 companies, respectively, and one corporate-type investment trust with over 20% ownership were included in operational investment securities as the investments in these companies were made as part of our operating activities.

The 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”, are excluded from consolidation when the specific exemption that allows small size entities to be excluded from consolidation is met and are included in investments in non-consolidated subsidiaries and affiliates on our 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 using the equity method based on our percentage share in the contributed capital in accordance with JGAAP. Revenues and expenses stated on the income statements of the funds are recorded in our consolidated statement of operations based on our percentage share in each partnership’s contributed capital in accordance with JGAAP.

Non-operational investments in funds included in investment securities on our consolidated balance sheets are accounted for using the equity method based on our percentage share in the contributed capital as these funds are investment partnerships.

Valuation of securities

Securities are classified and accounted for, depending on management’s intent, as follows: (1) trading instruments, which are held for the purpose of earning capital gains in the near term, are reported at fair value, with the related unrealised gains and losses included in income and (2) available-for-sale securities (consisting of investment securities and operational investment securities other than investment in funds), which are not classified as trading instruments. Listed available for sale securities are reported at fair value, with unrealised gains and losses, net of applicable taxes, reported in a separate component of net assets. The cost of securities sold is determined based on the moving-average cost method.

Non-fair valued available-for-sale securities are stated at cost determined by the moving-average cost method. For other than temporary declines in fair value, non-fair valued available-for-sale securities are reduced to net realisable value by a charge to income.

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

In accordance with the Commodities Exchange Act of Japan, 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% of face value

Listed corporate bonds: 65% of face value

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Equity securities listed on the first section of the Japanese Stock Exchange Market: 70% of fair value

Warehouse receipts (commodity certificates): 70% of fair value

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

Impairment for investments in unlisted entities

Securities classified as available for sale investments in unlisted entities (securities without quoted market price) are stated at cost less impairment as required by JGAAP.

There is no specific or detailed guideline under JGAAP that describes the method to be used for the impairment assessment. Therefore, the Company applies the internal guideline for impairment assessment that is consistent with the practices for venture capital business in Japan.

Such guidelines provide that investments are evaluated qualitatively and quantitatively using a set of criteria developed by the Company as follows: (1) business performance — to establish the directional change of the growth rate of the revenue of the unlisted entities for the recent 3 months, (2) implementation of business plan — to compare the rate of actual progress with the latest business plan of the unlisted entities, (3) cash flow — to evaluate whether the operating cash flows are sufficient for the continuing operation in the next three to six months, (4) financial position — to assess the shareholders' equity of the unlisted entities compared with its amount invested, (5) quality of operational and financial reporting system — to ascertain whether an effective operational and financial reporting system is in place, and (6) qualification and competency of the management of such unlisted entities, business model and prospects among others. A scoring system is used to grade the investments into six different categories, based on these criteria.

The six different categories are:

1. Normal investments
2. Investment which may have short-term concern
3. Investment in which may have longer term concern
4. Investments that without enhancement in performance, there is a concern that the investment cost will not be recovered
5. Investments in which the possibility of investment recovery is significantly low
6. Direct write-off due to bankruptcy

The impairment amount ranges from zero to 100% of the investment cost. For the fiscal years ended 31 March 2008, 2009 and 2010 and the six months ended 30 September 2010, the allowance for investment losses of the unlisted entities that we have invested in with less than 20% interests (including those held by our subsidiaries) was ¥3,192 million, ¥4,614 million, ¥4,520 million and ¥3,723 million, respectively. As at 31 March 2008, 2009 and 2010 and 30 September 2010, the carrying value of unlisted available-for-sale investments that we have invested in with less than 20% interests (including those held by our subsidiaries) was ¥45,831 million, ¥47,466 million, ¥42,289 million and ¥52,015 million, respectively. The table below sets forth, for the Track Record Period, the effects of (i) a 10% increase or decrease in the allowance for investment losses of the unlisted entities that we have invested in with less than 20% interests (including those held by our subsidiaries) on our net income (loss); (ii) a 5% increase or decrease in the carrying value

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of the unlisted entities that we have invested in with less than 20% interests (including those held by our subsidiaries) on our (a) net income (loss) and (b) total assets; and (iii) a complete write-off of the carrying value of the unlisted entities that we have invested in with less than 20% interests (including those held by our subsidiaries) on our (a) net income (loss) and (b) total assets.

	As of and for the fiscal years ended 31 March			As of and for the six months ended 30 September
	2008	2009	2010	2010
Percentage change in net income (loss) assuming a 10% increase or decrease in the allowance for investment losses of the unlisted entities that we have invested in with less than 20% interests (including those held by our subsidiaries) ⁽¹⁾	± 4.5%	± 1.5%	± 11.4%	± 32.2%
Percentage change in net income (loss) and total assets assuming a 5% increase or decrease in the carrying value of the unlisted entities that we have invested in with less than 20% interests (including those held by our subsidiaries):				
(a) net income (loss) ⁽²⁾	± 32.1%	± 7.7%	± 53.4%	± 208.7%
(b) total assets ⁽²⁾	± 0.2%	± 0.2%	± 0.2%	± 0.2%
Effect of a complete write-off of the carrying value of the unlisted entities that we have invested in with less than 20% interests (including those held by our subsidiaries) on:				
(a) net income (loss)	-642.8%	-153.2%	-1,067.3%	-4,174.1%
(b) total assets	-3.8%	-4.4%	-3.4%	-3.8%

Notes:

- (1) A positive percentage change indicates the effect a 10% increase in the allowance for investment losses of the unlisted entities that we have invested in with less than 20% interests (including those held by our subsidiaries) on our net income (loss). For a 10% decrease in the allowance for investment losses of the unlisted entities that we have invested in with less than 20% interests (including those held by our subsidiaries), there would be an equal and opposite impact on our net income (loss), and the percentage change would be negative.
- (2) A positive percentage change indicates the effect a 5% increase in the carrying value of the unlisted entities that we have invested in with less than 20% interests (including those held by our subsidiaries) on our net income (loss) and total assets (as the case may be). For a 5% decrease in the carrying value of the unlisted entities that we have invested in with less than 20% interests (including those held by our subsidiaries), there would be an equal and opposite impact on our net income (loss) and total assets (as the case may be), and the percentage change would be negative.

We are currently in the process of establishing the infrastructure and system necessary for us to conduct fair value assessment of non-fair valued available-for-sale investments in accordance with IFRS starting from the fiscal year ending 31 March 2011. This process involves, among others, the evaluation of various valuation methodologies accepted under IFRS and the consideration of appropriate methodologies for our investments taking into account various factors such as the industry of the investees, the nature of the business of the investees, the growth stage

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of the investees, and other key elements that would affect the selection of valuation method; analysing and determining the information required for the valuation from the investees (such as, among others, business and cash flow forecasts for sufficient periods and the relevant assumptions, industry and market data, financial information and operating data); adjusting the current management and financial reporting system (including all relevant internal guidelines); assigning responsible personnel at headquarters and subsidiaries for the implementation of these measures so that the required information can be collected and reported on a timely basis and in accordance with the requirement of IFRS.

Real estate inventories

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 realisable 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 realisable value, if appropriate. The standard was effective for fiscal years beginning on or after 1 April 2008.

We applied this revised accounting standard for measurement of inventories effective 1 April 2008. For real estate inventories, the effect of this change was to decrease operating income by ¥408 million and increase loss before income taxes and minority interests by ¥1,393 million for the fiscal year ended 31 March 2009.

Leases

In March 2007, the Accounting Standards Board of Japan ("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 1 April 2008 with early adoption permitted for fiscal years beginning on or after 1 April 2007.

(a) Lessee

Prior to 1 April 2007 finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalised" information was disclosed in the note to the lessee's financial statements. ASBJ Statement No. 13 requires that all finance lease transactions be capitalised to recognise leased assets and lease obligations in the balance sheet. In addition, leases which existed at the transition date and did not transfer ownership of the leased assets to the lessee are continued to be accounted for as operating lease transactions with certain "as if capitalised" information disclosed in the notes to the lessee's financial information.

The Group continued to account for leases which existed at the transition date that did not transfer ownership of the leased assets to the lessee as operating lease transactions.

(b) Lessor

Prior to 1 April 2007 finance leases that deemed to transfer ownership of the assets leased to other parties under operating lease 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. ASBJ statement No. 13 requires that all finance leases be recognised as leases receivable, and that all finance leases that are deemed not to

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transfer ownership of the assets leased to other parties under operating leases be recognised as lease investment assets. For the finance leases which existed at the transition date and did not transfer ownership of the assets leased to other parties under operating leases, the 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.

The Group applied on 1 April 2008. The effect of this change was not considered material to net income for the year ended 31 March 2009.

Leases receivable and lease investment assets are stated at cost less accumulated depreciation. Depreciation is computed by using the straight-line method over the useful life with residual value of zero.

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.

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 31 March 2008.

Applying the FIEA enacted on 30 September 2007, which revised and replaced the Securities and Exchange Law, “reserve for liability for securities transactions” pursuant to Article 51 of the Securities and Exchange Law was replaced and recorded as “reserve for financial products transaction liabilities” pursuant to Article 46-5 of the FIEA from 1 April 2008.

Pursuant to Article 46-5 of the FIEA, 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 fiscal year ended 31 March 2009.

Stock options

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

This standard requires companies to recognise compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-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.

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

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Net Sales and Cost Recognition

Our revenues principally consist of revenue from operational investment securities, fees from funds and revenues from construction projects, revenue from securities transactions, revenue from commodity futures transactions and revenue from finance lease transaction, while its costs principally consist of the cost of operational investment securities or cost of construction projects and the related provision of allowance for investment losses, if any.

Revenue from operational investment securities — Revenue from operational investment securities consists of proceeds from the sales of operational investment securities and securities held by funds and interest and dividend income from these securities. Interest and dividend income are recognised on an accrual basis.

Cost of operational investment securities — Cost of operational investment securities consists of the cost of operational investment securities and securities held by funds, write-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 recognised 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 realisable 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 organisation, management fees and success fees from funds managed by the Group. Establishment fees for fund organisation are recognised when a fund organised by us is established and funded by investors. Management fees are recognised over the periods of fund management agreements primarily based on the net asset value of the funds under management. Success fees are computed based upon a formula which takes into account realised gains and losses on and write-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 recognised by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method 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 recognised by providing for a loss on construction contracts. This standard was effective for fiscal years beginning on or after 1 April 2009. We applied the new accounting standard effective 1 April 2009. The effect of this change was not considered material to net income for the fiscal year ended 31 March 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 fees for placements and sales of securities. Commissions income 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 activities are completed. All other fees are recognised when related services are rendered.

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Revenue from commodity futures transactions — Revenue from commodity futures transactions is recognised on a trade date basis.

Revenue from finance lease transactions — Revenue from finance lease transactions are recognised at the commencement of the lease term.

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

Derivatives and Hedging Activities

Foreign currency forward contracts are used to hedge foreign currency exposures in the Group. Receivables, payables and investment securities denominated in foreign currencies are translated at the contracted rates if the forward contracts are qualified for hedge accounting. Interest rate swaps, which are qualified for hedge accounting and met the specific matching criteria, are not remeasured at market value. The differential paid or received under the swap agreements is recognised and included in interest expense or income.

(b) Hedging instruments and hedged item

(i) Hedging instruments and hedged item

Foreign exchange forward contracts and foreign currency denominated receivables and payables and investment securities.

(ii) Hedging instruments and hedged item

Interest rate swap contracts and interest expense for borrowing.

(c) Hedging policy

(i) For foreign currency-denominated transactions, the foreign currency forward contracts are used to hedge foreign currency exposures in the Group.

(ii) For interest expense on borrowing, interest rate swap contract is utilised to mitigate the volatility of interest rates.

PRINCIPAL COMPONENTS OF OUR INCOME STATEMENT

Net sales

Net sales reflect principally revenue generated by our subsidiaries in our five business segments, namely asset management, brokerage and investment banking, financial services, housing and real estate and other businesses.

(a) In the asset management segment, revenues principally comprise of:

(i) revenues from investment in securities, which consist of:

(1) revenues from operational investment securities, which are gains on the sale of securities purchased for the purpose of earning capital gains; and

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- (2) fees from investment funds, which consist of fund establishment fees, fund management fees and success fees; and
- (ii) revenues from investment advisory service fees and other activities.
- (b) In the brokerage and investment banking segment, revenues principally comprise of:
 - (i) revenues from securities transactions, which are derived mainly from securities brokerage commissions;
 - (ii) trading gains / losses primarily from foreign exchange trading;
 - (iii) financial income from margin lending;
 - (iv) underwriting, offering and sales commissions; and
 - (v) revenues from commodity futures transactions (business discontinued in end of July 2009).
- (c) In the financial services segment, revenues principally comprise of:
 - (i) revenues from our financial marketplace business, which operates one of Japan's largest comparison and estimate portal websites for insurance and loans;
 - (ii) revenues from our financial products business, which includes a leasing business and a credit card business;
 - (iii) revenues from our financial solutions business, which provides online payment settlement services for e-commerce companies; and
 - (iv) revenues from other businesses, which include financial information evaluation and consulting services, primarily involving investment trusts and website evaluations and rankings, and a non-life insurance business.
- (d) In the housing and real estate segment, revenues principally comprise of:
 - (i) revenues from our real estate investment development business, which includes real estate investments and real estate development projects;
 - (ii) revenues from our financial real estate business, which consists mainly of revenues from our housing loan business and our real estate-secured lending business; and
 - (iii) our lifestyle networks business, which includes comparison websites for various lifestyle-related products and services.
- (e) In the other businesses segment, revenues principally comprise of revenues from businesses involved in beauty care and health food products retail and services, in the planning, design and operation of information technology systems and biotechnology.

Because of the timing and large relative scale of individual investments in our asset management and real estate businesses, the performance of a limited number of investments can have a large impact on our results of operations in any given period. This has resulted in significant volatility in our results of operations in past periods and we expect that this volatility will continue.

Cost of sales

Cost of sales reflect principally costs incurred directly by our consolidated subsidiaries in their core business activities, which consisted of the following for the Track Record Period:

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For the asset management segment, cost of sales principally comprise cost of operational investment securities including valuation loss on operational investment securities and securities held by funds.

For the brokerage and investment banking segment, cost of sales principally comprise finance costs such as interest expenses on loans (particularly in relation to margin trading) and rental fees incurred in leasing transactions.

For the financial services segment, cost of sales principally comprise leasing cost, advertisement costs and fee payments to credit card companies for credit card transactions for e-commerce business.

For housing and real estate segment, cost of sales principally comprise cost of real estate developed for sale, which consists mainly of land costs, construction and development costs and finance costs.

For the other businesses segment, cost of sales principally comprise cost of goods sold with respect to beauty care and health food products and of developing and maintaining financial systems in relation to its system solutions business.

Selling, general and administrative expenses

Selling, general and administrative expenses for the Track Record Period consisted of the following:

	Fiscal years ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
	(¥ in millions)			(unaudited)	
Payroll and bonuses	¥8,811	¥10,018	¥9,970	¥4,957	¥5,119
Provision of retirement allowances for directors	23	35	—	24	—
Retirement benefit costs	61	52	25	—	1
Provision of allowance for doubtful accounts	2,768	3,180	2,140	1,369	1,014
Provision of accrued bonuses	494	50	53	50	67
Outsourcing fees ¹	9,264	9,827	10,412	4,923	5,193
Amortisation of goodwill	—	—	7,764	3,889	3,873
Research and development costs	1,106	614	447	252	223
 Total	 ¥64,616	 ¥62,885	 ¥61,971	 ¥31,126	 ¥30,696

1 Outsourcing fees refers to the development and management costs of securities transaction systems in SBI SECURITIES Co., Ltd.

Non-operating income

Non-operating income principally comprises interest income, dividends income, refunded consumption taxes and others such as sublease fee of loan shop. Interest income is recognised on an accrual basis, taking into account the amount of principal outstanding and the effective interest rate applicable. Dividends income is recognised on a cash basis when our right to receive payment has been established.

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Non-operating expense

Non-operating expense principally comprises interest expense, amortisation with respect to stock issuance costs, bond issuance costs and deferred operating costs under Article 113 of the Insurance Act of Japan, share of results of affiliates foreign exchange losses and others such as stock issuance cost.

Extraordinary income

Extraordinary income principally comprises gains on sales of investment securities, reversal of allowance for doubtful accounts, reversal of statutory reserves, gains on the changes in interests in consolidated subsidiaries and equity method investees and others such as reversal of other provision.

Extraordinary expense

Extraordinary expense for the Track Record Period consisted of the following:

	Fiscal years ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
	(¥ in millions)			(unaudited)	
Losses on sales of non-current assets . . .	¥1	¥33	¥0	¥0	¥—
Losses on retirement of non-current assets	253	259	103	51	127
Provision of allowance for doubtful accounts	—	—	1,989	1,485	189
Provision of statutory reserves	1,611	0	0	—	—
Losses on sale of investment securities . . .	3	12,040	237	146	3
Losses on valuation of investment securities	—	7,547	46	24	176
Write-down of real estate inventories . . .	—	984	—	—	—
Losses on disposal of subsidiaries and affiliates	—	—	—	—	635
Impairment losses on goodwill	2,121	1,066	—	0	397
Impairment Loss	—	—	—	—	716
Goodwill amortisation for equity method affiliates with significant losses	6,794	1,353	238	—	—
Losses on the changes in interests in consolidated subsidiaries and equity method investees	2,300	14	44	42	1
Impact from applying the Accounting Standards of Assets Retirement Obligations	—	—	—	—	501
Others	1,580	5,137	998	362	257
Total	<u>¥14,665</u>	<u>¥28,438</u>	<u>¥3,658</u>	<u>¥2,113</u>	<u>¥3,007</u>

Minority interests in net income

Minority interests in net income comprise the interests of minority shareholders in the profit or loss of our consolidated subsidiaries, which are excluded from net income.

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REVIEW OF HISTORICAL OPERATING RESULTS

Selected consolidated financial information

The following table presents a summary of our consolidated results of operations for the fiscal years ended 31 March 2008, 2009 and 2010 and for the six months ended 30 September 2009 and 2010. Such financial information should be read in conjunction with our financial statements in Appendix I to this prospectus.

	Fiscal years ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
	(¥ in millions)			(unaudited)	
Net sales	¥222,567	¥130,922	¥124,541	¥63,153	¥62,948
Operating income	42,606	4,403	3,431	3,752	3,605
Ordinary income	35,687	37	1,112	2,012	695
Net income (loss)	4,228	(18,375)	2,350	822	686
Total assets	1,219,247	1,079,233	1,229,939	1,193,525	1,254,886
Total net assets	387,766	419,338	428,615	426,146	457,530
Net cash from (used in)					
operating activities	50,073	103,034	(53,134)	(52,149)	(30,034)
Net cash used in					
investing activities	(20,610)	(1,104)	(15,563)	(12,816)	(9,793)
Net cash from (used in)					
financing activities	(9,957)	(137,514)	84,599	55,205	32,959
Cash and cash equivalents at end of year/period	159,007	126,312	142,581	115,477	133,705

Selected segment information

The following tables set forth selected consolidated financial information of the Company by operating segments for the fiscal years ended 31 March 2008, 2009 and 2010 and for the six months ended 30 September 2009 and 2010.

Revenue from customers by segment

	Fiscal years ended 31 March			Six months ended 30 September		
	2008	2009	2010	2009	2010	
	(¥ in millions, except percentages)			(unaudited)		
Segment	Revenue from customers	Revenue from % customers	Revenue from % customers	Revenue from % customers	Revenue from % customers	%
Asset Management	58,008	26.1%	15,850	12.1%	20,194	16.2%
Brokerage and investment banking	67,675	30.4%	47,648	36.4%	46,986	37.8%
Financial Services	21,600	9.7%	21,871	16.7%	24,441	19.6%
Housing and Real Estate	74,960	33.7%	40,860	31.2%	29,406	23.6%
Other Businesses	322	0.1%	4,691	3.6%	3,512	2.8%
Total revenue from customers	¥222,567	100.0%	¥130,922	100.0%	¥124,541	100.0%
					¥63,153	100%
					¥62,948	100%

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Discussion of Results of Operations

Financial results for the six months ended 30 September 2009 compared to financial results for the six months ended 30 September 2010

Net sales

Total net sales decreased slightly by ¥205 million, or 0.3%, to ¥62.9 billion for the six months ended 30 September 2010 from ¥63.2 billion for the six months ended 30 September 2009. This decrease in net sales was primarily the result of a decrease in revenue from customers in our brokerage and investment banking, asset management and other businesses segments.

Asset management segment. Revenue from customers in the asset management segment decreased by 13.2% to ¥10.5 billion primarily due to a decrease in revenue from operational investment securities caused by less favourable market conditions for exiting investments compared to the prior six-month period ended 30 September 2009. During the six months ended 30 September 2009, we sold a significant number of operational investment securities in larger transactions that increased our revenue in comparison to the six months ended 30 September 2010. There were no other significant factors affecting the decrease in revenue of this segment for the six months ended 30 September 2010.

Brokerage and investment banking segment. Revenue from customers in the brokerage and investment banking segment decreased by ¥2.2 billion, or 8.8% to ¥22.9 billion in the six months ended 30 September 2010 from ¥25.1 billion in the six months ended 30 September 2009, as individual stock brokerage trading value continued to decline due to a decrease in overall trading at the retail level. This decrease was offset in part by an increase in the market share of SBI SECURITIES Co., Ltd., an increase in revenue contributions from our Investment Trust Business and an increase in the sale of foreign bonds during the six months ended 30 September 2010.

Financial services segment. Revenue from customers in the financial services segment increased by 17.8% to ¥13.5 billion, as our existing businesses in this segment had substantial increases in revenue contributions. The total revenue increase in this segment for the six months ended 30 September 2010 compared to the same period the prior fiscal year was primarily due to the revenue contributions of three of our subsidiaries: (1) SBI Insurance Co., Ltd. recorded an increase in operating revenue due to an increase in the total number of insurance contracts executed (over 200,000 as at 30 September 2010); and (2) SBI VeriTrans continued to grow steadily, as the domestic Internet and e-commerce markets continue to expand, achieving an increase of 26.8% in the number of transactions they engaged in, amounting to a total of ¥18.36 million for the six months ended 30 September 2010.

Housing and real estate segment. Revenue from customers in the housing and real estate segment decreased by 31.6% to ¥8.6 billion due to eliminating the beauty care and health food products retail and services from the housing and real estate segment.

Other businesses segment. Revenue from customers of our other businesses increased by 300.0% to ¥7.4 billion primarily due to the reclassification of other business segment. We added the beautycare and health food products retail and services and biotechnology business into other business segment from 1 April 2010.

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Cost of sales

Total cost of sales remained stable and only increased slightly by ¥372 million, or 1.3%, to ¥28.6 billion for the six months ended 30 September 2010 from ¥28.3 billion for the six months ended 30 September 2009. This slight increase was primarily the result of an increase in the cost of sales in the financial services segment and the brokerage and investment banking segment.

Asset management segment. Cost of sales in the asset management segment decreased by 25.7%, to ¥6.4 billion primarily due to a significant decrease in cost of sales of operational investment securities from the sale of a higher percentage of low-cost operational investment securities. Cost of sales in the asset management segment also included ¥840 million in valuation losses on operation investment securities, as well as a ¥1.6 billion provision for investment loss.

Brokerage and investment banking segment. Cost of sales in the brokerage and investment banking segment increased by 11.6% to ¥2.4 billion primarily due to an increase in the agent fees of SBI Liquidity Market Co., Ltd.

Financial services segment. Cost of sales in the financial services segment increased by 28.4% to ¥10.5 billion primarily due to the expansion of this segment's businesses and an increase in claims paid by SBI Insurance Co., Ltd.

Housing and real estate segment. Cost of sales in the housing and real estate segment remained relatively stable and only increased by 1.5%, to ¥3.2 billion, due to the steady growth of both SBI Life Living Co., Ltd. and SBI Mortgage Co., Ltd., which in turn increased the housing and real estate segment's costs.

Other businesses segment. Cost of sales of our other businesses remained stable, increasing by 0.7% to ¥6.6 billion.

Selling, general and administrative expenses

Selling, general and administrative expenses decreased slightly by ¥430 million, or 1.4%, to ¥30.7 billion for the six months ended 30 September 2010 from ¥31.1 billion for the six months ended 30 September 2009. This decrease reflected in part our continued efforts to control costs in areas such as employment costs in an adverse economic environment. After excluding amortisation of goodwill and allowance for bad debts, our consolidated selling, general and administrative expenses decreased ¥59 million, or 0.2%, to ¥25.8 billion in the six months ended 30 September 2010 from ¥25.9 billion in the six months ended 30 September 2009.

Non-operating income

Total non-operating income increased ¥229 million, or 43.7%, to ¥754 million for the six months ended 30 September 2010 from ¥524 million for the six months ended 30 September 2009. The change was primarily due to an increase in share of results of affiliates from nil in the six months ended 30 September 2009 to ¥203 million in the six months ended 30 September 2010, brought about by SBI Sumishin Net Bank, Ltd.'s turnaround. The increase in total non-operating income was slightly offset by a decrease in interest income of ¥4 million for the six months ended 30 September 2010.

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Non-operating expense

Total non-operating expense increased ¥1.4 billion, or 61.8% from ¥2.3 billion for the six months ended 30 September 2009 to ¥3.7 billion for the six months ended 30 September 2010. This increase was primarily due to an increase in interest expense and in foreign exchange losses. Interest expense increased by ¥511 million, or 59.1%, to ¥1.4 billion in the six months ended 30 September 2010 from ¥864 million in the six months ended 30 September 2009 mainly due to the large amount of borrowings under the Euro-MTN programme. The increase of 126.5% in foreign exchange losses from ¥551 million in the six months ended 30 September 2009 to ¥1.2 billion in the six months ended 30 September 2010 was primarily due to a ¥668 million foreign exchange loss on Yen-denominated loans of SBI KOREA HOLDINGS CO., LTD. The increase in non-operating expense was offset in part by a decrease of ¥149 million in equity in losses of affiliates during the six months ended 30 September 2010.

Ordinary income

As a result of the above, we recorded ordinary income of ¥695 million in the six months ended 30 September 2010 compared to ordinary income of ¥2.0 billion in the six months ended 30 September 2009.

Extraordinary income

Total extraordinary income increased by ¥1.3 billion, or 106.5%, to ¥2.4 billion for the six months ended 30 September 2010 from ¥1.2 billion for the six months ended 30 September 2009. The increase in extraordinary income primarily reflected a significant increase in reversal of statutory reserves from ¥33 million in the six months ended 30 September 2009 to ¥2.0 billion in the six months ended 30 September 2010, mainly due to a decrease in transactions. The increase in extraordinary income was offset in part by a decrease of ¥858 million in gains on sale of investment securities from ¥913 million in the six months ended 30 September 2009 to ¥55 million in the six months ended 30 September 2010. This decrease in gains on sale of investment securities was mainly due to significant sales of securities, such as those of Sumitomo Trust & Banking Co., Ltd. and Broadmedia Corporation, during the six months ended 30 September 2009.

Extraordinary expense

Total extraordinary expense increased by ¥894 million, or 42.3%, to ¥3.0 billion for the six months ended 30 September 2010 from ¥2.1 billion for the six months ended 30 September 2009. This increase was primarily due to ¥1.1 billion in recorded losses of HOMEOSTYLE Inc. for the six months ended 30 September 2010. The increase was further affected by an extraordinary expense of ¥501 million in relation to the impact from applying the accounting standards of assets retirements obligations. The increase in total extraordinary expense was offset in part by a decrease of ¥1.3 billion in provision of allowance for doubtful accounts primarily due to the provision of allowance for doubtful accounts for ZEPHYR Co., Ltd. of ¥1.5 billion booked in the six months ended 30 September 2009.

Total income taxes

Total income taxes increased slightly by ¥53 million, or 4.0%, to ¥1.4 billion for the six months ended 30 September 2010 from ¥1.3 billion for the six months ended 30 September 2009. This slight increase reflects a decrease in both deferred tax benefit and current tax.

The Directors have confirmed that the Group is not required to submit any tax filings, settle any tax liabilities with the relevant tax authorities in the respective jurisdictions, and is not subject to any tax dispute or regulatory challenge.

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Minority interests in income

We recorded minority interests in losses of ¥2.0 billion in the six months ended 30 September 2010 compared to minority interests in losses of ¥1.1 billion for the six months ended 30 September 2009.

Net income (loss)

As a result of the above, we recorded a net income of ¥686 million for the six months ended 30 September 2010 compared to net income of ¥822 million for the six months ended 30 September 2009.

Financial results for the fiscal year ended 31 March 2009 compared to financial results for the fiscal year ended 31 March 2010

Net sales

Total net sales decreased by ¥6.4 billion, or 4.9%, to ¥124.5 billion for the fiscal year ended 31 March 2010 from ¥130.9 billion for the prior fiscal year. This decrease in net sales was primarily the result of decreases in revenue from customers in the housing and real estate and other businesses segments.

Asset management segment. Revenue from customers in the asset management segment increased by 27.4% to ¥20.2 billion as we had higher revenue from operational investment securities due to revenue contribution from NEW HORIZON FUND, L.P., which performed well in comparison to the prior year, and improved market conditions, in particular in the PRC, which created more favourable conditions for exiting investments compared to the prior fiscal year. The number of initial public offerings and merger and acquisitions in which our asset management business was involved increased to 8 in the fiscal year ended 31 March 2010 from zero in the prior fiscal year. Out of the eight transactions, four of them were initial public offerings and four of them mergers and acquisitions. The aggregate amount of investments we exited in the fiscal year ended 31 March 2010 also increased by ¥4.3 billion to a total of ¥16.1 billion from ¥11.8 billion the prior fiscal year.

Brokerage and investment banking segment. Revenue from customers in the brokerage and investment banking segment decreased slightly by 1.4% to ¥47.0 billion, primarily due to our disposal of E*Trade Korea Co., Ltd. during the second quarter of the fiscal year ended 31 March 2009, and a decrease in our commission rate. This decrease was offset in part by an increase in trading income of foreign exchange transactions, and an increase in market share of individual stock trading value in Japan. The increase in market share of individual stock trading value was in turn primarily attributable to SBI SECURITIES Co., Ltd. continued growth. SBI SECURITIES Co., Ltd. customer accounts increased by 187,478, to a total of 2,053,986 at the end of the fiscal year ended 31 March 2010 from a total of 1,866,508 at the end of the fiscal year ended 31 March 2009.

Financial services segment. Revenue from customers in the financial services segment increased by 11.8% to ¥24.4 billion, as our existing businesses in this segment continued to perform solidly and some of our newer Internet-based services such as non-life insurance and credit card business continued to attract customers. Our non-life insurance business acquired approximately 97,000 insurance contracts, representing an increase of approximately 130% over the total number of insurance contracts we had at the end of the prior fiscal year. In our credit card business we issued approximately 74,000 cards in the fiscal year ended 31 March 2010 compared to the 47,000 cards we issued in the prior fiscal year. On 16 February 2010, we exited the life insurance business by transferring all our shares in SBI AXA Life Insurance Co., Ltd. to AXA Japan Holding Co., Ltd. due to a difference in business policy.

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Housing and real estate segment. Revenue from customers in the housing and real estate segment decreased by 28.0% to ¥29.4 billion due to the continued decline in contracting activity in Japan's real estate market due to the economic downturn. This decrease is partially offset by a 15.4% increase in revenue from customers of our financial real estate business to ¥9.1 billion, which was primarily attributable to an increase in issued mortgage loans as a result of the Japanese government's implementation of policies aimed at stimulating the real estate market.

Other businesses segment. Revenue from customers of our other businesses decreased by 25.1% to ¥3.5 billion primarily due to a decline in revenue from customers from our system solutions business as a result of extended cutbacks in investments for information system equipment by customers, mainly financial institutions.

Cost of sales

Total cost of sales decreased by ¥4.5 billion, or 7.1%, to ¥59.1 billion for the fiscal year ended 31 March 2010 compared to ¥63.6 billion for the previous fiscal year. This decrease was primarily the result of decreases in cost of sales in the housing and real estate segment, brokerage and investment banking and other businesses segments.

Asset management segment. Cost of sales in the asset management increased by 47.3%, to ¥15.2 billion primarily due to a significant increase in sales of operational investment securities as a result of improved market conditions because when such sales occur we record cost of sales based on our book value of the sold asset. Cost of sales in the asset management segment also included ¥0.7 billion in valuation losses on operation investment securities, as well as a ¥2.6 billion provision for investment loss with respect to KTIC Holdings.

Brokerage and investment banking segment. Cost of sales in the brokerage and investment banking segment decreased by 23.4% to ¥4.2 billion primarily due to a decrease in finance cost of SBI SECURITIES Co., Ltd as a result of the disposal of interest in E*Trade Korea Co., Ltd. during the second quarter of the fiscal year ended 31 March 2009.

Financial services segment. Cost of sales in the financial services segment increased by 28.4% to ¥18.3 billion primarily due to the business expansion and increase in sales of our business under the financial services segment, which increased the amount of leasing cost, agent service fees, provision of reserve fund for our insurance business and other cost of sales such as administrative costs.

Housing and real estate segment. Cost of sales in the housing and real estate segment decreased by 37.8%, to ¥18.1 billion due a significant decrease in sales of real estate for sale in light of difficult economic conditions because when such sales occur we record cost of sales based on our book value of the sold asset.

Other businesses segment. Cost of sales of our other businesses decreased by 20.5% to ¥4.0 billion due to a reduction of outsourcing fee with respect to our system solutions business.

Selling, general and administrative expenses

Selling, general and administrative expenses decreased by ¥0.9 billion, or 1.5%, to ¥62.0 billion for the fiscal year ended 31 March 2010 from ¥62.9 billion for the previous fiscal year. This decrease reflected in part our continued efforts to control costs in areas such as employment cost in light of the adverse economic environment. After excluding amortisation of goodwill and allowance for bad debts, our consolidated selling, general and administrative expenses decreased ¥1.6 billion, or 3.0%, to ¥52.1 billion in fiscal year ended 31 March 2010 from ¥53.7 billion in the

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previous fiscal year. These efforts were offset in part by increased amortisation of goodwill, primarily due to the acquisition by SBI Holdings, Inc. of SBI SECURITIES Co., Ltd. by share transfer in August 2008, as well as an increase in fees payable to franchisees by SBI Mortgage Co., Ltd.

Non-operating income

Total non-operating income decreased by ¥1.2 billion, or 51.1%, to ¥1.2 billion for the fiscal year ended 31 March 2010 from ¥2.4 billion for the previous fiscal year. The change was primarily due to decreases in interest income and dividends income from ¥1.0 billion and ¥0.4 billion, respectively, in the fiscal year ended 31 March 2009 to ¥0.4 billion and ¥0.2 billion, respectively, in the fiscal year ended 31 March 2010, and a ¥0.5 billion, or 51.9%, decrease in other non-operating income to ¥0.5 billion for the fiscal year ended 31 March 2010 from ¥1.0 billion for the previous year. The decrease in total non-operating income was offset in part by refunded consumption taxes of ¥0.2 billion for the fiscal year ended 31 March 2010.

Non-operating expense

Total non-operating expense decreased 48.4% from ¥6.8 billion for the fiscal year ended 31 March 2009 to ¥3.5 billion for the fiscal year ended 31 March 2010. This decrease primarily reflected a decrease in equity in losses of affiliates from ¥2.5 billion in the prior fiscal year to ¥0.1 billion in the fiscal year ended 31 March 2010, a decrease in interest expense from ¥2.5 billion in the prior fiscal year to ¥2.0 billion in the fiscal year ended 31 March 2010 and decreases in other non-operating expense of ¥0.6 billion to ¥0.6 billion for the fiscal year ended 31 March 2010 compared to ¥1.2 billion for the previous fiscal year and in foreign exchange losses from ¥0.6 billion in the prior fiscal year to ¥0.1 billion in the fiscal year ended 31 March 2010. The decrease in non-operating expense was offset in part by amortisation of deferred assets under Article 113 of the Insurance Business Act of Japan of ¥0.7 billion the fiscal year ended 31 March 2010.

Ordinary income

As a result of the above, we recorded ordinary income of ¥1.1 billion in the fiscal year ended 31 March 2010 compared to ordinary income of ¥37 million in the fiscal year ended 31 March 2009.

Extraordinary income

Total extraordinary income decreased by ¥8.8 billion, or 71.7%, to ¥3.5 billion for the fiscal year ended 31 March 2010 from ¥12.3 billion for the previous fiscal year. This primarily reflected a significant decrease in gains on sale of investment securities from ¥10.5 billion in the prior fiscal year to ¥3.2 billion in the fiscal year ended 31 March 2010 and decreases in reversal of statutory reserves to ¥33 million for the fiscal year ended 31 March 2010 from ¥0.7 billion for the previous fiscal year and other extraordinary income from ¥0.6 billion for the fiscal year ended 31 March 2009 to ¥0.1 billion for the fiscal year ended 31 March 2010. The decrease in gains on sale of investment securities for the fiscal year ended 31 March 2010 was primarily due to the disposal of E*Trade Korea Co., Ltd. during the second quarter of the fiscal year ended 31 March 2009.

Extraordinary expense

Total extraordinary expense decreased by ¥24.8 billion, or 87.1%, to ¥3.7 billion for the fiscal year ended 31 March 2010 from ¥28.4 billion for the previous fiscal year. The change was primarily due to a significant decrease in losses on sale of investment securities from ¥12.0 billion in the prior fiscal year to ¥0.2 billion in the fiscal year ended 31 March 2010 as a result of improved market conditions, a decrease in losses on valuation of investment securities from ¥7.5 billion in the prior fiscal year to ¥46 million in the fiscal year ended 31 March 2010, no write down of real estate inventories and impairment losses on goodwill in the fiscal year ended 31 March 2010

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compared to losses of ¥1.0 billion and ¥1.1 billion, respectively, in the previous fiscal year, a reduction in goodwill amortisation for equity method affiliates with significant losses from ¥1.4 billion in the prior fiscal year to ¥0.2 billion in the fiscal year ended 31 March 2010 and a decrease in other extraordinary expense from ¥5.1 billion in the prior fiscal year to ¥1.0 billion in the fiscal year ended 31 March 2010 primarily due to losses on valuation of real estate inventories.

Total income taxes

Total income taxes decreased by ¥5.4 billion, or 88.0%, to ¥0.7 billion for the fiscal year ended 31 March 2010 from ¥6.1 billion for the previous fiscal year. This decrease reflects an increase in deferred tax benefit, as well as a reduction in current taxes caused by recognised losses from write-downs of securities in the fiscal year ended 31 March 2010 which created deductible temporary differences for deferred taxation, and a merger between a subsidiary that had tax loss carry forwards with another subsidiary that had sufficient taxable income. The decrease in current taxes was mainly attributable to a decrease in taxable income of Group companies.

Minority interests in net income

We recorded minority interests in net loss of ¥2.2 billion in the fiscal year ended 31 March 2010 compared to minority interests in net loss of ¥3.9 billion for the previous fiscal year.

Net income (loss)

As a result of the above, we recorded a net income of ¥2.4 billion for the fiscal year ended 31 March 2010 compared to net loss of ¥18.4 billion for the previous fiscal year.

Financial results for the fiscal year ended 31 March 2008 compared to financial results for the fiscal year ended 31 March 2009

Net sales

Total net sales decreased by ¥91.6 billion, or 41.2%, to ¥130.9 billion for the fiscal year ended 31 March 2009 from ¥222.6 billion for the prior fiscal year. This decrease in net sales was primarily the result of decreases in revenue from customers in the asset management, brokerage and investment banking and housing and real estate segments.

Asset management segment. Revenue from customers in the asset management segment decreased by 72.7% to ¥15.9 billion as we had sharply lower revenue from operational investment securities due to adverse market conditions creating challenging conditions for exiting investments, particularly by way of initial public offerings of shares in our investee companies, which is one of our key exit strategies. There were no initial public offerings for our investee companies in the fiscal year ended 31 March 2009 compared to 12 exits by way of initial public offerings in the fiscal year ended 31 March 2008.

Brokerage and investment banking segment. Revenue from customers in the brokerage and investment banking segment decreased by 29.6% to ¥47.6 billion due to decreases in brokerage commissions, finance income from margin lending and underwriting fees resulting from decline in securities trading amidst depressed market conditions caused by the global financial crisis.

Financial services segment. Revenue from customers in the financial services segment were up slightly to ¥21.9 billion, as some of our newer Internet-based services such as non-life insurance, life insurance and credit card business continued to attract customers. The fiscal year ended 31 March 2009 was our first full year of operations of our non-life insurance business and we had net sales of ¥433.6 million. Similarly, the fiscal year ended 31 March 2009 was the first year of operations of our life insurance business and we had net sales of ¥140.5 million. In our

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credit card business we issued approximately 47,000 cards in the fiscal year ended 31 March 2009 compared to the 32,000 cards we issued in the prior fiscal year, and net sales in this business increased to ¥434.7 million in the fiscal year ended 31 March 2009 from ¥311.7 million in the prior fiscal year.

Housing and real estate segment. Revenue from customers in the housing and real estate segment decreased by 45.5% to ¥40.9 billion due to the completion of a number of planned property sales in the prior fiscal year and a decline in contracting activity in Japan's real estate market due to the economic downturn. In addition, real estate prices drastically fell in the fiscal year ended 31 March 2009, which also negatively affected this segment's net sales figures, as well as the health of other industry participants.

Other businesses segment. Revenue from customers of our other businesses increased from ¥0.3 billion for the fiscal year ended 31 March 2008, in which we first recorded revenues, to ¥4.7 billion in the fiscal year ended 31 March 2009 primarily due to an increase in net sales from SBI Net Systems Co., Ltd., our subsidiary since March 2008 and is a provider of information security services and solutions for financial institutions, which achieved favourable results from its contract development efforts and operation and maintenance services.

Cost of sales

Total cost of sales decreased by ¥51.7 billion, or 44.8%, to ¥63.6 billion for the fiscal year ended 31 March 2009 compared to ¥115.3 billion for the previous fiscal year. This decrease was primarily the result of decreases in cost of sales in the asset management, brokerage and investment banking and housing and real estate segments.

Asset management segment. Cost of sales in the asset management decreased by 73.0%, to ¥10.3 billion as a result of a significant decrease in sales of operational investment securities in light of economic conditions because when such sales occur we record cost of sales based on our book value of the sold asset. Cost of sales in the asset management segment also included ¥2.7 billion in valuation losses on operation investment securities, including ¥1.5 billion on our ownership of 24.9% of shares in VSN, Inc, which we own through SBI Value Up Fund No.1.

Brokerage and investment banking segment. Cost of sales in the brokerage and investment banking segment decreased by 17.6% to ¥5.5 billion primarily due to a decrease in outsourcing fees.

Financial services segment. Cost of sales in the financial services segment increased by 8.5% to ¥14.3 billion primarily as a result of an increase in agent service fees.

Housing and real estate segment. Cost of sales in the housing and real estate segment decreased by 60.1%, to ¥19.3 billion due a significant decrease in sales of real estate for sale in light of difficult economic conditions because when such sales occur we record cost of sales based on our book value of the sold asset.

Other businesses segment. Cost of sales of our other businesses increased from ¥9.0 billion for the fiscal year ended 31 March 2008, in which we first recorded revenues, to ¥14.9 billion in the fiscal year ended 31 March 2009 due to consolidation of SBI Net Systems Co, Ltd from March 2008.

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Selling, general and administrative expenses

Selling, general and administrative expenses decreased by ¥1.7 billion, or 2.7%, to ¥62.9 billion for the fiscal year ended 31 March 2009 from ¥64.6 billion for the previous fiscal year. This decrease reflected in part our efforts to control costs in light of the adverse economic environment. Each Group company assigned an officer responsible for cutting discretionary expenses and we made reductions in areas such as employment cost and lease expenses. After excluding amortisation of goodwill and allowance for bad debts, our consolidated selling, general and administrative expenses decreased by ¥5.7 billion, or 9.6%, to ¥53.7 billion in fiscal year ended 31 March 2009 from ¥59.4 billion in the previous fiscal year. These efforts were offset in part in the latter part of the fiscal year by increased amortisation of goodwill.

Non-operating income

Total non-operating income increased by ¥1.3 billion, or 114.6%, to ¥2.4 billion for the fiscal year ended 31 March 2009 from ¥1.1 billion for the previous fiscal year. The change was primarily due to increases in interest income from ¥0.3 billion in the fiscal year ended 31 March 2008 to ¥1.0 billion in the fiscal year ended 31 March 2009, and a ¥0.5 billion, or 105.6%, increase in other non-operating income to ¥1.0 billion for the fiscal year ended 31 March 2009 from ¥0.5 billion for the previous year.

Non-operating expense

Total non-operating expense decreased by 15.6% from ¥8.0 billion for the fiscal year ended 31 March 2008 to ¥6.8 billion for the fiscal year ended 31 March 2009. The decrease primarily reflected a decrease in equity in losses of affiliates from ¥4.6 billion in the prior fiscal year to ¥2.5 billion in the fiscal year ended 31 March 2009 which was offset in part by an increase in interest expense from ¥1.8 billion in the prior fiscal year to ¥2.5 billion in the fiscal year ended 31 March 2009 primarily as a result of the issuance of corporate bonds and an increase in other non-operating expense from ¥0.5 billion in the previous fiscal year to ¥1.2 billion in the fiscal year ended 31 March 2009 primarily reflected an increase in amortisation of deferred assets under Article 113 of the Insurance Business Act of Japan.

Ordinary income

As a result of the above, we recorded ordinary income of ¥37 million in the fiscal year ended 31 March 2009 compared to ordinary income of ¥35.7 billion in the fiscal year ended 31 March 2008.

Extraordinary income

Total extraordinary income increased by ¥4.5 billion, or 57.4%, to ¥12.3 billion for the fiscal year ended 31 March 2009 from ¥7.8 billion for the previous fiscal year, primarily reflected an increase in gains on sale of investment securities from ¥6.8 billion in the prior fiscal year to ¥10.5 billion in the fiscal year ended 31 March 2009. The increase in gains on sale of investment securities was primarily due to the gains on the disposal of E*Trade Korea Co., Ltd. during the second quarter of the fiscal year ended 31 March 2009. There was no comparable disposal of investments in the fiscal year ended 31 March 2008.

Extraordinary expense

Total extraordinary expense increased by ¥13.8 billion, or 93.9%, to ¥28.4 billion for the fiscal year ended 31 March 2009 from ¥14.7 billion for the previous fiscal year. The change was primarily due to a significant increase in losses on sale of investment securities from ¥3 million in the prior fiscal year to ¥12.0 billion in the fiscal year ended 31 March 2009, an increase in other

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extraordinary expense from ¥1.6 billion in the prior fiscal year to ¥5.1 billion in the fiscal year ended 31 March 2009 primarily due to a significant increase in allowance for doubtful accounts, and an increase in appraisal loss on investment securities from ¥0.7 billion in the prior fiscal year to ¥7.5 billion in the fiscal year ended 31 March 2009 amidst depressed global market conditions. The appraisal losses included losses on our investment in The Sumitomo Trust & Banking Co., Ltd., our partner in SBI Sumishin Net Bank, Ltd. These factors were offset in part by a decrease in losses on the changes in equity interest in consolidated subsidiaries and equity method investees from ¥2.3 billion in the prior fiscal year to ¥14 million in the fiscal year ended 31 March 2009, and a reduction in goodwill amortisation for equity method affiliates with significant losses from ¥6.8 billion in the fiscal year ended 31 March 2008 to ¥1.4 billion in the fiscal year ended 31 March 2009 due mainly to ZEPHYR Co., Ltd., which contributed substantially all of the goodwill amortisation for equity method affiliates with significant losses in the fiscal year ended 31 March 2008, ceasing to be an affiliate in the fiscal year ended 31 March 2009.

Total income taxes

Total income taxes decreased by ¥11.1 billion, or 64.4%, to ¥6.1 billion for the fiscal year ended 31 March 2009 from ¥17.3 billion for the previous fiscal year. This decrease reflects an increase in deferred tax benefit, as well as a reduction in current taxes caused by recognised losses from write-downs of securities in the fiscal year ended 31 March 2009 which created deductible temporary differences for deferred taxation. The decrease in current taxes was mainly attributable to a decrease in taxable income of Group companies.

Minority interests in net income

We recorded minority interests in net losses of ¥3.9 billion in the fiscal year ended 31 March 2009 compared to minority interests in net income of ¥7.3 billion for the previous fiscal year.

Net income (loss)

As a result of the above, we recorded a net loss of ¥18.4 billion for the fiscal year ended 31 March 2009 compared to net income of ¥4.2 billion for the previous fiscal year.

Financial condition

The Group's assets and liabilities consist of the assets and liabilities associated with retail margin trading provided by SBI SECURITIES CO. LTD. As at 31 March 2010, receivables associated with retail margin trading amounted to ¥580.5 billion or 47.2% of the Group's total assets, and margin deposits amounted to ¥432.4 billion or 54.0% of the Group's total liabilities.

In addition to showing the current ratio and the equity ratio based on the Group's assets and liabilities, we set out below additional calculations of these two ratios excluding the impact arising from the retail margin trading provided by SBI SECURITIES CO. LTD. due to their grossing up effect on the Group's consolidated balance sheets.

- Current ratio (current assets to current liabilities) of the Group as at 31 March 2010: 131.2%
- Current ratio (current assets to current liabilities) of the Group, excluding the assets and liabilities associated with retail margin trading provided by SBI SECURITIES CO. LTD., as at 31 March 2010: 174.1%
- Current ratio (current assets to current liabilities) of the Group as at 30 September 2010: 134.6%

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- Current ratio (current assets to current liabilities) of the Group, excluding the assets and liabilities associated with retail margin trading provided by SBI SECURITIES CO. LTD., as at 30 September 2010: 176.2%
- Equity ratio (Shareholders' equity to total assets) of the Group as at 31 March 2010: 29.2%
- Equity ratio (Shareholders' equity to total assets) of the Group, excluding the assets and liabilities associated with retail margin trading provided by SBI SECURITIES CO. LTD., as at 31 March 2010: 45.0%
- Equity ratio (Shareholders' equity to total assets) of the Group as at 30 September 2010: 30.9%
- Equity ratio (Shareholders' equity to total assets) of the Group, excluding the assets and liabilities associated with retail margin trading provided by SBI SECURITIES CO. LTD., as at 30 September 2010: 45.5%

MATERIAL BALANCE SHEET ITEMS

Operational investment securities

Operational investment securities consist of listed and unlisted securities that we have purchased for our own account, either directly or indirectly through managed funds. As of 30 September 2010, we had ¥120.0 million of operational investment securities-net compared to ¥113.2 million as of 30 March 2010, ¥99.0 million as of 31 March 2009 and ¥110.8 million as of 31 March 2008. The 6.1% increase in the value of our operational investment securities-net as of 30 September 2010 compared to 31 March 2010 and the 14.3% increase in the value of our operational investment securities as of 31 March 2010 compared to 31 March 2009 were principally due to an increase in new investments, such as those in NARUMIYA INTERNATIONAL Co., Ltd., Tien Phong Commercial Joint Stock Bank and NEWTON FINANCIAL CONSULTING Inc., during such periods. Operational investment securities-net decreased by ¥11.7 million, or 10.6%, from ¥110.8 million as of 31 March 2008 to ¥99.0 million as of 31 March 2009, primarily due to a decrease in book value of the shares of NEW HORIZON FUND L.P. as a result of a decrease in the value of their investments caused by deteriorating market conditions, the sale of certain investments and the distribution of dividends to the Company, which in turn reduced their assets.

Margin transaction assets

Margin transaction assets consist of loans on margin transactions and cash collateral pledged for securities borrowing on margin transactions. Our margin transaction assets are principally associated with SBI SECURITIES Co., Ltd.'s securities brokerage customers. As of 31 March 2008, 2009 and 2010 and 30 September 2010, we had margin transaction assets of ¥292.9 million, ¥180.8 million, ¥261.6 million and ¥267.3 million, respectively. The 38.3% decrease in margin transaction assets from 31 March 2008 to 31 March 2009 was mainly due to lower investment activity by individual brokerage customers as a result of unfavourable market conditions amid the global financial crisis. As market conditions improved, investment activity by individual brokerage customers increased generally and margin transactions by individual brokerage customers in particular increased, which in turn resulted in the value of our margin transaction assets having increased by 44.7% as of 31 March 2010 compared to 31 March 2009. In the period from 31 March 2010 to 30 September 2010, despite highly volatile market conditions, the value of our margin transaction assets increased by 2.2% primarily due to a higher long position in margin transactions by individual brokerage customers.

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Margin transaction liabilities

Margin transaction liabilities consist of borrowings on margin transactions and cash received for securities lending on margin transactions. Our margin transaction liabilities are principally associated with SBI SECURITIES Co., Ltd.'s securities brokerage customers. As of 31 March 2008, 2009 and 2010 and 30 September 2010, we had margin transaction liabilities of ¥144.1 million, ¥146.3 million, ¥150.0 million and ¥125.1 million, respectively. From the periods ranging from 31 March 2008 to 31 March 2009 and 31 March 2009 to 31 March 2010, the value of our margin transaction liabilities remained generally stable, experiencing only minor fluctuations. From 31 March 2010 to 30 September 2010, however, the value of our margin transaction liabilities decreased by 16.6% primarily due to a greater use of our own fund securities as opposed to borrowing them from Japan Securities Finance Co., Ltd.

Cash segregated as deposits

Cash segregated as deposits is related to customer assets which are required to be segregated in compliance with FIEA, which mainly consists of cash deposits from SBI SECURITIES Co., Ltd.'s securities brokerage customers for margin and foreign exchange transactions. As of 31 March 2008, 2009 and 2010 and 30 September 2010, we had cash segregated as deposits of ¥313.9 million, ¥266.4 million, ¥318.9 million and ¥308.7 million, respectively. The 15.2% decrease in cash segregated as deposits as of 31 March 2009 compared to 31 March 2008 was primarily a result of a decrease in investment activity by individual brokerage customers due to unfavourable market conditions amid the global financial crisis. The 19.7% increase in cash segregated as deposits as of 31 March 2010 compared to 31 March 2009 was mainly due to higher investment activity by individual brokerage customers due to improved market conditions. Cash segregated as deposits decreased by 3.2% as of 30 September 2010 compared to 31 March 2010 primarily because due to lower investment activity by individual brokerage customers as a result of highly volatile market conditions.

Guarantee deposits received

Guarantee deposits received are margin requirements from SBI SECURITIES Co., Ltd.'s margin trading customers. As of 31 March 2008, 2009 and 2010 and 30 September 2010, we had guarantee deposits received of ¥272.0 million, ¥258.1 million, ¥282.4 million and ¥277.8 million, respectively. The 5.1% decrease in guarantee deposits received as of 31 March 2009 compared to 31 March 2008 was primarily a result of a decrease in investment activity by individual brokerage customers due to unfavourable market conditions amid the global financial crisis. The 9.4% increase in guarantee deposits received as of 31 March 2010 compared to 31 March 2009 was mainly due to higher investment activity by individual brokerage customers due to improved market conditions. Guarantee deposits received decreased by 1.6% as of 30 September 2010 compared to 31 March 2010 primarily because of a decrease in investment activity by individual brokerage customers as a result of highly volatile market conditions.

Total assets

As at 30 September 2010, we had total assets of ¥1,254.9 billion, representing a slight increase of ¥24.9 billion, or 2.0%, from ¥1,229.9 billion as at 31 March 2010. This increase in total assets mainly reflected a ¥13.2 billion, or 32.0%, increase in investment securities as we sought to increase our investments in affiliate companies such as SBI Sumishin Net Bank, Ltd., Korea Technology Investment Corporation and Tien Phong Commercial Joint Stock Bank. In addition we had a ¥5.6 billion, or 2.1%, increase in margin transaction assets, and a related increase in margin loans to customers of ¥24.1 billion, or 10.9%, as the number of margin transactions by our

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customers increased ¥6.5 billion, or 185.2%, increase in trading assets from an increase in foreign exchange transactions by our customers. This increase was partially offset by a ¥10.2 billion, or 3.2% decrease in cash segregated as deposits for customers of SBI SECURITIES Co., Ltd.

Total assets of ¥1,229.9 billion as at 31 March 2010 represented an increase of ¥150.7 billion, or 14.0%, from ¥1,079.2 billion as of 31 March 2009. This increase in total assets mainly reflected a ¥80.8 billion, or 44.7%, increase in margin transaction assets, which reflected an increase in margin loans to customers, a ¥52.5 billion, or 19.7%, increase in cash required to be segregated under regulations, a ¥16.3 billion, or 15.5%, increase in operational investment securities, which primarily reflected our continuing investments in operational investment securities, and a ¥16.6 billion, or 13.1%, increase in cash and deposits, and a ¥12.0 billion, or 140.3%, increase in property and equipment, which primarily reflected the change in status of a portion of our real estate inventory from real estate held for sale to real estate held for investment. This increase was partially offset by a ¥13.2 billion, or 27.5%, decrease in operational loans receivable, and a ¥7.7 billion, or 21.2%, decrease real estate inventory.

As at 31 March 2009, we had total assets of ¥1,079.2 billion, representing a decrease of ¥140.0 billion, or 11.5%, from ¥1,219.2 billion as of 31 March 2008. The largest factors behind this decrease were a ¥112.1 billion, or 38.3%, decrease in margin transaction assets, reflecting a decrease in margin loans to customers due mainly to unfavourable conditions in the stock market, a ¥47.6 billion, or 15.2%, decrease in cash required to be segregated under regulations, and a ¥33.2 billion, or 20.7%, decrease in cash and deposits. This decrease was partially offset by a ¥75.5 billion increase in goodwill, which primarily reflected the share exchange transaction through which SBI SECURITIES Co., Ltd. became a wholly-owned subsidiary in August 2008.

SELECTED FINANCIAL RATIOS

The following are the benchmark values of selected financial ratios of the Company's subsidiaries engaged in the banking, insurance and securities industries as stipulated under the applicable rules, regulations and laws of the jurisdictions where these subsidiaries operate:

Solvency margin ratio(insurance): over 200%

Capital-to-risk ratio(securities): over 140%

Capital adequacy ratio(banking): over 4%

The following table sets forth, for the periods indicated, certain financial ratios of the Company. The Company has complied with the solvency margin ratio, capital-to-risk ratio, and capital adequacy ratio over the Track Record Period. For a discussion of the different financial ratios, please see the section in this prospectus headed "Supervision and Regulation."

Ratio/Measure	Fiscal year ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
				<i>(unaudited)</i>	
Solvency margin ratio ¹ . . .	19,533.5%	5,893.0%	3,478.8%	8,176.3%	5,201.1%
Capital-to-risk ratio ²	652.4%	1,064.7%	427.4%	973.4%	442.3%
Capital adequacy ratio ³ . . .	21.39%	9.82%	8.56%	9.56%	9.45%

1. Only applicable to our subsidiary, SBI Insurance Co., Ltd. The ratio is in compliance with the regulatory requirement under the Insurance Act of Japan (Act No. 56 of 2008, as amended).

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2. Only applicable to our subsidiary, SBI SECURITIES Co., Ltd. The ratio is in compliance with the regulatory requirement under the FIEA.
3. Only applicable to our equity-method affiliate, SBI Sumishin Net Bank, Ltd. The ratio is in compliance with the regulatory requirement under the Money Lending Business Act of Japan and the Banking Act of Japan (Act No.59 of 1981, as amended).

Solvency Margin Ratio

The solvency margin ratio is a standard designed to measure the ability of insurance companies to make payments for insurance claims and other claims upon the occurrence of unforeseeable events such as natural disasters. As of 31 March 2008, 2009 and 2010 and 30 September 2010, we had a solvency margin ratio of 19,533.5%, 5,893.0%, 3,478.8% and 5,201.1%, respectively. The decrease in our solvency margin ratio from 31 March 2008 to 31 March 2010 was mainly due to a decrease in our net asset caused by an increase of accumulated losses, in conjunction with an increase in risk resulting from an increase in insurance contracts entered into. The insurance contracts entered into increased as SBI Insurance Co., Ltd. continued to attract customers through its relatively low rates in the industry and its InsWeb insurance comparison and estimation website.

Capital-to-Risk Ratio

Capital-to-risk ratio, or CRR, is calculated by dividing quantified business risk by adjusted capital. Under the CRR formula, risk is quantified in a manner specified in an ordinance under the FIEA, which takes into account market risk, counterparty risk and operational risk. As of 31 March 2008, 2009 and 2010 and 30 September 2010, our CRR was 652.4%, 1,064.7%, 427.4% and 442.3%, respectively. The 412.3% increase in our CRR from 31 March 2008 to 31 March 2009 was mainly due to the provision of short-term loans to another Group company in the fiscal year ended 31 March 2009 in replacement of purchased debt securities, which resulted in an increase in capital of SBI SECURITIES Co. Ltd. as short-term loans are not deductible from total capital for calculation of CRR. The 637.3% decrease in our CRR from 31 March 2009 to 31 March 2010 was mainly due to a roll-over of short-term loans amounting to ¥83.9 trillion in the fiscal year ended 31 March 2010 to fund the working capital needs of other Group companies. The roll-over of short-term loans will be regarded as long-term loans and deductible from total capital under the CRR calculation, which resulted in a decrease in total capital as at 31 March 2010.

Capital Adequacy Ratio

The capital adequacy requirements applicable to the banks with international operations require a target minimum standard capital adequacy ratio of 8%, and to the banks with only domestic operations like SBI Sumishin Net Bank Ltd. a target minimum standard capital adequacy ratio of 4%. As of 30 September 2010, our capital adequacy ratio was 9.45% compared to 8.56% as of 30 March 2010, 9.82% as of 31 March 2009 and 21.39% as of 31 March 2008. The 1.26% decrease in our capital adequacy ratio as of 31 March 2010 compared to 31 March 2009 and the 11.57% decrease as of 31 March 2009 compared to 31 March 2008 were primarily due to an increase in the housing loans balance of SBI Sumishin Net Bank Ltd. The reason for the higher percentage decrease from the fiscal year ended 31 March 2008 to the fiscal year ended 31 March 2009 was a rapid increase in the housing loan balance, from ¥26.5 billion as of 31 March 2008 to ¥219.8 billion as of 31 March 2009, in relation to the amount of net assets, which did not increase significantly over the same period.

LIQUIDITY AND CAPITAL RESOURCES

The principal source of our liquidity is cash generated from our operations. In addition to net cash generated from operations, we use short- and long-term borrowings as well as equity capital raised through public offering to fund capital expenditures, including strategic investments and

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acquisitions. Our short- and long-term funding sources may vary from period to period, but they have generally included a mix of equity and debt securities issued in the Japanese and other overseas capital markets and credit facilities with domestic and international banks. We did not experience any liquidity shortage during the Track Record Period.

As at 30 September 2010, we had cash and cash equivalents of ¥133,705 million. Cash flows from our operations for past periods are not necessarily indicative of the cash flows from operations to be expected for the fiscal year ending 31 March 2011 or for other future periods. Our cash flows from operations in future periods may be lower than expected as a result of the impact of the ongoing global economic crisis on our results of operations or due to other factors. The cash and cash equivalent balances are required to finance our working capital and part of our capital expenditure plans in light of our continuing growth and expansion plans. We manage liquidity risks in an effort to comply with regulatory liquidity guidelines and to ensure that we are able, even under adverse conditions, to meet all our payment obligations and fund our investment and lending opportunities on a timely basis. Our finance department prepares cash flow projections, which are reviewed regularly by our senior management. Specific considerations in determining our appropriate cash position include our forecast working capital and capital expenditure needs and our liquidity ratios. We also aim to maintain a certain level of excess cash to meet unexpected circumstances.

Our funding and treasury policies focus mainly on maintaining our liquidity and avoiding significant concentration of credit risk. Funding and treasury activities are controlled based on the main objectives of managing capital to safeguard our ability to continue as a going concern, maintaining our operations and meeting regulatory requirements.

The following table sets forth our current assets and current liabilities as at 31 January 2011.

	As at 31 January 2011
	<i>(¥ in millions)</i>
Current Assets	
Cash and Deposits	¥167,330
Notes and accounts receivable-trade	9,856
Leases receivable and lease investment assets	16,004
Short-term investment securities	330
Operational investment securities	142,602
Allowance for investment losses	(4,790)
Operational investment securities-net	137,811
Operational loans receivable	32,216
Real estate inventories	25,908
Trading assets	1,128
Margin transaction assets	269,169
Loans on margin transactions	248,440
Cash collateral pledged for securities borrowing on margin transactions	20,728
Short-term guarantee deposits	3,615
Deferred tax assets	7,867
Others	376,660
Allowances for doubtful accounts	(2,718)
Total current assets	<u>1,045,182</u>

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As at 31 January 2011

(¥ in millions)

Current Liabilities

Short-term loans payable	44,413
Current portion of long-term loans payable	13,221
Current portion of bonds payable	100,060
Accrued income taxes	2,852
Advances received	2,051
Margin transaction liabilities	145,546
Borrowings on margin transactions	66,326
Cash received for securities lending on margin transactions	79,220
Loans payable secured by securities	115,554
Guarantee deposits received	291,351
Deposits from customers	35,856
Accrued expenses	3,697
Deferred tax liabilities	2,733
Provision for bonuses	55
Other provisions	270
Others	25,417
Total current liabilities	<u>783,083</u>

Sources of liquidity

Borrowings from financial institutions

Our borrowings are procured from a variety of sources including major banks, regional banks, foreign banks and other financial institutions. The number of financial institutions from which we procured borrowings exceeded 33 as at 30 September 2010. The majority of our loan balance consists of borrowings from Japanese financial institutions. As at 30 September 2010, short-term debt from financial institutions was ¥55,989 million.

As is typical in Japan, contracts for borrowings from Japanese banks contain clauses which require us to pledge assets upon request by the lender when it is considered reasonably necessary for the preservation of their claims. In addition, in banking transaction agreements with some banks, the bank is assigned the right to offset deposits with any debt for which payment is due, and under certain conditions, such as default, banks have the right to offset all our debt with deposits. Whether or not such provisions are actually applied depends upon the actual circumstances at that time, and as at the Latest Practicable Date we have not received any such demand from any lender.

Committed credit facilities

We enter into committed credit facilities agreements with financial institutions as a means for securing liquidity. The total amount of our committed credit facilities as at 30 September 2010 was ¥146,950 million, of which ¥120,862 million was available for drawdown. The decision to enter into a committed credit facility is made based on our outstanding amounts of cash.

We entered into a ¥20,000 million loan facility on 30 September 2010 with Mizuho Corporate Bank, Ltd. Funds from the facility were used to redeem the outstanding notes issued under our medium term note program and refinance our other debts. The loan interest rate is referenced to TIBOR and final loan repayment date in 28 September 2012.

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Our subsidiary, SBI SECURITIES Co., Ltd, entered into a ¥23,500 million syndicated loan agreement on 23 February 2010 with Mizuho Corporate Bank, Ltd., as arranger. The proceeds of the loan were used to fund credit transactions of SBI SECURITIES Co., Ltd. The loan interest rate is referenced to TIBOR plus a spread amount based on the credit rating of SBI SECURITIES Co., Ltd. The loan is divided into four tranches, with the aggregate principal amount of first two tranches totaling ¥8,100 million repayable on 30 March 2012 and the aggregate principal amount of the remaining two tranches totaling ¥15,400 million repayable on 29 March 2013.

Our subsidiary, SBI SECURITIES Co., Ltd., entered into a ¥10,000 million syndicated loan agreement on 23 February 2010 with Mizuho Corporate Bank, Ltd., as arranger. The proceeds of the loan were used to fund credit transactions of SBI E*Trade Securities Co., Ltd. The loan interest rate is referenced to TIBOR plus a spread amount based on the credit rating of SBI SECURITIES Co., Ltd. The maturity date of the loan is 31 March 2011.

Compliance with covenant conditions is required under committed credit facilities, and some of these covenants include financial restrictions, such as the maintenance of financial ratios and credit rating. In addition, the majority of our committed credit facilities require the relevant debtor to represent and warrant that there has been no material negative change in its financial condition, among other factors, since a specified time. We are currently in compliance with our financial covenants and have been able to make the requested representations and warranties concerning our financial condition.

Funding from the capital markets

Funding from the capital markets includes financing such as the issuance of straight bonds, Euro medium term note program, securitisation of loans receivables, convertible bonds and stock or other forms of equity finance.

Straight bonds

We have been issuing straight bonds to diversified investors domestically and internationally. Domestic straight bond issuances are divided mainly into bonds for institutional investors and bonds for individuals. As at 30 September 2010, the balance of straight bonds issued by us was ¥111,500 million. We plan to continue to issue straight bonds in a balanced manner to both institutional and individual investors in accordance with our basic policy of maintaining our long-term debt ratio and the diversity of our funding sources.

Euro medium term note program

In addition to borrowing from local financial institutions, we have sought to increase our funding by establishing a Euro medium term note program. As at 30 September 2010, our Company was the issuer of an Euro medium term note program with a maximum issuance limit of ¥110.0 billion. Our Euro medium term note issuance is determined and flexibly handled by our finance department based on our funding needs. The total balance of Euro medium term note issued as of 30 September 2010 was ¥110,000 million.

Securitisation

We securitise installment loans primarily in Japan. As at 30 September 2010, the total balance of each of these assets removed from our balance sheet through securitisation was ¥181,940 million.

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Equity finance

In June 2010, we completed a public offering of 3,112,000 Shares in the Company in Japan for an issue amount of approximately ¥35,308 million, which we intend to use for investment in internal and external investment funds, as well as investment in, and financing of, financial subsidiaries and overseas financial agencies. The total amount of outstanding planned investment to be made on the existing overseas and domestic funds of the Group was approximately ¥51,800 million as at 30 September 2010 and ¥47,500 million as at the Latest Practicable Date.

For more information on our short-term and long-term debt, please see Note 12 of the Accountants' Report set out in Appendix I to this prospectus.

Cash Flow Data

The following table presents a summary of our cash flows for the periods indicated:

	Fiscal years ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
				<i>(unaudited)</i>	
				<i>(¥ in millions)</i>	
Net cash from (used in) operating activities	¥50,073	¥103,034	¥(53,134)	¥(52,149)	¥(30,034)
Net cash used in investing activities.	(20,610)	(1,104)	(15,563)	(12,816)	(9,793)
Net cash from (used in) financing activities	(9,957)	(137,514)	84,599	55,205	32,959
Effects of change in exchange rate on cash and cash equivalents.	(931)	(102)	(490)	(1,153)	(1,978)
Cash and cash equivalents from newly consolidated subsidiaries	25,364	2,875	842	63	—
Cash and cash equivalents decreased resulting from deconsolidation of subsidiaries	(23)	(107)	—	—	(28)
Cash and cash equivalents resulting from merger . . .	—	223	15	15	—
Increase (decrease) in cash and cash equivalents . .	43,915	(32,694)	16,269	(9)	(2)
Cash and cash equivalents, beginning of year/period	<u>115,092</u>	<u>159,007</u>	<u>126,312</u>	<u>126,321</u>	<u>142,581</u>
Cash and cash equivalents, end of year/period	<u>¥159,007</u>	<u>¥126,312</u>	<u>¥142,581</u>	<u>¥115,477</u>	<u>¥133,705</u>

Six months ended 30 September 2010 compared with six months ended 30 September 2009

Cash and cash equivalents totalled ¥133.7 billion as at 30 September 2010, a net increase of ¥18.2 billion compared with the balance of ¥115.5 billion as at 30 September 2009.

Cash flows from (used in) operating activities

Net cash used in operating activities for the six months ended 30 September 2010 was ¥30.0 billion compared with net cash used by operating activities of ¥52.1 billion for the equivalent period in the previous fiscal year. This change was mainly attributable to a net increase in margin transaction assets of ¥30.5 billion and a decrease in cash segregated as deposits for customers of ¥16.0 billion associated with lower investment activity by individual brokerage customers compared to the equivalent period in the prior fiscal year.

Cash flows used in investing activities

Net cash used in investing activities for the six months ended 30 September 2010 was ¥9.8 billion compared with ¥12.8 billion for the equivalent period in the previous fiscal year. This change was mainly attributed to purchases of investments in subsidiaries of nil. This was offset in part by purchases of investment securities totaling ¥9.3 billion.

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Cash flow from (used in) financing activities

Net cash from financing activities for the six months ended 30 September 2010 was ¥33.0 billion compared with net cash from financing activities of ¥55.2 billion for the equivalent period in the previous fiscal year. The change primarily reflected a decrease in short-term loans payable in the amount of ¥182 million.

Fiscal year ended 31 March 2010 compared with fiscal year ended 31 March 2009

Cash and cash equivalents totalled ¥142.6 billion as at 31 March 2010, a net increase of ¥16.3 billion compared with the balance of ¥126.3 billion as at 31 March 2009.

Cash flows from (used in) operating activities

Net cash used in operating activities for the fiscal year ended 31 March 2010 was ¥53.1 billion compared with net cash from operating activities of ¥103.0 billion for the previous fiscal year. This change was mainly attributable to a net increase in margin transaction assets of ¥77.1 billion and an increase in cash segregated as deposits for customers of ¥13.0 billion associated with higher investment activity by individual brokerage customers compared to the prior fiscal year.

Cash flows used in investing activities

Net cash used in investing activities for the fiscal year ended 31 March 2010 was ¥15.6 billion compared with ¥1.1 billion for the previous fiscal year. This change was mainly attributed to acquisition of new investment securities of ¥7.7 billion and acquisition of new intangible assets totaling ¥7.0 billion.

Cash flow from (used in) financing activities

Net cash from financing activities for the fiscal year ended 31 March 2010 was ¥84.6 billion compared with net cash used in financing activities of ¥137.5 billion for the previous fiscal year. The change primarily reflected proceeds from our issuance of notes under a Euro medium term notes program in the amount of ¥120.0 billion.

Fiscal year ended 31 March 2009 compared with fiscal year ended 31 March 2008

Cash and cash equivalents totalled ¥126.3 billion as at 31 March 2009, a net decrease of ¥32.7 billion compared with the balance of ¥159.0 billion as at 31 March 2008.

Cash flows from operating activities

Net cash from operating activities for the fiscal year ended 31 March 2009 was ¥103.0 billion compared with ¥50.1 billion for the previous fiscal year. Although we recorded a loss before income taxes and minority interests of ¥16.1 billion, we experienced a net reduction in margin transaction assets of ¥108.3 billion associated with sharply lower investment activity by individual brokerage customers.

Cash flows used in investing activities

Net cash used in investing activities for the fiscal year ended 31 March 2009 was ¥1.1 billion compared with ¥20.6 billion for the previous fiscal year. The change was attributable to the realization of ¥19.3 billion from the sale of securities in subsidiaries, primarily E*TRADE Korea Co., Ltd in the fiscal year end 31 March 2009. This was offset in part by acquisition of new investment securities totaling ¥7.3 billion and acquisition of additional securities of subsidiaries of ¥5.6 billion.

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Cash flow used in financing activities

Net cash used in financing activities for the fiscal year ended 31 March 2009 was ¥137.5 billion compared with ¥10.0 billion for the previous fiscal year. The primary factor was our repayment of ¥108.4 billion in corporate bonds during the fiscal year ended 31 March 2009.

Capital Expenditures

Our capital expenditures primarily relate to acquisition or upgrading of property and information system infrastructure equipment and intangible assets. The following table sets forth, for the periods indicated, our capital expenditures by operating segment:

	Fiscal years ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
				<i>(unaudited)</i>	
				<i>(¥ in millions)</i>	
Asset management	¥860	¥656	¥213	¥91	¥7
Brokerage and investment banking	2,033	2,821	6,673	3,173	1,682
Financial services	2,108	1,200	3,675	2,264	808
Housing and real estate	534	912	628	188	172
Other businesses	63	481	756	367	505
Eliminations/Corporate	(0)	9	—	7	165
Total	¥5,600	¥6,082	¥11,947	¥6,093	¥3,339

We expect to fund our capital expenditures through cash flow from operations, working capital facilities, short-term and long-term borrowings and net proceeds of the Global Offering.

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INDEBTEDNESS

As at 31 January 2011 (the latest practicable date for the purpose of the indebtedness statement), our total borrowings were ¥192,542 million, the detail of which is set forth in the table below. Our Directors confirm that there has been no material adverse change in our Group's indebtedness and contingent liabilities since 31 January 2011.

	As at 31 January 2011
	<i>(¥ in millions, except percentage)</i>
Bank loans	
secured	2,886
unsecured	72,578
guaranteed	—
Subtotal	<u>75,464</u>
Other borrowings	
Secured	
short-term non-recourse loan	6,120
short-term debt	730
current portion of long term debt	333
secured total	<u>7,183</u>
Unsecured	
bonds payable	100,600
short-term debt	1,068
current portion of long term debt	190
long term debt	8,037
unsecured total	109,895
Subtotal	<u>117,078</u>
Total borrowings	<u><u>192,542</u></u>
Current portion of bank loans and other borrowings	157,695
Non-current portion of bank loans and other borrowings	34,847
Equity	<u>468,559</u>
Debt-equity ratio	<u><u>41.1%</u></u>

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The table below sets forth the effective annual interest rates of our bank and other borrowings for the periods indicated:

	Fiscal years ended 31 March						Six months ended 30 September			
	2008		2009		2010		2009		2010	
	Borrowings	Effective interest rate	Borrowings	Effective interest rate	Borrowings	Effective interest rate	Borrowings	Effective interest rate	Borrowings	Effective interest rate
<i>(¥ in millions, except percentages)</i>										
Bank loans and other borrowings										
current portion	60,114	1.38% to 6.26%	76,211	0.00% to 4.49%	68,983	0.65% to 9.75%	117,618	0.800% to 4.000%	69,942	0.400% to 9.710%
non-current portion	33,579	1.14% to 3.00%	13,283	1.06% to 3.00%	27,620	1.06% to 3.50%	12,866	0.978% to 2.500%	35,274	0.971% to 3.500%
Subtotal	<u>93,693</u>		<u>89,495</u>		<u>96,603</u>		<u>130,484</u>		<u>105,216</u>	
Bonds										
current portion	106,460	0.29% to 1.24%	41,480	2.08% to 2.08%	112,600	1.70% to 2.30%	50,320	1.70% to 2.73%	111,500	1.84% to 2.30%
non-current portion	43,570	1.70% to 2.08%	300	1.70% to 1.70%	—	—	—	—	—	—
Subtotal	<u>150,030</u>		<u>41,780</u>		<u>112,600</u>		<u>50,320</u>		<u>111,500</u>	
Total	<u>243,723</u>		<u>131,275</u>		<u>209,203</u>		<u>180,804</u>		<u>216,716</u>	

Repayment of borrowings

The following table sets forth annual principal amounts due by year of maturity for the debt outstanding as at 30 September 2010.

	Amount due				
	within one year or on demand	in the second year	in the third to fifth years	after five years	Total
<i>(¥ in millions)</i>					
Bank loans and overdrafts repayable	60,861	10,251	16,376	610	88,098
Bonds	111,500	—	—	—	111,500
Finance lease repayable	2,406	1,991	5,121	288	9,808
Other borrowings repayable	<u>9,082</u>	<u>469</u>	<u>7,567</u>	<u>—</u>	<u>17,119</u>
Total	<u>183,949</u>	<u>12,712</u>	<u>29,064</u>	<u>899</u>	<u>226,526</u>

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CONTRACTUAL OBLIGATIONS AND OTHER OFF-BALANCE SHEET ARRANGEMENTS

We have certain additional commitments and contingencies that are not recorded on our consolidated balance sheet but may result in future cash requirements. The following table sets forth these other obligations as at 30 September 2010:

	As at 30 September 2010
	<i>(¥ in millions)</i>
Commitments	
Operating lease commitments	1,021
Subtotal.	<u>1,021</u>
Contingencies	
Guaranteed bank loans	492
Subtotal.	<u>492</u>
Total	<u><u>1,513</u></u>

Our contingent liabilities and commitments include operating lease commitments and guarantees for bank loans. We enter into purchase contracts and operating leases from time to time in connection with our operations. As at 30 September 2010, we had entered into operating leases pursuant to which we had the obligation to make ¥1,021 million lease payments in the aggregate, and had guaranteed bank loans at an aggregate amount of ¥492 million.

As at 30 September 2010, we issued guarantees in the aggregate amount of ¥18,953 million in connection with our bank borrowings and loan payables from financial institutions.

We have not entered into any derivative contracts that are indexed to our Shares and classified as Shareholders' equity, or that are not reflected in our financial statements. Furthermore, we do not have any retained or contingent interests in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. Moreover, we do not have any variable interests in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

Except as otherwise disclosed in this prospectus, and apart from intra-Group liabilities, the Company did not have any outstanding mortgages, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any guarantees or other material contingent liabilities as at 30 September 2010.

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QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Market risk is the risk of loss related to adverse changes in market prices, including interest rates and foreign exchange rates of financial instruments. We are exposed to various types of market risks in the normal course of business. We manage our exposure to these and other market risks through regular operating and financial activities. The key market risks to which we are exposed are:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Credit risk for us is primarily associated with investments made by our investment funds, our consumer and housing loans business and our facilitation of margin trading, foreign exchange trading and stock lending transactions.

For a summary discussion of our credit risk management policy and procedure, please refer to the section headed “Business — Risk Management” in this prospectus.

Foreign Exchange Rate Risk

We conduct our business primarily in Japanese Yen. However, due to the geographic diversity of our businesses, we are exposed to foreign currency risks when making investments denominated in foreign currencies, in particular our asset management business, which has and will continue to invest in different emerging economies in Asia and elsewhere in the world. As a result, fluctuations in the value of these foreign currencies against the Japanese Yen could materially affect our financial condition and results of operations. The value of the Japanese Yen is subject to changes in Japan’s political and economic conditions, as well as world economic and market conditions, all of which are beyond our control.

We are not exposed to foreign exchange rate risk in relation to over-the-counter foreign exchange transactions with counterparties, which we perform in connection with our foreign exchange margin trading business in order to hedge foreign exchange fluctuations in the positions that we take in relation to our customers. However, we face counterparty risk with respect to these over-the-counter foreign exchange transactions with counterparties. Currently, to offset this risk, we engage with counterparties including several of the major European and American financial institutions and the major domestic banks. If unforeseen circumstances should occur such as systemic damage to, or the deterioration of the business and financial condition of, a counterparty, we may not be able to hedge market risk for our customers, which could have an adverse effect on our results of operations and financial condition.

Interest Rate Risk

We are exposed to interest rate risk from fluctuations in interest rates on our debt and financing for our business. Our net income is affected by changes in interest rates due to the impact such changes have on finance income and finance cost from short-term deposits and other interest-bearing financial assets and liabilities. Our floating rate debt has an interest rate which is principally determined by reference to several benchmarks such as TIBOR. Upward fluctuations in interest rates increase the cost of new debt and interest cost of outstanding variable rate borrowings, thus adversely affecting our ability to service loans and our ability to raise and service long-term debt and to finance our developments, all of which in turn would adversely affect our results of operations. Fluctuations in interest rates can also lead to significant fluctuations in the fair values of our debt obligations.

In connection with our leasing business, we enter into long-term contracts with our customers from time to time, which generally provide for fixed rental payments from customers. However,

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financing of assets for our leasing business typically involves finance costs that are determined by variable interest rates. As such, we are also subject to the risk of increased interest cost of such financing upon upward fluctuations in interest rates, which could affect the profit margins of our leasing business to the extent we did not hedge the variable interest rate fluctuation with respect to such financing. We enter into interest rate swap contracts to match the term of liability and asset for our long-term lease assets in connection with our leasing business and where our risk exposure is or becomes significant considering relative to our financial position.

We decide whether to incur fixed or floating rate debt after carefully considering economic conditions at the time of the contract and future economic conditions.

Derivative risk

We use derivatives from time to time as hedges if we decide to hedge foreign currency and interest rate risk. We use derivatives to mitigate or offset changes in cash flow or the fair value of assets and liabilities due to exchange rate and interest rate fluctuations. Derivatives used to hedge exchange rate risk and interest rate risk include foreign currency forward contracts and interest rate swaps.

The use of derivatives exposes us to credit risk on such derivative transactions. We monitor the notional principal amounts, current prices, transaction types and other variables for each counterparty on a regular basis.

We set derivative transaction management rules and guidelines for each Group company that conducts derivative transactions, and our Company's risk management department is responsible for the overall method of risk management and risk balance, including for derivative transactions.

Inflation

In recent years, Japan has not experienced significant inflation or deflation, and thus inflation and deflation have not had a significant effect on our business during the past three years. According to the Statistics Bureau in the Japan Ministry of Internal Affairs and Communications, Japan's overall national inflation rate, as represented by the general consumer price index, was nil, 1.4% and -1.4% for the three years ended 31 December 2007, 2008 and 2009, respectively.

For a summary discussion of our risk management policies and procedures with respect to our top three identified risks, please refer to the section headed "Business — Risk Management" in this prospectus.

RELATED PARTY TRANSACTIONS

For details of the Related Party Transactions, see Note XVIII to Appendix I, "Accountants' Report". Our Directors confirm that all Related Party Transactions are conducted on normal commercial terms, and that their terms are fair and reasonable.

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As at the Latest Practicable Date, our Group had no non-trade balances due to Directors, no non-trade balances due from Directors and no non-trade balances due from related parties.

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DISCLOSURE REQUIREMENT UNDER THE LISTING RULES

Our Directors have confirmed that, except as disclosed in this prospectus, there were no circumstances which, as at the Latest Practicable Date, had they been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since 30 September 2010 (the date to which our latest consolidated financial results were prepared as set out in Appendix I, "Accountants' Report").

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an unaudited pro forma statement of adjusted consolidated net tangible assets of our Group, prepared in accordance with Rule 4.29 of the Listing Rules, is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of our Group as at 30 September 2010 as if the Global Offering had taken place on 30 September 2010.

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as at 30 September 2010 or at any future date.

	Audited consolidated net tangible assets of the Group as at 30 September 2010 (note 1)	Estimated net proceeds from the Global Offering (note 2)	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share (Note 3)	
	<i>million of Yen</i>	<i>million of Yen</i>	<i>million of Yen</i>	<i>Yen</i>	<i>HK\$</i>
Based on the Offer Price of HK\$145.52 for each HDR.	<u>314,100</u>	<u>25,007</u>	<u>339,107</u>	<u>15,634</u>	<u>1,504</u>

Notes:

- (1) The audited consolidated net tangible assets of the Group as at 30 September 2010 was extracted from the Accountants' Report set out in Appendix I to this prospectus:
- (2) The estimated net proceeds from the Global Offering are based on the Offer Shares and the maximum Offer Price of HK\$145.52 per Offer HDR, after deduction of underwriting fees and related expenses payable by the Company but takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that a total of 21,690,492 Shares (including 19,940,492 Shares outstanding on 30 September 2010 and 1,750,000 Shares to be issued under Global Offering) are expected to be in issue after the completion of the Global Offering, taking no account of any additional income the Group may have earned from the estimated net proceeds from the Global Offering and any Shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option. The unaudited pro forma adjusted net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK\$9.62 to ¥100.00. No representation is made that the Yen amounts have been, could have or maybe converted to Hong Kong dollars, or vice versa, at that rate.

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- (4) The property interests of the Group were valued by Jones Lang LaSalle Sallmanns Limited and the valuation report in respect of which was set out in Appendix IV to this prospectus. The Property Valuers valued the Group's property interests which are currently occupied by the Group with reference to the "estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction". According to the valuation report, the property interests of the Group as at 31 December 2010 amounted to approximately ¥23,133 million. Comparing this amount with the unaudited net carrying amounts of the property interests of the Group as at 31 December 2010 of approximately ¥38,868 million, there was a deficit of ¥15,735 million. The valuation of the Group's property interests will not be incorporated in the consolidated financial information of the Group. If the revaluation deficit is to be included in the consolidated financial information of the Group, there would not be additional depreciation for the Group. In the opinion of the Directors, the recoverable amounts of the Group's property interest are higher than the carrying amount of such assets and accordingly, the Group's property interests have been stated at their carrying amounts and the value of the Group's property interest have not been impaired.

DIVIDEND POLICY

Pursuant to the Companies Act and our Articles of Incorporation, through a resolution of the Board of Directors, we may declare dividends to our Shareholders subject to a limit equal to the distributable amount then existing. Pursuant to the Companies Act and the relevant Ordinance of the Ministry of Justice of Japan, the Company's distributable amount is calculated based on the retained earnings (*joyo kin*) recorded in the Company's non-consolidated financial statements prepared in accordance with JGAAP (rather than IFRS) with certain adjustments (including the deduction of the book value of any treasury Shares held by the Company). Cash dividends on our Shares, if any, will be paid in Yen, except that we will make arrangements to effect payment in Hong Kong dollars of any cash dividends payable to HDR Holders resident in Hong Kong. Other distributions, if any, will be paid to our Shareholders by any means which our Directors consider legal, fair and practicable. Dividends paid by our Company to our Shareholders (other than Shareholders holding 5% or greater of our Shares) that are nonresident individuals of Japan or non-Japanese corporations without a permanent establishment in Japan are generally subject to a withholding tax in Japan of 7% for dividends payable prior to 1 January 2012 and 15% thereafter. We are required by Japanese law to withhold such tax prior to payment of dividends.

The tax treaty between Hong Kong and Japan (the "**Treaty**") was signed on 9 November 2010, however, the Treaty has not yet become effective as of the date of this prospectus. The Treaty will enter into force 30 days after both Japan and Hong Kong have ratified it (in Japan this will occur when the Treaty is approved by the legislature of Japan (the "**National Diet**")), and notified the other party of the completion of domestic ratification procedures. The Treaty will be effective, with respect to taxes withheld at source in Japan, for amounts taxable on or after 1 January in the calendar year following the year in which the Treaty becomes effective.

If the Treaty becomes effective, the Japanese withholding tax rate that applies to dividends payable to a beneficial holder of shares who is a Hong Kong resident will be reduced to 10%. Provided that, if the beneficial owner is a company that has directly or indirectly owned, for the six-month period ending on the date on which entitlement to the dividend is determined, at least 10% of the outstanding voting shares of the Japanese company that is paying the dividends, the tax rate will be reduced to 5%. As a general rule, a beneficial owner of shares who is entitled to a reduced rate of Japanese withholding tax on payments of dividends is required to submit an Application Form for Income Tax Convention Regarding Relief from Japanese Income Tax on Dividends (together with other required forms and documents) in advance, through the withholding agent to the relevant tax authority before the payment of dividends. A beneficial owner who does not submit an application in advance will be entitled to claim a refund of withholding taxes withheld in excess of the rate under an applicable tax treaty, from the relevant Japanese tax authority by complying with certain subsequent filing procedures. A standing proxy for the beneficial owner may provide the application. The Treaty would apply to a nonresident HDR Holder who is a resident of Hong Kong if the Treaty becomes effective.

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We had declared and paid dividends in the amount of ¥1,200 per Share, ¥100 per Share and ¥100 per Share, respectively, for the fiscal years ended 31 March 2008, 2009 and 2010. We have not declared or paid any dividend for the six months ended 30 September 2010. Our future dividend policy states that approximately 20% to 50% of our consolidated net income from the preceding fiscal year, if any, will be recommended annually at the end of the financial year for distribution for each financial year. We do not expect to declare interim dividends under our current dividend policy. The amount of dividends actually distributed to our Shareholders will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to the approval of our Shareholders. There is no assurance that dividends of any amount will be declared or distributed in any year.

The distribution of dividends or other cash distribution shall be subject to, amongst other things, certain adjustment for taxes withheld and the deductions of the Depositary's expenses. For further details of how the dividends and other distributions will be distributed and the fees and expenses charged by the Depositary, please refer to the sections headed "Description of Hong Kong Depositary Receipts — Share Dividends and Other Distributions" and "Description of Hong Kong Depositary Receipts — Fees and Expenses" in this prospectus.

DISTRIBUTABLE RESERVES

Dividends can be paid out from the distributable amount which is determined in accordance with the Companies Act. For details on how the distributable amount is determined under the Companies Act, please refer to the section headed "Summary of the Constitution of our Company, Certain TSE and OSE Listing Regulations and Japanese Corporations Law — Japanese Corporations Law — Dividends and distributions" in Appendix V to this prospectus.

We had distributable reserve of ¥80,588 million, ¥130,607 million, ¥129,925 million and ¥128,248 million, respectively, as at 31 March 2008, 2009, 2010 and 30 September 2010.

PROPERTY INTERESTS

For details relating to our property interests, see Appendix IV, "Property Valuation". Jones Lang LaSalle Sallmanns Limited, an independent property valuation firm, has valued the properties owned and leased by us as at 31 December 2010. The text of its letter, summary of values and valuation certificate are set out in Appendix IV, "Property Valuation".

The following table presents the reconciliation of the net book value of the relevant property interests, including land use rights, as at 31 December 2010 to their fair value as at 31 December 2010 as stated in Appendix IV, "Property Valuation".

Property interests reconciliation

	<i>¥ in millions</i>
Net book value as at 30 September 2010	
Property and equipment and construction in progress	41,915
Movements for the three months ended 31 December 2010	
Additions, deletions, depreciation	<u>(3,047)</u>
Net book value as at 31 December 2010	38,868
Valuation deficit as at 31 December 2010	<u>(15,735)</u>
Valuation as at 31 December 2010	<u><u>23,133</u></u>

FINANCIAL INFORMATION

RECENT DEVELOPMENTS

As a listed company on the both the TSE and OSE, we are required to publish quarterly unaudited interim financial information prepared in accordance with JGAAP in compliance with applicable Japanese securities regulatory requirements. Because we released certain interim financial statements regarding the third quarter of 2010 and related management's discussion and analysis prior to the date of this prospectus, we have included these interim condensed consolidated financial statements as Appendix II to this prospectus. The quarterly condensed consolidated financial statements included in "Appendix II — Unaudited Interim Financial Information" to this prospectus were prepared in accordance with JGAAP and have been reviewed by our reporting accountants in accordance with Hong Kong Standard on Review Engagements 2400 "Engagements to Review Financial Statements." The accounting policies used in our unaudited interim financial statements are in accordance with JGAAP. These quarterly condensed consolidated financial statements have been included in our report published on TDnet.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND PROSPECTS

Please refer to the section headed “Business — Strategies” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

Our Directors believe that the Global Offering will raise and strengthen our corporate profile and capital base, and will provide funding for achieving our business strategies and carrying out our future plans.

The net proceeds of the Global Offering are estimated to be approximately HK\$2,405.6 million, before exercise of the Over-allotment Option, after deducting underwriting commission and other estimated expenses and assuming an Offer Price of HK\$145.52 per HDR, being the maximum Offer Price stated in this prospectus, or approximately HK\$2,758.5 million if the Over-allotment Option is exercised in full, after deducting underwriting commission and other estimated expenses and assuming the same maximum Offer Price. Our Directors intend to use such net proceeds, within approximately three years, as follows:

- Approximately 50% of the net proceeds, or approximately HK\$1,202.8 million, to fund investments in domestic funds established by our subsidiaries, direct investments in our own accounts and overseas funds established with local partners in emerging markets and the United States, specifically in venture capital funds, buyout and other funds primarily in rapidly growing economies such as China, Brazil and other Asian and Eastern European countries. We plan to continue investing and growing our businesses in these emerging markets and focusing on the high-growth sectors, such as financial institutions, information technology, biotechnology, broadband networks, media and mobile communications, the environmental and energy sectors. In addition, we expect to continue to make capital investments in promising companies for our own account, either directly or indirectly through managed funds. We intend to use approximately 35% of the net proceeds to primarily fund investments in overseas funds and investments in promising companies, and approximately 15% of the net proceeds for funding investments in our domestic funds, subject to suitable investment opportunities arising. Part of the net proceeds will be used to finance investments in funds in which the Group currently does not have a controlling stake, including funding a part of our Group’s outstanding planned investment of US\$66.3 million (approximately HK\$513.8 million) in Jefferies-SBI USA Fund L.P. if capital calls arise. Please refer to the section in this prospectus entitled “Risk Factors — Investment Risk” for risks related to investments in which the Group does not have a controlling stake.
- Approximately 40% of the net proceeds, or approximately HK\$962.3 million, to fund the operations of, and our investments in, subsidiaries and affiliates that are engaged in the brokerage and investment banking and financial services businesses mainly through the Internet and overseas financial institutions. Specifically, we will finance subsidiaries and affiliates in our Brokerage and Investment Banking and Financial Services segments with higher capital needs, such as SBI SECURITIES Co. Ltd. (our online securities business in Japan), SBI Sumishin Net Bank Ltd. (our equity-method affiliate which engages in Internet-based banking business) and SBI Insurance Co. Ltd. (our non-life insurance business). We intend to use approximately 15% of the net proceeds to provide an increase in capital for SBI SECURITIES to be utilised (i) when margin transactions expand with the recovery of stock market conditions in Japan; and (ii) to fund the expansion of SBI Sumishin Net Bank, subject to its capital needs in order to maintain its capital adequacy ratio. We intend to use approximately 10% of the net proceeds to invest in SBI Insurance, subject to its requirement to maintain its solvency

FUTURE PLANS AND USE OF PROCEEDS

margin and operational capital. We also intend to use approximately 15% of the net proceeds to fund expansion of other financial services businesses, to primarily include SBI Card Co., Ltd., SBI Credit Co. Ltd. and certain other overseas financial institutions. As securities, banking, non-life insurance and payment settlement businesses are the core financial services businesses under our “pentagon management” business strategy, the Directors consider that the use of proceeds to fund the expansion of these businesses will create strong foundation for future growth and for pursuing synergies between core businesses. In addition to the net proceeds, we will finance the expansion of these businesses in combination with internal funds and borrowings.

- No more than 10% of the net proceeds will be used to provide funding for working capital and other general corporate purposes.

Our Directors intend to use additional net proceeds of approximately HK\$352.9 million (based on the maximum Offer Price of HK\$145.52 per HDR) that we estimate we will receive from the sale of additional HDRs in the event the Over-allotment Option is exercised in full to fund our proposed capital expenditure and repay certain of our debt obligations.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes, or if we are unable to effect any part of our development plan as intended, we may hold such funds in short-term deposits so long as it deems to be in the best interests of us. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

See the section headed “Structure and Conditions of the Global Offering — Closing and Settlement” of this prospectus.

SUPERVISION AND REGULATION

OVERVIEW

Our Group is engaged in the provision of a wide range of financial services in Japan. Among the various laws and regulations which relate to financial services in Japan, the FIEA is one of the most relevant pieces of legislation to our Group's operations. It regulates the Financial Instruments Business, which is a term broadly defined to cover most types of securities-related businesses, including asset management businesses, investment advisory businesses, and businesses in the securities industry. On the other hand, the FIEA does not cover the businesses of general banking or insurance, which are primarily subject to the laws and regulations of the Banking Act and the Insurance Business Act, respectively. Also, our Group is regulated by the laws and regulations relating to real estate and construction. The Group has complied with all the relevant regulatory requirements and obtained all relevant and necessary permits/licences for its operations. There are no potential non-compliance administrative penalties. After listing, the Company intends to ensure on-going compliance with all relevant regulatory requirements.

Moreover, our Group has been expanding its finance and other businesses to overseas. To date, the amount of these businesses is relatively small compared with investments in overseas financial institutions. However, the effect of laws and regulations in each are expected to rise in accordance with future expansion of businesses. In most cases, there are regulations in each jurisdiction commensurate with the FIEA, the Banking Act, the Insurance Business Act and other laws and regulations in Japan. Our Group is required to be in strict compliance with these regulations, and to monitor any amendments.

Please note that the following descriptions and explanations are in respect of the key areas of the most important laws and regulations relating to our Group and are not an exhaustive discussion of all laws and regulations which may affect our Group.

FINANCIAL INSTRUMENTS AND EXCHANGE ACT

The FIEA regulates most aspects of transactions and businesses that relate to financial instruments in Japan, including public and private offerings, secondary trading of securities, certain derivatives transactions, investment advisory, investment management, PTS, ongoing disclosure by issuers, large shareholding reports, tender offers for securities, the organisation and operation of securities exchanges and self-regulatory associations, and the registration, authorisation, operation and supervision of securities firms.

Under the FIEA, financial instruments businesses (which are defined in the FIEA) are classified as (i) a type 1 financial instruments business "**Type 1 FIBO**", which is defined in the FIEA as covering securities business conventionally conducted by securities firms; (ii) a type 2 financial instruments business, which includes the business of offering certain types of illiquid securities, such as limited partnership interests; (iii) an investment management business; and (iv) an investment advisory and agency business, which includes the business of providing investment advisory services on a non-discretionary basis.

A financial instruments business operator that conducts a Type 1 FIBO, such as SBI Securities Co. Ltd., and SBI Japannext Co. Ltd. are subject to extensive regulations under the FIEA, including regulations regarding entry into the financial instruments business, the scope of business in which they may engage, the conduct of the financial instruments business and regulatory capital for Type 1 FIBO. Type 1 FIBOs are also subject to the rules and regulations of a self-regulatory organisation, such as the Japanese stock exchanges and the JSDA. A financial instruments business operator that conducts an investment management business, including SBI Asset Management Co., Ltd., is also subject to extensive regulations under the FIEA.

SUPERVISION AND REGULATION

Licensing Requirement

Under the FIEA, a joint stock corporation wishing to engage in a Type 1 FIBO, such as the purchase and sale of securities, the intermediation, brokerage and agency of securities, and the underwriting, handling of offering distribution of securities, over-the-counter (“OTC”) derivative transaction and custody service for customers must file a registration application with the DGLFB of the jurisdiction in which its head office is located and is required to be registered by the DGLFB before commencing operations. The DGLFB may accept or reject a registration based on certain criteria, including, among others, the amount of the applicant’s stated capital and net assets, its capital adequacy, whether the applicant is in violation of the FIEA, qualifications of the directors, officers and statutory auditors of the applicant and the principal shareholders of the applicant, and whether the applicant has sufficient personnel organisation.

To be registered as a Type 1 FIBO, stated capital and net assets of fifty million Yen or more is required and shall be maintained. In the case of a Type 1 FIBO engaging in the business as a lead managing underwriter stated capital and net assets of five-hundred million Yen (or three billion Yen, depending upon amount of underwriting) or more is required. Moreover, a Type 1 FIBO engaging in a business dealing with a PTS, for which an FSA authorisation is required in advance in addition to the registration, a stated capital and net asset value of three-hundred million Yen or more is required. Net assets shall be obtained by deducting the total amount of liabilities (excluding the amount of financial instruments transaction liability reserve and certain allowance and reserve) from the total amount of assets. The registration book of Type 1 FIBOs is made available for public inspection at the relevant Local Finance Bureau.

Registrations Concerning Scope of Business

Under the FIEA, registered and authorised Type 1 FIBOs may conduct a Type 1 FIBO instruments business and businesses incidental thereto, such as the lending of securities, the lending of money in connection with margin trading and providing advice on and information concerning securities (excluding an investment advisory business), without any notification or approval. Further, Type 1 FIBOs may conduct certain side businesses specified under the FIEA by notifying the Commissioner of the FSA or the relevant DGLFB without delay. In addition, subject to the applicable laws and regulations, Type 1 FIBOs may conduct any other business approved by the Commissioner of the FSA or the relevant DGLFB, unless the business is against the public order or adversely affects investor protection due to difficulty in managing the risk of losses that may occur in connection with the business.

Under the FIEA, banks, including SBI Sumishin Net Bank, Ltd., could not engage in any financial instruments business relating to securities except for certain approved activities. Due to gradual deregulation, the FIEA now allows banks to underwrite and deal in Japanese government bonds, Japanese local government bonds, Japanese government guaranteed bonds, commercial paper and certain bonds issued by special purpose companies; to sell beneficiary certificates of investment trusts and securities issued by an investment company; and to engage in listed or OTC derivative transactions, excluding certain securities-related derivative transactions, as well as in the financial instruments intermediary business, each subject to registration with the FSA.

Regulations on Business Operation by Financial Instruments Business Operators

Business practices of financial instruments business operators, including Type 1 FIBOs, are also subject to various regulatory requirements under the FIEA and the regulations thereunder. A financial instruments business operator must clearly inform its customers other than Professional Investors (as defined in the FIEA) (“**General Customers**”) of the type of transactions to be entered into and deliver to the General Customers documents explaining the outline of securities or derivatives transactions and certain other matters in advance of transactions and must prepare

SUPERVISION AND REGULATION

and deliver, without delay, transaction reports regarding transactions of certain financial instruments to the General Customers after the execution of the transaction. Further, a financial instruments business operator must establish and publish the policies and methods by which it executes orders from customers of certain securities transactions, such as the sale and purchase of securities or derivatives transactions on the best available terms. A financial instruments business operator must deliver such policies and methods to the General Customers in writing in advance and execute orders in accordance with those policies and methods. In addition, a financial instruments business operator and its officers and employees are prohibited from engaging in certain actions specified in the FIEA and regulations thereunder, including:

- front-running;
- soliciting customers by providing decisive opinions that prices will rise or fall in connection with the purchase and sale of securities or derivatives transactions;
- concluding agreements with customers under which a securities firm has a full or some extent of discretion to execute securities or derivatives transactions on behalf of the customer; and
- engaging in excessive and simultaneous solicitation of a large number of customers over a period of time regarding transactions, entrustment of transactions or other activities in a specified and small number of securities or derivatives, which activities could cause distortion of the fair pricing of the subject securities or derivatives.

A financial instruments business operator and its officers and employees are also prohibited from offering, or making an agreement, to compensate a customer for losses resulting from securities transactions or derivatives transactions, or from compensating any customer for losses resulting from securities transactions or derivatives transactions.

Further, securities firms are subject to regulations under the FIEA relating to margin trading.

Under the FIEA, a Type 1 FIBO's fiscal year must commence on 1 April of each year and end on 31 March of the next year. A financial instrument business operator, including a Type 1 FIBO, is required to file with the Commissioner of the FSA or the relevant DGLFB annual business reports regarding its business and assets every fiscal year. A financial instrument business operator is also required to prepare annual explanatory documents regarding its business and assets every fiscal year and make those documents available for public inspection for a period of one year at all of its sales offices. Further, a financial instruments business operator must give notice, without delay, to the Commissioner of the FSA or the relevant DGLFB upon the occurrence of certain events, such as the suspension or reopening of the financial instruments business, a merger with another company, the acquisition of more than 50% of the total voting rights of a certain financial institution, acquisition by another corporation of more than 50% of the total voting rights of the financial instruments business operator (limited to those engaged in Type 1 FIBO or investment management business), an application for bankruptcy, corporate reorganisation or civil rehabilitation, the abolishment of its financial instruments business and the transfer of all or a part of its business.

To provide against the risk of bankruptcy, a financial instruments business operator must keep in custody the securities deposited with it by its customers and the securities held by it on its customers' accounts separately from its own assets and in a secure and orderly manner, and, in connection with cash deposited with it by its customers with regard to transactions related to its securities business or derivatives transactions, substitute securities deposited with it by its customers as collateral for margin trading and other certain money and securities, must keep in an outside trust account an amount of money equivalent to the amount required to be returned to

SUPERVISION AND REGULATION

customers if the financial instrument business operator were to cease its financial instruments business. Further, to enhance investor protection, a Type 1 FIBO is required to be a member of an investors protection fund under the FIEA. The Investor Protection Fund is funded by assessments on securities firms that are members of the fund. The Investor Protection Fund of which a Type 1 FIBO is a member will provide protection of up to ¥10 million per customer in the event that a member securities firm defaults on its obligation to return customer assets to its customers. The Investor Protection Fund covers claims related to customer securities deposited with the failing Type 1 FIBO and certain other claims of customers. The Investor Protection Fund may also make loans to member Type 1 FIBOs to facilitate payment without delay by the Type 1 FIBO to their customers with respect to claims regarding customers' assets. Type 1 FIBOs, as members of the Investor Protection Fund, must pay to the fund amounts required to be paid in accordance with the fund's regulations. These amounts are aggregated by the Investor Protection Fund and used for its business conducted to accomplish the fund's purpose.

Further, a Type 1 FIBO must have a financial instruments transaction liability reserve proportional to its transaction volume in accordance with the FIEA and the regulations thereunder. Unless otherwise approved by the Commissioner of the FSA or the relevant DGLFB, the reserve may be used only for the purpose of compensating customers for losses arising from illegal or inappropriate acts of the Type 1 FIBO, or its officers or employees, in connection with securities or derivatives transactions.

Large Shareholding of Financial Instruments Business Operators

A shareholder who holds 20% (or in certain cases, 15%) or more of the voting rights of a financial instruments business operator (limited to those engaged in Type 1 FIBO or investment management business) ("**Target FIBO**"), defined for the purpose of this section as a major shareholder, is subject to the provisions of the FIEA. A shareholder must file a report regarding the voting rights it holds with the relevant DGLFB, if it becomes a major shareholder, and if it later ceases to be a major shareholder, it must give notification to that effect to the relevant DGLFB. A shareholder (might include HDR Holders) who holds more than 50% of the voting rights of a major shareholder or certain affiliate company (might include HDR Holders) of a major shareholder is also subject to above regulations as a major shareholder even if it does not hold any or holds less than 20% (or in certain cases, 15%) of voting rights of a Target FIBO directly. A shareholder (might include HDR Holders) who holds 20% (or in certain cases, 15%) or more of the voting rights of a holding company as defined in the Act Relating to Prohibition of Private Monopoly and Methods of Preserving Fair Trade ("**Holding Company**") that holds more than 50% of the voting rights of a Target FIBO, is also subject to regulations identical to those applicable to a major shareholder.

If a person (might include HDR Holders) has failed to file a report or files a report containing a misstatement, the person shall be punished by imprisonment for not more than 6 months or by a fine of not more than ¥500 thousand, or both. Also, in the case of a company, if the representative person of the company such as a director, or an agent, employee, or other worker of the company has failed to file a report or files a report containing a misstatement with regard to the business or property of the company, the offender shall be punished by imprisonment for not more than 6 months or by a fine of not more than ¥500 thousand, or both, and the company is liable to be punished by a fine of not more than ¥500 thousand.

Under the amendment to the FIEA in 2010, which will come into force on 1 April 2011, a shareholder who holds 50% or more of the voting rights of a Target FIBO ("**Specified Major Shareholder**") is subject to the following regulations: A Specified Major Shareholder must file a report regarding the voting rights it holds with the relevant DGLFB if it becomes a Specified Major

SUPERVISION AND REGULATION

Shareholder, and if it later ceases to become a Specified Major Shareholder, it must give notification to that effect to the relevant DGLFB. When the Commissioner of the FSA or the DGLFB finds it particularly necessary for the public interest or protection of investors in light of the status of the business or property of a Specified Major Shareholder (including the status of property of a subsidiary juridical person, etc.), the Commissioner of the FSA or the DGLFB may order the Specified Major Shareholder to take necessary measures for improving the financial instruments business operator's business operation or the status of its property, within the limit necessary. As is the case for a major shareholder, a shareholder (might include HDR Holders) who holds more than 50% of the voting rights of a major shareholder or certain affiliate company (might include HDR Holders) of a major shareholder is subject to above regulations as a Specified Major Shareholder.

Supervision and Enforcement

The Prime Minister of Japan has the authority to regulate the financial instruments business, which authority is delegated to the Commissioner of the FSA under the FIEA. The Commissioner of the FSA delegates certain authority to the DGLFB to inspect local securities firms and branches. Each of the Commissioner of the FSA, the Securities and Exchange Surveillance Commission (the "SESC") and the DGLFB has the authority to supervise financial instruments business operators and their major shareholders under the FIEA. The Commissioner of the FSA or the DGLFB may order the revocation of the registration or authorisation, the suspension of a business within a six-month period and changes to its operation or other actions necessary for supervision in certain cases, such as where a financial instruments business operator violates the applicable laws and regulations or where there is a risk that a financial instruments business operator may become insolvent based on the condition of its business or its assets. Further, the Commissioner of the FSA or the DGLFB may order a financial instruments business operator to discharge a director or statutory auditor who has become disqualified or has not complied with applicable laws and regulations. To supervise a financial instruments business operator effectively, the Commissioner of the FSA and the DGLFB may order a financial instruments business operator, its parent holding company or other related parties specified in the FIEA to submit certain reports or materials, and may have the personnel of the FSA and the Local Finance Bureau inspect its financial condition or its books and records and other materials. Further, a major shareholder is also subject to inspections by the Commissioner of the FSA and the DGLFB. The SESC, an external agency of the FSA, is also delegated certain authority to conduct the day-to-day monitoring of the securities market. The SESC also may conduct inspections of the financial instruments business operator, their parent holding companies or other related parties specified in the FIEA in order to perform its monitoring function effectively.

In cases specified under the FIEA, such as a financial instruments business operator's cessation of its financial instruments business (excluding investment advisory and agency business) and the dissolution or transfer of all or a part of its business, a post-fact notice to that effect must be submitted to the DGLFB within 30 days after the event occurs (other than a dissolution as a result of bankruptcy). The financial instruments business operator must give public notice (followed by a notice to the DGLFB or the Commissioner of the FSA) of any such event 30 days before the event occurs and must post a notice in all of its business offices. Further, the financial instruments business operator must settle all securities transactions and derivative transactions with its customers and return to them all assets deposited by them and assets held by the financial instruments business operator on their behalf without delay after the public notice.

Regulatory Capital Rules

Under the FIEA, in order to maintain the soundness of its financial condition, a Type 1 FIBO is required to maintain a prescribed capital adequacy ratio, defined as the ratio of its adjusted

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capital to the quantified total of its business risks, on a non-consolidated basis. The FIEA requires a Type 1 FIBO to file month-end reports regarding their capital-to-risk ratio (“**CRR**”) with the Commissioner of the FSA or relevant Local Finance Bureau and to disclose their CRR to the public on a quarterly basis. A Type 1 FIBO must also file a report on a daily basis with the Commissioner of the FSA or the DGLFB if its CRR falls below 140%. The FIEA gives the Commissioner of the FSA and the DGLFB certain powers to act if the ratio falls further. Specifically, if the ratio falls below 120%, the Commissioner of the FSA or the DGLFB may order the securities firm to change its method of business or to deposit its property with public authorities or order other measures for the public interest and the investor protection, as necessary. The Commissioner of the FSA or the DGLFB may order a Type 1 FIBO whose ratio falls below 100% to temporarily suspend all or part of its business for up to three months, and the Commissioner of the FSA or the DGLFB may revoke the registration of a securities firm if the ratio remains below 100% for a period of three months after the date of the suspension order and there is no prospect that the ratio will recover.

CRR is calculated by dividing quantified business risk by adjusted capital. Adjusted capital is defined as shareholders’ equity less illiquid assets. Shareholders’ equity mainly consists of stated capital, additional paid-in capital, legal reserves, retained earnings, treasury shares, certain other reserves, certain allowances for doubtful accounts, net unrealised losses in the market value of available-for-sale securities and certain subordinated debts. Illiquid assets generally include non-current assets, deferred assets, certain current assets, including certain deposits, short-term loans to affiliates, advances and prepaid expenses, certain securities issued by related companies including affiliates, and assets secured for other parties. Business risks are divided into three categories:

- (i) market risk, which is the risk that the values of certain assets, including securities, will erode due to a decline in their market value or other reasons,
- (ii) counterparty risk, which is the risk of loss that may be caused by event of default by a counterparty on its commitment or other reasons, and
- (iii) operational risks, which are the risks monitored in the carrying out of daily operations, such as administrative problems with securities transactions and clerical mistakes.

Each of the above categories of risk is quantified in a manner specified in an ordinance under the FIEA.

Consolidated Regulation and Supervision

The amendment to the FIEA in 2010 which will come into force by 1 April 2011 intends to introduce the consolidated regulation and supervision of the Type 1 FIBO. As the downstream consolidated regulation and supervision, the Type 1 FIBO whose total assets exceed a certain amount (the “**SFIBO**”) is required to (i) report on the financial conditions of the corporate group to which the SFIBO belongs and (ii) submit business reports on a consolidated basis and capital adequacy requirements on a consolidated basis to the FSA, as well as the SFIBO’s subsidiary companies being subject to the certain supervisory provisions, such as orders for production of reports and inspections. As the upstream consolidated regulation and supervision, certain parent companies, etc. of the SFIBO, which are designated by the FSA, are required to submit business reports on the whole group and capital adequacy requirements on a consolidated basis related to the whole group for the highest positioned entity in the corporate group and are subject to certain supervisory provisions, such as orders to take actions and orders for production of reports and inspections.

SUPERVISION AND REGULATION

BANKING ACT

Licensing Requirements

Among the various laws that regulate financial institutions, the Banking Act and its subordinated orders and ordinances are regarded as the fundamental law for ordinary banks and other private financial institutions. Under the Banking Act, a license must be obtained from the Prime Minister of Japan in order to engage in the banking business, with certain limited exceptions.

Only joint stock corporations with paid-in capital of ¥2 billion or more are entitled to obtain such licenses. The issuance of a license is subject to the satisfaction in terms of such matters as financial condition, prospective results of operations, knowledge and experience to be able to carry out the banking business appropriately, fairly and efficiently and social credibility.

The Prime Minister of Japan also has the authority to order the suspension of businesses in whole or in part, dismiss officers including directors and executive officers and revoke licenses, in the event of violation of material provisions of laws or regulations or in certain other cases prescribed by the Banking Act.

The FSA, its supervisory authorities being delegated from the Prime Minister of Japan, is responsible for supervising and overseeing financial institutions, making policy for the overall Japanese financial system and conducting insolvency proceedings with respect to financial institutions. The Bank of Japan, as the central bank for financial institutions, also has supervisory authority over banks in Japan, based primarily on its contractual agreements and transactions with the banks.

The Banking Act addresses capital adequacy, inspections and reporting, as well as the scope of business activities of a bank and its affiliates, disclosure, accounting, limitation on granting credit and standards for arm's length transactions and other business operations, and large shareholders of a bank. As a result of the amendment to the Banking Act and FIEA, effective as of June 2009, firewall regulations that have an effect to separate a bank from affiliated securities companies have become less stringent, and instead, a bank and its financial affiliates are now expressly required to establish an appropriate system to cope with conflicts of interest within their group companies that may arise from their business operations.

Capital adequacy

The capital adequacy requirements applicable to the banks, as set out in the public notification of the FSA pursuant to the Banking Act, closely follow the risk-adjusted approach proposed by the Basel Committee. The capital adequacy requirements applicable to the banks with international operations require a target minimum standard capital adequacy ratio of 8%, and to the banks with only domestic operations like SBI Sumishin Net Bank Ltd., a target minimum standard capital adequacy ratio of 4%, (in each case, at least half of which must consist of core capital, or Tier I capital) on both a consolidated and non-consolidated basis.

For the banks with only domestic operations, like the banks with international operations, the capital is classified into three tiers, each of which is referred to as: core capital, or Tier I capital; supplementary capital, or Tier II capital; and junior supplementary capital, or Tier III.

Tier I capital generally consists of total shareholders' equity; less (i) unrealised losses on available-for-sale securities under JAAP; (ii) any recorded goodwill; and (iii) capital increase due to securitisation transactions.

SUPERVISION AND REGULATION

Tier II capital generally consists of (i) general reserves for loan losses (subject to a limit of 0.625% of total risk-adjusted assets and off-balance sheet exposures); (ii) 45% of the unrealised appreciation in the value of land; (iii) the balance of subordinated perpetual debt; and (iv) the balance of subordinated term debt with an original maturity of over five years and limited-life preferred equity (up to 50% of Tier I capital). Tier II capital may be counted up to the amount equivalent to the Tier I capital (less Tier III capital if applicable).

Tier III capital consists of the balance of subordinated term debt with an original maturity of at least two years. Tier III capital may be counted, subject to certain conditions, according to the amount of market risk or the amount of Tier I capital.

At 12 September 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, announced a substantial strengthening of existing capital requirements for the banks with international operations. Under the agreements, the minimum requirement for common equity, the highest form of loss absorbing capital, will be raised to 4.5% after the application of stricter adjustments. This will be phased in by 1 January 2015. The Tier I capital requirement, which includes common equity and other qualifying financial instruments based on stricter criteria, will increase to 6% over the same period. The FSA may change the capital adequacy requirements applicable to the banks with only domestic operations according to any change agreed with the Basel Committee with necessary modifications.

Prompt Corrective Actions

If the capital adequacy ratio of a bank becomes less than a target minimum standard capital adequacy ratio and the FSA finds it necessary for the adequacy of equity capital of a bank, the FSA may take the following capital-based prompt corrective actions, including (i) order the bank to submit a business improvement plan to ensure sound management of that bank, (ii) order a suspension of operations; or (iii) issue other orders in accordance with the capital adequacy ratio of that bank, according to the criteria specified by the relevant regulations.

In addition, if the FSA finds it necessary to improve a bank's profitability, as a precautionary measure, the FSA may conduct intensive hearings with that bank and order it to submit reports, and if necessary, the FSA may issue a business improvement order to that bank before the bank's capital adequacy ratio becomes less than the target minimum standard capital adequacy ratio.

Credit Limit

The Banking Act restricts the aggregate amount of loans, guarantees and capital investments to any single customer in order to avoid excessive concentration of credit risks and promote fair and extensive use of bank credit. An ordinary bank's aggregate exposure to any single customer is limited by the Banking Act and the related cabinet order. The limit is 40% (or 25% if the customer is a bank's major shareholder) of an ordinary bank's total qualifying capital based on aggregate exposure to any single customer including certain of the customer's affiliates, or 25% (or 15% if the customer is a bank's major shareholder) of the bank's total qualifying capital based on aggregate exposures to any single customer not including the customer's affiliates. The same restriction applies to a bank group on a consolidated basis. Aggregate exposure by a bank group (the bank, its subsidiaries and certain affiliates) to a single customer is 25% (or 15% if the customer is a bank's major shareholder) and to a customer including certain of the customer's affiliates is 40% (or 25% if the customer is a bank's major shareholder) of the total qualifying capital of the group companies.

Inspection and Reporting

The FSA supervises banks by way of both off-site monitoring and on-site examination in accordance with the Banking Act, Supervisory Policies and Examination Manuals.

SUPERVISION AND REGULATION

A bank must submit annual and semi-annual reports to the FSA that describe the status of the bank's business and property. A bank must also periodically report extensive data to the FSA. Further, the FSA regularly holds various hearings with banks with respect to the operations, risk management, internal audit and other affairs of the banks as part of its off-site monitoring. In addition, the FSA may, when it deems it necessary to ensure the safety and soundness of a bank, require the bank (and if necessary, its subsidiaries and affiliates) to submit additional reports or materials that would be helpful in understanding the status of the business or property of that bank.

The FSA may conduct on-site examinations if it deems it necessary to ensure the safety and soundness of a bank. During such on-site examinations, FSA officials may enter an office or any other facility of a bank, ask questions with respect to the status of the business or property of that bank, and inspect books, documents or other records of that bank. Moreover, to the extent necessary, FSA officials may conduct a similar inspection of a bank's subsidiaries and affiliates.

In addition, the SESC inspects banks in connection with their securities business pursuant to the FIEA as well as financial instruments business operators, such as securities firms.

The Bank of Japan also conducts inspections of banks similar to those undertaken by the FSA. The Bank of Japan Act (Act No. 89 of 1997, as amended) provides that the Bank of Japan and financial institutions may agree as to the form of inspection to be conducted by the Bank of Japan.

Acts Limiting Shareholdings of Banks

The Anti-Monopoly Act (Act No. 54 of 1947, as amended) ("**Anti-Monopoly Act**") as well as the Banking Act generally prohibits a bank from holding more than 5% of another non-financial domestic company's voting rights. In addition, a bank's shareholding is limited by the special legislation up to the amount equivalent to its Tier I capital.

Large Shareholders of Banks

Under the Banking Act, a person who intends to hold 20% (or in certain cases, 15%) or more of the voting rights of a bank (defined for the purpose of this section as a major shareholder), including certain shareholders (might include HDR Holders) of the major shareholders such as shareholders who hold more than 50% of voting rights of a major shareholder must obtain prior authorisation from the Commissioner of the FSA with certain limited exceptions. In addition, the Commissioner of the FSA may request reports or the submission of materials from, or may inspect any major shareholder if necessary for securing the sound and appropriate operation of the business and protection of depositor of such bank. The Commissioner of the FSA may also impose certain administrative sanctions against major shareholders under the Banking Act, including rescinding the authorisation given to a major shareholder in the event that it violates any laws and regulations or an administrative disposition or acts against the public interest. If a person (might include HDR Holders), without obtaining authorisation from the Prime Minister, holds 20% (or in certain cases, 15%) or more of the voting rights of a bank, the person shall be punished by a non-penal fine of not more than ¥1 million. Also, in the case of a company, the director, executive officer, accounting adviser or the members who are to perform the duties of the accounting advisers, auditor, representative person, administrator, manager, member who executes the operation, or liquidator of the company, shall be punished by a non-penal fine of not more than ¥1 million.

Additionally, under the Banking Act, any person (including certain shareholders (might include HDR Holders) of the person such as shareholders who hold more than 50% of voting rights of such person) who becomes a holder of more than 5% of the voting rights of a bank must report its ownership of voting rights or certain changes in, among others to the Commissioner of the FSA

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or other relevant authority specified in the Banking Act, within five Business Days. If a person (might include HDR Holders) who holds more than 5% of the voting rights of a bank has failed to submit a report or submits a report containing a misstatement, the person shall be punished by a non-penal fine of not more than ¥1 million. Also, in the case of a company, a director, executive officer, accounting adviser or the members who are to perform the duties of the accounting advisers, auditor, representative person, administrator, manager, member who executes the operation, or liquidator of the company shall be punished by a non-penal fine of not more than ¥1 million.

Selling Insurance Products

Deregulation in the financial services industry has gradually permitted banks in Japan to offer a variety of insurance products including pension-type insurance. Recent further deregulation generally permitted banks in Japan to offer a full range of insurance products in OTC transactions subject to the relevant regulations.

Deposit Insurance System and Government Measures for Troubled Financial Institutions

The Deposit Insurance Act (Act No. 34 of 1971, as amended) (the “**Deposit Insurance Act**”) is intended to protect depositors if a financial institution fails to meet its obligations. The Deposit Insurance Corporation (“**DIC**”) was established in accordance therewith.

City banks, regional banks, trust banks and various other credit institutions participate in the deposit insurance system on a compulsory basis. SBI Sumishin Net Bank, Ltd. is included in the participants.

The full amount of non-interest bearing demand deposits that are used by depositors primarily for payment and settlement functions are covered by the DIC. Other types of deposits (excluding foreign currency deposits, negotiable certificates of deposits and other types of deposits prescribed by the regulations under the Deposit Insurance Act) are also covered by the DIC up to a principal amount of 10 million Yen, together with any interest accrued thereon, per bank. Currently, the Deposit Insurance Corporation charges insurance premiums equal to 0.107% on the deposits in the settlement accounts, which are fully protected as mentioned above, and premiums equal to 0.082% on the deposits in other accounts.

In situations where the assets of a bank are insufficient to meet its financial obligations, the FSA may order that the business or assets of that bank be placed under the management of a financial administrator under the Deposit Insurance Act. The FSA may appoint the DIC as a financial administrator. Upon issuance of an order for management, the financial administrator shall be given sole authority to represent the failed bank, to operate its business and to manage and dispose of its assets. In principle, the financial administrator must end its management of a bank within one year by transferring the business of that bank to a healthy bank, merging that bank with a healthy bank or by implementing other measures. A financial institution that seeks to purchase the business of or merge with a failed bank may apply for support from the DIC such as a monetary grant, loan or deposit of funds. If no financial institution seeks to acquire the business of a failed bank, the DIC may establish a bridge bank to acquire it. However, SBI Sumishin Net Bank, Ltd. is not in the situation where the assets of the bank are insufficient to meet its financial obligations.

Further, if the failure of a bank may have an extreme effect on Japanese credit markets or of an area where the bank operates its business, the DIC may inject public money into that bank,

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before the failure of that bank. In addition, in case of the failure of a bank, the DIC may give financial assistance to the bank to provide for the payment of deposit insurance claims or temporarily nationalise the bank. In situations where the DIC temporarily nationalises a bank, the DIC must, at the earliest opportunity, make the temporarily nationalised bank:

- merge with another financial institution;
- transfer its business to other financial institution; or
- transfer its shares to other financial institution.

Also insolvency procedures such as bankruptcy, civil rehabilitation, corporate reorganisation or special liquidation may be initiated in cases where the assets of a bank are insufficient to reimburse its financial obligations. However, there have been few cases where financial institutions have entered into insolvency procedures.

Furthermore, against the background of the global financial crisis, in December 2008 the Act Concerning Special Measures for Strengthening of Financial Function (Act No. 128 of 2004, as amended) was amended in order to enable the Japanese government to take special measures in order to strengthen the capital of financial institutions. Under the law, banks and other financial institutions may apply to receive capital injections from the DIC, subject to government approval, which will be granted subject to the fulfillment of certain requirements, including, among other things, the improvement of profitability and efficiency, facilitation of financing to mid-small business enterprises in the local communities, and that the financial institution is not insolvent. The application deadline is 31 March 2012. As of the Latest Practicable Date, SBI Sumishin Net Bank, Ltd. had not filed such application.

Act Concerning the Temporary Measures for the Facilitation of Finance to Small and Medium-sized Firms and Others

In response to the recent financial turmoil, this temporary legislation requires financial institutions, among other things, to make an effort to reduce their customers' burden of loan payment by employing methods such as modifying the terms of loans at the request of eligible borrowers including small and medium-sized firms and individual home loan borrowers. The new legislation would also require financial institutions to internally establish a system to implement the requirements of the legislation and periodically make public disclosure of and report to the relevant authority on the status of implementation. This legislation will expire at the end of March 2011.

INSURANCE BUSINESS ACT

Licensing Requirements

We are regulated principally under the "Insurance Business Act", which governs both life and non-life insurance businesses in Japan. Pursuant to the Insurance Business Act, the Prime Minister of Japan has the authority to supervise insurance companies in Japan. Most of such authority is delegated to the Commissioner of the FSA. In this description below, the term "insurance products" includes annuity products that are sold by non-life insurance companies in Japan. Such annuity products are regarded as insurance products for purposes of the Insurance Business Act, and the term "insurance" should be interpreted accordingly.

There are two types of insurance business licences, one for underwriting life insurance products and one for underwriting non-life insurance products. The same entity cannot obtain both of these licences. With regard to joint stock corporations, those with the stated capital of one billion Yen or more are entitled to obtain such licences. The issuance of a licence is subject to the satisfaction of certain requirements relating to such matters as financial condition, prospective

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results of operations, knowledge, experience, insurance products to be offered, and the manner of calculation of insurance premiums and policy reserves. The Prime Minister of Japan also has the authority to order the suspension of businesses in whole or in part, dismiss officers including directors and executive officers, and revoke licences, in the event of violation of material provisions of laws or regulations or in certain other cases prescribed by the Insurance Business Act.

Restrictions Concerning Scope of Business

Under the Insurance Business Act, insurance companies in Japan are permitted to engage only in the business of underwriting insurance, investing premium revenues and other assets, and certain other businesses provided in the Insurance Business Act (with the prior authorisation of the Commissioner of the FSA, if required).

The Insurance Business Act restricts the types of businesses in which Japanese insurance companies may engage through their subsidiaries to, among other things, banking businesses, certain securities businesses, and certain financial-related and other incidental businesses, with the prior authorisation of, or in certain cases, the prior notice to, the Commissioner of the FSA.

Also, as a result of deregulation, life insurance companies are permitted to have non-life insurance subsidiaries, and non-life insurance companies are permitted to have life insurance subsidiaries.

Regulations Concerning Third Sector Insurance Products

In the Japanese insurance industry, life insurance products and non-life insurance products are called “first sector” and “second sector” insurance products respectively, and insurance products which do not fit into either category are called “third sector” insurance products. Deregulation has gradually relaxed the restrictions imposed on the sale of third sector insurance products, and currently it is possible for life insurance companies (including life insurance subsidiaries of non-life insurance companies) in Japan to sell third sector non-life insurance products. Non-life insurance companies in Japan are also now permitted to sell third sector life insurance products.

Restrictions on Shareholdings of Other Companies

With the exception of certain companies that are allowed to be subsidiaries of insurance companies, the Insurance Business Act as well as the Anti-Monopoly Act as a general rule prohibits an insurance company and/or its subsidiaries from acquiring or holding aggregate voting rights of another non-financial domestic company in excess of 10% of the total voting rights of all shareholders of such domestic company.

Regulations on Shareholding of Insurance Companies

The Insurance Business Act also provides the following regulations for the purpose of supervision of the shareholding of Japanese insurance companies.

Under the Insurance Business Act, a person who intends to hold 20% (or in certain cases, 15%) or more of the voting rights of an insurance company, defined for the purpose of this section as a major shareholder, must obtain prior approval of the Commissioner of the FSA with certain limited exceptions. In addition, the Commissioner of the FSA may request reports or the submission of materials from, or may inspect any major shareholder if necessary for securing the sound and appropriate operation of the business and protection of policyholders of such insurance company. The Commissioner of the FSA may also impose certain administrative sanctions against

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major shareholders under the Insurance Business Act, including rescinding the authorisation given to a major shareholder in the event that it violates any laws and regulations or an administrative disposition or acts against the public interest. If a person (might include HDR Holders), without obtaining authorisation from the Prime Minister, holds 20% or more of the voting rights of an insurance company, the person shall be punished by a non-penal fine of not more than ¥1 million. Also, in the case of a company, a director, executive officer, accounting adviser or the members who are to perform the duties of the accounting advisers, auditor, representative person, manager, member who executes the operation, or liquidator of the company shall be punished by a non-penal fine of not more than ¥1 million.

Additionally, under the Insurance Business Act, any person who becomes a holder of more than 5% of the voting rights of an insurance company must report its ownership of voting rights or certain changes in, among others, the percentage of owned voting rights to the FSA or other relevant authority specified in the Insurance Business Act, within five Business Days. If a person (might include HDR Holders) has failed to submit a report or submits a report containing a misstatement, the person shall be punished by a non-penal fine of not more than ¥1 million. Also, in the case of a company, a director, executive officer, accounting adviser or the members who are to perform the duties of the accounting advisers, auditor, representative person, manager, member who executes the operation, or liquidator of the company shall be punished by a fine of not more than ¥1 million.

Regulations on Business Operations and Ongoing Supervisory Control

The Commissioner of the FSA also has extensive supervisory authority over insurance companies, including issuance of various kinds of orders to insurance companies or their subsidiaries.

Insurance companies are subject to various reporting requirements under the Insurance Business Act. Among these requirements, insurance companies in Japan must submit to the Commissioner of the FSA annual and semi-annual business reports in each business year as well as notifications upon events specified in the relevant regulations.

Under the Insurance Business Act, insurance companies are subject to restrictions on the percentage of their general account assets that they may allocate to specified types of investments. General account assets represent total assets less separate account assets and accumulated account assets, as prescribed in the related regulations. Except as approved by the Commissioner of the FSA, the percentage of general account assets allocated to each type of investment may not exceed the following limits:

<u>Type of Investment</u>	<u>Maximum percentage</u>
Domestic stocks and partnership interests	30%
Foreign currency-denominated assets	30%
Real estate	20%
High credit risk bonds, loans and securities lending*.	10%
Other assets invested in a form similar to securities or other assets	3%

* Bonds, loans and securities lending considered by the FSA to have high credit risk include unsecured bonds with no credit ratings and unsecured loans to unlisted corporations with no credit ratings.

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In addition, under the Insurance Business Act, aggregate investments by an insurance company in any single company and its related companies (including the purchase of debt or equity securities issued by, and loans to or deposits with, such company or any of its related companies) may not exceed 10% (or 3% in the case of loans) of its general account assets, except as approved by the Commissioner of the FSA. If an insurance company has subsidiaries or affiliates, the same shall apply on a consolidated basis *mutatis mutandis*.

Under the Insurance Business Act, insurance solicitors, including sales representatives and independent sales agents, and insurance brokers must be registered with the DGLFB. The DGLFB also have the authority to revoke any existing registration upon the occurrence of certain events provided in the Insurance Business Act and to supervise the operation of such representatives, agents and brokers.

The FIEA, which replaced the Securities and Exchange Law and came into force on 30 September 2007, aims to cover a wide range of financial instruments, as a type of cross-sectoral legal framework for protecting investors. Although insurance policies are not directly regulated by the FIEA, an amendment to the Insurance Business Act revised the regulation of insurance policies with strong investment characteristics, such as foreign currency-denominated insurance and variable insurance, to the effect that the rules for sales and solicitation activities for such insurance products would be subject to similar restrictions as those established under the FIEA.

Policyholder Dividends

The Insurance Business Act provides that the distribution of policyholder dividends by insurance companies must be made in a fair and equitable manner in accordance with the provisions of the related regulations. An insurance company must calculate the amount of profits to be reserved for distribution of policyholder dividends for each type of insurance policy categorised by the nature of the policy, and must choose a calculation method from among those provided in the regulations.

The Insurance Business Act does not require an insurance company which is a joint stock corporation to apply a certain percentage of unappropriated retained earnings to a reserve provision for policyholder dividends.

Policy Reserves

Under the Insurance Business Act, insurance companies in Japan are required to provide policy reserves at the end of each fiscal year for the fulfillment of future obligations under insurance policies. The policy reserves of non-life insurance companies shall be calculated based on the general policy reserve (premium reserve and unearned premium reserve), reserve for disaster risks, contingency reserve, reserve for refunds and reserve for policyholder dividends.

The Insurance Business Act and related regulations provide that the amount of the premium reserve (other than unearned premiums) and reserve for refunds with respect to certain insurance policies specified in such regulations must not be lower than the amount of the “standard policy reserve.” The amount of the premium reserve (other than unearned premiums) and reserve for refunds with respect to insurance policies which are not subject to the provision of standard policy reserve, must be calculated as set out in the statement of calculation of insurance premiums and policy reserves by each non-life insurance company based on the amount of insurance premiums actually received.

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Solvency Margin Ratio

Under the Insurance Business Act, the Commissioner of the FSA has the authority to set standards for measuring the financial soundness of the management of insurance companies. The solvency margin ratio is a standard designed to measure the ability of insurance companies to make payments for insurance claims and other claims upon the occurrence of unforeseeable events such as natural disasters. The solvency margin ratio (“SMR”) is currently calculated on a non-consolidated basis pursuant to the following formula:

$$\text{Solvency margin ratio (\%)} = \frac{\text{Total solvency margin} \times 100}{\text{Total risk} \times 1/2}$$

“**Total solvency margin**” represents the sum of the (i) net assets (less certain items); (ii) reserve for price fluctuations, contingency reserve and special catastrophe reserve; (iii) general reserve for possible loan losses, net unrealised gains/losses on securities (multiplied by 90% if gains or 100% if losses) and real estate (multiplied by 85% if gains or 100% if losses); and (iv) certain other items (such as subordinated debt).

“**Total risk**” is a quantified measure of the total unforeseeable risk borne by the insurance company, which consists of risk amounts calculated based on standards specified by the Commissioner of the FSA.

The amendment to the Insurance Business Act in 2010, which would come into force by 31 March 2012, intends to introduce the SMR standards on a consolidated basis in addition to those on a non-consolidated basis with the aim of protecting policyholders. Although the relevant ministerial ordinance and other related regulations have not yet been promulgated, as a general rule, the new consolidated SMR standards would cover the entire group of companies led by an insurance company or an insurance holding company to reflect the solvency risk of consolidated group companies and of all financial subsidiaries.

Adjusted Net Assets

Adjusted net assets is one of the indicators used to measure the financial soundness of an insurance company, and the FSA examines adjusted net assets to determine whether a life insurance company is functionally insolvent for the purpose of taking prompt corrective action. See “Supervision and Regulation — Prompt Corrective Action” below.

The amount of adjusted net assets is calculated by subtracting non-capital real liabilities from real assets. For this purpose, real assets represent the aggregate amount to be recorded in the asset section of the balance sheet, which is calculated based on on-balance-sheet assets. The amount of real assets is calculated in accordance with the method promulgated by the Cabinet Office and the Ministry of Finance of Japan, which prescribe, among other things, that the amounts of certain assets, such as securities and real estate, are to be calculated at fair value. For this purpose, non-capital real liabilities represent an amount calculated based on the aggregate amount to be recorded in the liability section of the balance sheet (that is, on-balance-sheet liabilities minus certain reserves and allowances, such as reserve for price fluctuations and contingency reserves). Non-capital real liabilities are calculated in accordance with the method promulgated by the FSA and the Ministry of Finance of Japan.

Prompt Corrective Action

The Commissioner of the FSA has the authority to order an insurance company with an insufficient solvency margin ratio or negative adjusted net assets to take prompt corrective action. In general, insurance companies with solvency margin ratios of 200% or higher are considered sound. If the ratio falls below 200%, the Commissioner of the FSA may order the insurance

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company to submit and implement a business improvement plan that will reasonably ensure the soundness of the management. If the ratio falls below 100%, the Commissioner of the FSA may order the insurance company to take measures to enhance solvency, including without limitation:

- suspension or reduction of payment of dividends to shareholders or policyholders, or payment of remuneration to directors;
- revision of the manner of calculation of insurance premiums for new insurance policies;
- reduction of business expenses;
- suspension or reduction of investments in certain manners;
- closure of offices other than the head or main office; and
- curtailment of business of subsidiaries and affiliates.

If the solvency margin ratio falls below 0%, the Commissioner of the FSA may order the insurance company to suspend all or part of its operations for a certain period specified by the Commissioner of the FSA; however, even if the solvency margin ratio falls below 0%, if adjusted net assets is a positive amount or expected to be a positive amount, the Commissioner of the FSA may order a suspension of shareholder and policyholder dividend payments and director compensation, or such other measures as may be taken for a company with a ratio from 0% to 100%, rather than suspending the operations of the company.

Furthermore, even if the solvency margin ratio is above 0%, if adjusted net assets is a negative amount or expected to be a negative amount, the Commissioner of the FSA may order the suspension of operations of the insurance company. As stated above, on invocation of prompt corrective action, both the solvency margin ratio and the substantial insolvency criteria based on the adjusted net assets are considered.

Regulations for the Protection of Policyholders

The Insurance Business Act was amended in 2003 to permit an insurance company which is likely to have difficulty in continuing its business to alter its policy terms and, among other things, reduce the assumed rate of return to policyholders subject to the condition specified in the relevant regulations.

The Insurance Business Act prescribes the establishment and manner of operations of corporations for the protection of insurance policyholders and requires that all non-life insurance companies participate in such a corporation. The Non-Life Insurance Policyholders Protection Corporation of Japan (the “**NLIPPC**”), is the sole corporation for the protection of non-life insurance policyholders that has been established to date. All non-life insurance companies in Japan are members of the LIPPC and make contributions to the NLIPPC pursuant to the Insurance Business Act and the articles of incorporation of the NLIPPC.

The NLIPPC is principally responsible for providing support to maintain outstanding insurance policies issued by failing non-life insurance companies.

The Insurance Act, which was newly promulgated in June 2008 as the law which generally governs insurance contracts. In addition to the establishment of rules for a change of insurance beneficiary and measures to prevent moral hazard and other improvements, the Insurance Act also strengthens policyholder protections, as compared to previous legislative measures.

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Large Shareholders of Insurance Companies

Under the Insurance Business Act, a person who intends to hold 20% or more of the voting rights of an insurance company (defined for the purpose of this section as a major shareholder) including certain shareholders (might include HDR Holders) of the major shareholders, such as shareholders who hold more than 50% of voting rights of a major shareholder, must obtain prior authorisation from the Commissioner of the FSA with certain limited exceptions. In addition, the Commissioner of the FSA may request reports or the submission of materials from, or may inspect any major shareholder if necessary for securing the sound and appropriate operation of the business and protection of policyholders of such insurance company. The Commissioner of the FSA may also impose certain administrative sanctions against major shareholders under the Insurance Business Act, including rescinding the authorisation given to a major shareholder in the event that it violates any laws and regulations or an administrative disposition or acts against the public interest. If a person (might include HDR Holders), without obtaining authorisation from the Prime Minister of Japan, holds 20% or more of the voting rights of an insurance company, the person shall be punished by a non-penal fine of not more than ¥1 million. Also, a company, a director, executive officer, accounting adviser or the members who are to perform the duties of the accounting advisers, auditor, representative person, manager, member who executes the operation, or liquidator of the company shall be punished by a non-penal fine of not more than ¥1 million.

Additionally, under the Insurance Business Act, any person (including certain shareholders (might include HDR Holders) of the person such as shareholders who hold more than 50% of voting rights of such person) who becomes a holder of more than 5% of the voting rights of an insurance company must report its ownership of voting rights or certain changes to the Commissioner of the FSA or other relevant authority specified in the Insurance Business Act, within five Business Days. If a person (might include HDR Holders) has failed to submit a report or submits a report containing a misstatement, the person shall be punished by a non-penal fine of not more than ¥1 million. Also, a company, a director, executive officer, accounting adviser or the members who are to perform the duties of the accounting advisers, auditor, representative person, manager, member who executes the operation, or liquidator of the company shall be punished by a non-penal fine of not more than ¥1 million.

MONEY LENDING BUSINESS ACT

Under the Money Lending Business Act, any company wishing to engage in a money lending business is required to register with the DGLFB or, if all of the sales offices and business offices of the company are located within one prefecture, with the Governor of that prefecture. The registration must be renewed every three years. The relevant registering authority must reject a registration or renewal application if it contains any untrue statements or omissions of material facts, and it may accept or reject an applicant's registration or renewal based on certain criteria, including, among other things, the amount of the applicant's net assets, whether the applicant is related to a crime syndicate or a member of a crime syndicate, whether the applicant is in violation of the Money Lending Business Act or other relevant laws, and the qualifications of the officers or specified employees of the applicant.

The Money Lending Business Act provides for various requirements for a money lender in conducting its money lending business. With respect to loan agreements, the Money Lending Business Act requires a money lender to deliver to a borrower a prescribed document disclosing certain information, such as the principal loan amounts and interest rate of the loan, prior to the execution of the loan agreement, as well as deliver to the borrower prescribed documents indicating certain information about the terms and conditions of the loan agreement without delay after the execution of the loan agreement. In addition, each time a money lender receives a

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payment of all or part of its claims under a loan agreement, it is in principle required to immediately deliver to the payer a written receipt of the payment indicating certain matters specified in the Money Lending Business Act, such as the date of the loan agreement, the loan amount, the date of receipt and the received amount. In addition, if a money lender holds the relevant certificate of indebtedness upon receipt of all of its claims under a loan agreement, it is required to return the certificate to the payer.

Furthermore, a moneylender is subject to various other restrictions, prohibitions and requirements in connection with its money lending business, such as:

- a prohibition against the execution of loan agreements wherein the interest rate of the loan is over the rate prescribed in the Interest Rate Restriction Act Act No. 100 of 1954, as amended ("**Interest Rate Restriction Act**");
- an obligation to investigate the proposed borrower's ability to repay the loan prior to the execution of the loan agreement;
- a prohibition against the execution of loan agreements wherein the amount to be loaned is more than one third of the borrower's salary or other regular income, or is excessive in the light of the proposed borrower's ability to repay the loan;
- an obligation to disclose or explain certain matters, including applicable interest rates, in its advertisements;
- a prohibition against so-called "bait advertising" that is substantially untrue or misleading in connection with the terms of the advertised loans;
- a requirement to keep adequate records regarding its money lending business;
- a requirement to ensure that each of its employees holds a certificate evidencing that he or she is employed by the money lender; and
- restrictions regarding collection activities.

Where a money lender assigns its claims in respect of a loan to a third party or where a third party otherwise becomes entitled to recourse against a borrower in respect of the loan, certain of the restrictions, prohibitions and requirements discussed above also apply to the assignee of the claims, or the person otherwise entitled to such claims, in respect of that loan and, in such case, the money lender has a duty to provide information to the assignee or entitled person, including notice regarding the application of such restrictions, prohibitions and requirements.

The Commissioner of the FSA and the relevant registering authority have the authority to supervise money lenders under the Money Lending Business Act. The Commissioner of the FSA and the relevant registering authority may request that a moneylender make further reports under the Money Lending Business Act and may have the money lender's books, documents and other materials inspected by the personnel of the FSA and the relevant registering authority. The Commissioner of the FSA and the relevant registering authority may suspend all or part of a money lender's business for up to one year under specified circumstances, including the violation of certain provisions of the Money Lending Business Act. The Commissioner of the FSA and the relevant registering authority must revoke the registration of a money lender under specified circumstances, including when it becomes disqualified from being able to register or when it is in significant violation of certain provisions of the Money Lending Business Act.

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CONTRIBUTIONS ACT

Under the Act for Regulation of Receiving Capital Subscription, Deposits, and Interest Rates, etc. (Act No. 195 of 1954, as amended), no person may charge interest at a rate exceeding 20% per year when it makes loans as part of its business. Charging by execution of an agreement, requiring payment of, and receiving interest at a rate exceeding 20% per year are all subject to criminal penalty. Violations of the maximum interest rate restriction are subject to criminal sanctions of imprisonment for up to five years and/or a fine of up to ¥10 million in the case of an individual and up to ¥30 million in the case of an entity whose representative, attorney or employee commits such violation.

INTEREST RATE RESTRICTION ACT

The Interest Rate Restriction Act provides that a loan with an interest rate exceeding a prescribed rate is invalid with respect to the portion exceeding the maximum rate. Prescribed rates are:

- 20% per year for loans with a principal amount of less than ¥100,000;
- 18% per year for loans with a principal amount of ¥100,000 or more but less than ¥1,000,000; and
- 15% per year for loans with a principal amount of ¥1,000,000 or more.

INSTALLMENT SALES ACT

In order to ensure the fairness of transactions with respect to installment sales and others, prevent damage to consumers and manage credit card numbers, the Installment Sales Act (Act No. 159 of 1961, as amended) (“**Installment Sales Act**”) imposes requirements on those who conduct installment sales businesses. In June 2008, revisions to the Installment Sales Act were enacted and, except for certain provisions, took effect in December 2009. The revisions impose more stringent and expanded requirements for credit card companies, including, among others, (1) wider coverage of installment sales under the regulations, (2) measures to prevent inappropriate extensions of credit for a certain type of credit transactions, (3) measures to prevent excessive lending for certain types of credit transactions that include requirements to investigate the payment ability of consumers by use of designated credit information organisations and prohibition of execution of credit agreements that exceed the payment ability of consumers and (4) measures to protect certain information, such as credit numbers.

ACT ON SALES OF FINANCIAL PRODUCTS

The Act on Sales of Financial Products (Act No. 101 of 2000, as amended) (the “**ASFP**”), requires as a general rule financial product providers and their agents and intermediaries, collectively referred to in this section as financial product providers, to inform their general customers of important matters prior to entering into contracts for the sale of financial products as defined under the ASFP. The ASFP defines the sale of financial products to include any conduct designed to cause another person to acquire securities, to open bank accounts, to purchase insurance policies, or to enter into derivative transactions, etc. Important matters required to be informed to a prospective General Customer by financial product providers under the ASFP include the following:

- where there is a risk of loss of principal or loss exceeding principal as a direct result of fluctuations in an index or a change in the business or financial condition of an entity, the risk and the relevant index, information about the relevant entity, or an important part of transaction structure relating thereto; and

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- where there is a limitation on the period during which the right that is the subject of the sale of the financial product can be exercised or the agreement relating to the sale of the financial product can be terminated.

The ASFP provides that a financial product provider shall be liable to a customer for any damage that the customer incurs as a result of the financial product provider's failure to meet the obligations to inform with regard to the important matters described above. For the purpose of mitigating the customers' burden of proof, the ASFP presumes that the amount of damages suffered by a customer is equal to the amount of principal loss by the customer.

Under the ASFP, a financial product provider must endeavour to ensure the appropriateness of its solicitations for sales of financial products. The ASFP requires each financial product provider to establish a solicitation policy and to publish that policy and any amendments thereto through the Internet and other media. A financial product provider that fails to establish or publish its solicitation policy is subject to an administrative penalty of up to ¥500,000.

ANTI-MONEY LAUNDERING ACTS

Under the Act for Prevention of Transfer of Criminal Proceeds (Act No. 22 of 2007, as amended), banks and other financial institutions are required to report to responsible ministers, in the case of banks, the Commissioner of the FSA, any assets which they receive while conducting their businesses that are suspected of being illicit profits from criminal activity. In addition, our Company has strict internal procedures, whereby all operating subsidiaries are required to notify the Compliance Department of the Group of any money-laundering cases identified. The Company confirms that over the Track Record Period there were no money-laundering cases identified.

PERSONAL INFORMATION PROTECTION ACT

With regards to protection of personal information, the Personal Information Protection Act (Act No. 57 of 2003, as amended) became fully effective on 1 April 2005. Among other matters, the law requires the Japanese business operator handling personal information to limit the use of personal information to the stated purpose and to properly manage the personal information in their possession, and forbids them from providing personal information to third parties without consent. If a bank, securities company and insurance company violates certain provisions of the law, the FSA may advise or order the bank, securities company and insurance company to take proper action. The FSA announced related guidelines for the financial services sector in December 2004. In addition, the Banking Act and the FIEA provide certain provisions with respect to appropriate handling of customer information.

ACT CONCERNING PROTECTION OF DEPOSITORS FROM ILLEGAL WITHDRAWALS MADE BY COUNTERFEIT OR STOLEN CARDS

The Act concerning Protection of Depositors from Illegal Withdrawals Made by Counterfeit or Stolen Cards (Act No. 94 of 2005, as amended) became effective in February 2006 and requires financial institutions to establish internal systems to prevent illegal withdrawals of deposits made using counterfeit or stolen bank cards. This act also requires financial institutions to compensate depositors for any amount illegally withdrawn using counterfeit bank cards, unless the financial institution can verify that it acted in good faith without negligence, and there is gross negligence on the part of the relevant account holder.

Anti-Monopoly Act

Private monopolisation, unreasonable restraint of trade and unfair business practices are prohibited under the Anti-Monopoly Act. The Japan Fair Trade Commission ("JFTC"), consisting of five members, enforces provisions of this Law. Its findings are subject to review by Tokyo High

SUPERVISION AND REGULATION

Court. JFTC checks business transfers, mergers and shareholding status (including that of foreign firms), all of which are subject to certain restrictions. Among other things, under the Anti-Monopoly Act, a prior notification is required for certain share acquisitions by corporations. The percentage threshold required to make a prior notification for share acquisitions is 20% and 50% on the basis of voting rights held by “the corporate group” as a whole: group of corporations consisting of the ultimate parent company of the acquiring corporation and its subsidiaries, and the minimum Yen threshold of the acquiring company is 20 billion Yen on the basis of the total domestic turnover of the corporate group and that of the acquired company being 5 billion Yen. If a person (might include HDR Holders) has failed to submit a prior notification or submits a prior notification containing a misstatement, the person shall be punished by a fine of not more than ¥2 million. Also, if a person (might include HDR Holders) made a share acquisition before 30 days have passed from the date of acceptance of a prior notification, the person shall be punished by a fine of not more than ¥2 million. In the case of a company, if the representative person of the company such as a director, or an agent, employee, or other worker of the company has failed to submit a prior notification or submits a prior notification containing a misstatement with regard to the business or property of the company, the offender shall be punished by a fine of not more than ¥2 million, and the company is liable to be punished by a fine of not more than ¥2 million. Also, if the representative person of the company such as a director, or an agent, employee, or other worker of the company made a share acquisition with regard to the business or property of the company before 30 days have passed from the date of acceptance of a prior notification, the offender shall be punished by a fine of not more than ¥2 million, and the company is liable to be punished by a fine of not more than ¥2 million.

BUILDING STANDARD ACT

Under the Building Standard Act (Act No. 201 of 1950, as amended) (“**Building Standard Act**”), any entity that constructs, substantially repairs or remodels, whether by itself or through a third-party contractor, any building that is larger than a certain scale or that is located in certain designated areas must obtain a certificate of prior confirmation for the planned construction, repair or remodelling as well as a certificate of completion thereof from an inspector appointed by the local authorities.

Such certificates confirm that the building, repair or remodelling conforms to the standards prescribed by the Building Standard Act and relevant regulations. The local authorities may order the suspension of construction or the demolition, reconstruction, remodelling or repair of the building, or may prohibit or limit the use of the building if the building does not conform to the relevant building standards. Such standards include those relating to the use, height and structure of buildings, the building-to-land area ratio, and fire prevention, security and sanitation requirements.

CITY PLANNING ACT

The relevant site may be subject to general restrictions under the City Planning Act (Act No. 100 of 1968, as amended), which designates areas where certain usage is not allowed. Any person who intends to perform development activities in specified designated areas must first obtain permission from the relevant governor.

CONSTRUCTION BUSINESS ACT

Under the Construction Business Act of Japan (Act No. 100 of 1949, as amended), any person who intends to engage in the construction business must first obtain a permission from the relevant authorities, and comply with certain prescribed standards.

SUPERVISION AND REGULATION

The permission may be revoked and the business may be suspended by an order of the relevant authorities under certain circumstances.

BUILDING LOTS AND BUILDINGS TRANSACTION BUSINESS ACT

Under the Building Lots and Buildings Transaction Business Act (Act No. 176 of 1952, as amended), any person who intends to engage in the business of the sale and purchase of buildings and building lots, referred to by this law as a real estate trader, must first obtain a licence from the Minister of Land, Infrastructure, Transport and Tourism (“**MLITT**”) or the relevant governor. The MLITT or the relevant governor may revoke such licence or suspend it for a period of up to one year if the real estate trader enters into a transaction that violates the Building Lots and Buildings Transaction Business Act or otherwise engages in substantially inappropriate conduct. This law also requires real estate traders to employ, or otherwise enlist the services of, a certain number of qualified and registered real estate transaction managers.

The Building Lots and Building Transaction Business Act imposes various obligations on real estate traders in connection with their business. For instance, real estate traders must ensure that their real estate transaction managers deliver to real estate purchasers documents setting forth important matters relating to the property and provide sufficient explanations to purchasers before entering into real estate contracts. In addition, the Building Lots and Building Transaction Business Act places limits on the size of deposits that may be collected from a purchaser and on liquidated damages payable to real estate traders and also provides restrictions on advertisements relating to the business of real estate traders.

PHARMACEUTICAL AFFAIRS ACT

Manufacturers and sellers of pharmaceuticals and quasi-pharmaceuticals in Japan are subject to the supervision of the Ministry of Health, Labor and Welfare (the “**MHLW**”) under the Pharmaceutical Affairs Act (Act No. 145 of 1960, as amended) (the “**Pharmaceutical Affairs Act**”).

Under the Pharmaceutical Affairs Act, a person is required to obtain from the Minister of Health, Labor and Welfare (the “**Minister**”) manufacturing and sales licences, in order to conduct the business of selling, leasing, or providing medical equipment, pharmaceuticals, quasi-pharmaceuticals, or cosmetics, that are manufactured or imported by such person.

In order to conduct the business of manufacturing medical equipment, pharmaceuticals, quasi-pharmaceuticals, or cosmetics, a person is also required to obtain from the Minister or a prefectural governor on behalf of the Minister a licence for each factory, which is classified in accordance with the ministerial ordinance of the MHLW.

In addition, in order to manufacture, import and sell, lease, or provide medical equipment, pharmaceuticals, quasi-pharmaceuticals, or cosmetics, it is necessary under the Pharmaceutical Affairs Act to obtain product approval from the Minister for the sale of each new kind of product.

Furthermore, under the Pharmaceutical Affairs Act, the Minister or a prefectural governor may take various measures to supervise manufacturers or sellers of medical equipment, pharmaceuticals, quasi-pharmaceuticals, or cosmetics. For example, the Minister or a prefectural governor may require licenced manufacturers and sellers of medical equipment, pharmaceuticals, quasi-pharmaceuticals, or cosmetics to submit reports, carry out inspections at their factories or offices, and if deemed necessary, monitor their compliance with the laws and regulations.

UNDERWRITING

HONG KONG UNDERWRITERS

Daiwa Capital Markets Hong Kong Limited
CCB International Capital Limited
Haitong International Securities Company Limited
Kingston Securities Limited

INTERNATIONAL UNDERWRITERS

Daiwa Capital Markets Hong Kong Limited
CCB International Capital Limited
Haitong International Securities Company Limited
Kingston Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

PUBLIC OFFERING

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on 30 March 2011. As described in the Hong Kong Underwriting Agreement, we are offering the Public Offer HDRs for subscription on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, our HDRs to be issued as mentioned herein, and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for the Public Offer HDRs which are being offered but are not taken up under the Public Offering on the terms and subject to the conditions of this prospectus and the Application Forms.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for termination

The Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) shall be entitled to give notice in writing to our Company on or prior to 8:00 a.m. on the Listing Date to terminate the Hong Kong Underwriting Agreement if:

- (A) there shall develop, occur, exist or come into effect:
 - (a) any event, or series of events, in the nature of force majeure (including, without limitation, acts of government, declaration of a national or international emergency or war, calamity, crisis, economic sanction, strikes, lock-outs, fire, explosion, flooding, epidemic (including SARS or H5N1 avian flu or any related or mutated forms thereof), earthquake, radiation leakage, civil commotion, riot, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, major accident or prolonged interruption or delay in transportation or acts of terrorism or any state of emergency or calamity or crisis) in or affecting Hong Kong or Japan; or

UNDERWRITING

- (b) any change or development involving a prospective change or development, or any event or series of events or results, likely to result in or represent any change or prospective change, or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States, imposition or declaration of any moratorium, suspension or material restriction on trading in securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the stock exchange in any other member of the European Union, the Nasdaq National Market, the Osaka Stock Exchange or the Tokyo Stock Exchange, or a material devaluation of Hong Kong dollars or the Japanese yen against any foreign currencies, or any moratorium on or disruption in commercial banking activities or foreign exchange or securities settlement or clearance services in or affecting Hong Kong or Japan) in or affecting Hong Kong or Japan; or
- (c) any new law or change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong or Japan; or
- (d) the imposition of economic or other sanctions, in whatever form, directly or indirectly, by, or for Hong Kong or Japan; or
- (e) any material adverse change, event or development occurs in relation to or in connection with any of the legal proceedings, disagreements or disputes as disclosed in the Offering Documents (as defined in the Hong Kong Underwriting Agreement); or
- (f) any litigation or claim of material importance being threatened or instigated against any member of the Group; or
- (g) the chief executive officer of the Company vacating his or her office in circumstances where the operations of the Group may be materially and adversely affected; or
- (h) a material contravention by any member of the Group of the Companies Ordinance, the SFO, the Listing Rules or any applicable Laws of Hong Kong or Japan; or
- (i) a prohibition on the Company for whatever reason from allotting or selling the HDRs or the underlying Shares (including any Shares to be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (j) a petition is presented or an order is made for the winding up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or

UNDERWRITING

- (k) any material adverse change or development involving a prospective change (whether permanent or not) in the assets, liabilities, conditions, reputation, business affairs, prospects, profits or financial or trading position of any member of the Group which is not set forth or described in the Prospectus,

which, individually or in the aggregate, in any such case and in the sole opinion of the Sole Global Coordinator (1) is or will or may have a material adverse effect on the business, financial, trading position or other condition or prospects of the Group as a whole; or (2) is or has or will have or may have a material adverse effect on the success of the Public Offering or the Global Offering or the level of applications under the Public Offering or the level of interest under the International Offering; or (3) is or will or may make it inadvisable, inexpedient or impracticable for the Public Offering and/or the Global Offering to proceed or to market the Public Offering and/or the Global Offering on the terms and in the manner contemplated in the Prospectus; or (4) has or will have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms and which has or may or will have a material adverse effect on the success of the Global Offering or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

- (B) there has come to the notice of the Sole Global Coordinator:
 - (a) that any statement contained in any of the Offer Documents (as defined in the Hong Kong Underwriting Agreement) or any announcement issued by the Company in connection with the Global Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading, or that any forecasts, expressions of opinion, intention or expectation expressed in the Offer Documents (as defined in the Hong Kong Underwriting Agreement) and/or any announcements issued by the Company in connection with the Global Offering (including any supplement or amendment thereto) are not fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of the Prospectus and having not been disclosed in the Prospectus, constitute a material omission therefrom; or
 - (c) any material breach of any of the obligations imposed upon the Company under the Hong Kong Underwriting Agreement; or
 - (d) any event, act or omission which gives or is likely to give rise to any liability of the indemnifying party pursuant to clause 12 of the Hong Kong Underwriting Agreement; or
 - (e) any breach of, or any event rendering untrue or incorrect in any material respect, any of the representations, warranties and undertakings given under the Hong Kong Underwriting Agreement ; or
 - (f) the Company withdraws the Prospectus (and any other documents used in connection with the contemplated subscription and sale of the Offer HDRs and the underlying Shares) or the Global Offering;

then the Sole Global Coordinator, in its sole and absolute discretion, may, on behalf of the Hong Kong Underwriters, upon giving notice to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

UNDERWRITING

INTERNATIONAL PLACING

In connection with the International Placing, it is expected that we will enter into the International Underwriting Agreement with the Sole Global Coordinator and the International Underwriters. Under the International Underwriting Agreement, Daiwa Capital Markets Hong Kong Limited on behalf of the International Underwriters would, subject to certain conditions set out therein, agree to purchase that number of Shares representing the International Offer HDRs being offered pursuant to the International Placing or procure purchasers for such International Offer HDRs.

The Company will grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriters at any time during the period from 14 April 2011 to 28 April 2011 to require the Company issue Shares representing up to an aggregate of 2,500,000 additional HDRs, representing approximately 14.3% of the number of HDRs initially being offered under the Global Offering, at the Offer Price, among other things, to cover stock lending from Yoshitaka Kitao, who is one of our executive Directors, or to cover over-allocations in the International Placing, if any.

See the section headed “Structure and Conditions of the Global Offering — The International Placing — Over-allotment Option and Stock Borrowing Agreements” of this prospectus.

RESTRICTIONS ON ISSUANCE OF HDRS AND SHARES

We have undertaken to the Stock Exchange that any issuance of HDRs and Shares of the Company within six months of the Listing Date will be either be for cash to fund specific acquisitions of assets or business that would contribute to the growth, development and furtherance of the business of our Company or to fund the Group for capital adequacy purposes.

Pursuant to the Underwriting Agreements, the Company undertakes to each of the Underwriters that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), the share acquisition rights referred to in the section headed “Statutory and General Information - Other Information - 8. Share Acquisition Rights” in Appendix VIII to this prospectus, the Stock Borrowing Agreements (if applicable), “third-party allotment” (in accordance with applicable Japanese laws and regulations), stock split or gratuitous allocation of Shares, issuance for the purpose of corporate restructuring, including the proposed acquisition of SBI VeriTrans Co., Ltd. by the Company (but only to the extent where the Shares issued pursuant to such corporate restructuring represent less than 3% of the aggregate sum of (a) the total outstanding shares of the Company on the Price Determination Date; and (b) 1,750,000 Shares purchased by the Underwriters and the 2,500,000 Over-allotment HDRs which may be issued by us under the Global Offering (representing a total of 20,000,000 Offer HDRs assuming that the Over-allotment Option is exercised in full), without the prior written consent of the Sole Global Coordinator (on behalf of the Underwriters) and, unless in compliance with the requirements of the Listing Rules, no further Shares, HDRs or securities convertible into equity securities of the Company (whether or not of a class already listed) may be issued by the Company or form the subject of any agreement to such an issue by the Company within 180 days from 12 April 2011 (whether or not such issue of Shares, HDRs or securities will be completed within 180 days from 12 April 2011). Notwithstanding the foregoing, the Sole Global Coordinator may, at its sole discretion, waive any of the foregoing limitations or reduce the period during which such restrictions apply.

COMMISSION AND EXPENSES

Under the terms and conditions of the Underwriting Agreements, the Underwriters will receive a gross underwriting commission of 3.0% of the aggregate sum of one-tenth of the Hong Kong dollar equivalent of the TSE Market Price for each Underlying Share representing the relevant Offer HDRs, multiplied by the total number of Offer HDRs and any over-allotment HDRs, out of which they will pay any sub-underwriting commissions.

UNDERWRITING

Assuming the Over-allotment Option is not exercised at all and based on the maximum Offer Price of HK\$145.52, the fees and commissions in connection with the Global Offering, together with the Hong Kong Stock Exchange listing fees, the SFC transaction levy, the Hong Kong Stock Exchange trading fee, legal and other professional fees, printing, and other expenses relating to the Global Offering, are estimated to amount to approximately HK\$141.0 million in aggregate.

We have agreed to indemnify the Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Underwriting Agreements and any breach by us of the Underwriting Agreements.

UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for its obligations under the relevant Underwriting Agreements or as disclosed above, none of the Underwriters is interested legally or beneficially in any shares of any of our members or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of our members in the Global Offering.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Public Offering which forms part of the Global Offering. The Global Offering comprises:

- (i) the Public Offering of 1,750,000 HDRs (subject to adjustment as mentioned below) in Hong Kong as described below in the paragraph headed “The Public Offering”; and
- (ii) the International Placing of an aggregate of 15,750,000 HDRs (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S.

Investors may apply for HDRs under the Public Offering or apply for or indicate an interest for HDRs under the International Placing, but may not do both.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offering.

THE PUBLIC OFFERING

Number of HDRs initially offered

We are initially offering 1,750,000 HDRs for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of HDRs initially available under the Global Offering. Subject to the reallocation of HDRs between (i) the International Placing and (ii) the Public Offering, the Public Offer HDRs will represent approximately 0.8% of our Company’s enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Public Offering is subject to the conditions as set out in the paragraph headed “Conditions of the Global Offering”.

Allocation

Allocation of HDRs to investors under the Public Offering will be based solely on the level of valid applications received under the Public Offering. The basis of allocation may vary, depending on the number of Public Offer HDRs validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer HDRs, and those applicants who are not successful in the ballot may not receive any Public Offer HDRs.

The total number of Offer HDRs available under the Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: pool A and pool B. The Offer HDRs in pool A will consist of 875,000 Offer HDRs and will be allocated on an equitable basis to applicants who have applied for Offer HDRs with an aggregate price of HK\$5 million or less (excluding the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable). The Offer HDRs in pool B will consist of 875,000 Offer HDRs and will be allocated on an equitable basis to applicants who have applied for Offer HDRs with an aggregate price of more than HK\$5 million and up to the total value of pool B (excluding the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable). Investors should be aware

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

that applications in pool A and applications in pool B may receive different allocation ratios. If Offer HDRs in one (but not both) of the pools are under-subscribed, the surplus Offer HDRs will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer HDRs means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer HDRs from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 875,000 Offer HDRs, being the number of Offer HDRs initially allocated to each pool, are to be rejected.

Reallocation

The allocation of the Offer HDRs between the Public Offering and the International Placing is subject to adjustment. If the number of Offer HDRs validly applied for under the Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Offer HDRs initially available under the Public Offering, then Offer HDRs will be reallocated to the Public Offering from the International Placing. As a result of such reallocation, the total number of Offer HDRs available under the Public Offering will be increased to 5,250,000 Offer HDRs (in the case of (i)), 7,000,000 Offer HDRs (in the case of (ii)) and 8,750,000 Offer HDRs (in the case of (iii)), representing approximately 30%, 40% and 50% of the Offer HDRs initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer HDRs reallocated to the Public Offering will be allocated between pool A and pool B and the number of Offer HDRs allocated to the International Placing will be correspondingly reduced in such manner as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may reallocate Offer HDRs from the International Placing to the Public Offering to satisfy valid applications under the Public Offering.

If the Public Offering is not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Public Offer HDRs to the International Placing, in such proportions as the Sole Global Coordinator deems appropriate.

Applications

Each applicant under the Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer HDRs under the International Placing, and such applicant’s application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer HDRs under the International Placing.

Applicants under the Public Offering are required to pay, on application, the maximum price of HK\$145.52 per Offer HDR in addition to the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable on each Offer HDR. If the Offer Price, as finally determined in the manner described in the paragraph headed “Pricing and Allocation” below, is less than the maximum price of HK\$145.52 per Offer HDR, appropriate refund payments (including the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed “How to Apply for Public Offer HDRs” in this prospectus.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE INTERNATIONAL PLACING

Number of Offer HDRs offered

The International Placing will consist of an initial offering of 15,750,000 HDRs representing approximately 90% of the total number of Offer HDRs initially available under the Global Offering.

Allocation

The International Placing will include selective marketing of Offer HDRs to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer HDRs. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer HDRs pursuant to the International Placing will be effected in accordance with the “book-building” process described in the paragraph headed “Pricing and Allocation” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further HDRs, and/or hold or sell its HDRs, after the listing of our HDRs on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of our HDRs on a basis which would lead to the establishment of a solid professional and institutional Shareholder base to the benefit of our Company and its Shareholders as a whole.

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Offer HDRs under the International Placing and who has made an application under the Public Offering, to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Public Offering and to ensure that they are excluded from any application of Offer HDRs under the Public Offering.

Over-allotment Option and Stock Borrowing Agreements

In connection with the Global Offering, it is expected that the Company will grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Global Coordinator on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Sole Global Coordinator at any time during the period from 14 April 2011 to 28 April 2011, to require the Company issue Shares representing up to an aggregate of 2,500,000 additional HDRs, representing approximately 14.3% of the number of HDRs initially being offered under the Global Offering, at the Offer Price, among other things, to cover stock lending from Yoshitaka Kitao, who is one of our executive Directors, or to cover over-allocations in the International Placing, if any. If the Over-allotment Option is exercised in full, the additional International Offer HDRs will represent approximately 1.1% of our enlarged issued share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a press announcement will be made.

In order to facilitate the settlement of over-allotment in connection with the International Placing, Daiwa Securities may borrow Shares from Yoshitaka Kitao, who is one of our executive Directors, under the Stock Borrowing Agreements and transfer such Shares to the Sole Global Coordinator or the Sole Global Coordinator may acquire Shares or HDRs from other sources.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Stabilization

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and a number of other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, Daiwa Capital Markets Hong Kong Limited, its affiliates or any person acting for them, as stabilizing manager, on behalf of the Underwriters, may effect transactions with a view to stabilizing or supporting the market price of our HDRs at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on Daiwa Capital Markets Hong Kong Limited, its affiliates or any persons acting for them, to conduct any such stabilizing action. Such stabilization action, if commenced, may be discontinued at any time, and is required to be brought to an end after a limited period. Should stabilizing transactions be effected in connection with the Global Offering, this will be at the absolute discretion of Daiwa Capital Markets Hong Kong Limited, its affiliates or any person acting for them.

Stabilization activities will only be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization. Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules, as amended, includes (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of our HDRs, (ii) selling or agreeing to sell our HDRs so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our HDRs, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, our HDRs pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our HDRs for the sole purpose of preventing or minimising any reduction in the market price of our HDRs, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in the Offer HDRs should note that:

- Daiwa Capital Markets Hong Kong Limited, its affiliates or any person acting for them, may, in connection with the stabilizing action, maintain a long position in our HDRs;
- there is no certainty regarding the extent to which and the time or period for which Daiwa Capital Markets Hong Kong Limited, its affiliates or any person acting for them, will maintain such a long position;
- liquidation of any such long position by Daiwa Capital Markets Hong Kong Limited, its affiliates or any person acting for them, may have an adverse impact on the market price of our HDRs;
- no stabilizing action can be taken to support the price of our HDRs for longer than the stabilizing period which will begin on the Listing Date, and is expected to expire on 6 May 2011, being the 30th day after the last date for lodging applications under the Public Offering. After this date, when no further stabilizing action may be taken, demand for our HDRs, and therefore the price of our HDRs, could fall;
- the price of our HDRs cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, our HDRs.

Over-allocation

Following any over-allocation of HDRs in connection with the Global Offering, the Sole Global Coordinators, its affiliates or any person acting for them may cover stock lending from Yoshitaka Kitao, who is one of our executive Directors or to cover such over-allocation, if any, by (among other methods) using Shares purchased by the Sole Global Coordinator, its affiliates or any person acting for them in the secondary market, exercising the Over-allotment Option in full or in part. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilization, the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be issued upon exercise of the Over-allotment Option, being Shares representing up to an aggregate of 2,500,000 HDRs, representing approximately 14.3% of the Offer HDRs initially available under the Global Offering.

Pricing and allocation

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer HDRs in the International Placing. Prospective professional and institutional investors will be required to specify the number of Offer HDRs under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Public Offering.

Pricing for the Offer HDRs for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Wednesday, 6 April 2011 and in any event on or before Friday, 8 April 2011, by agreement between the Sole Global Coordinator, on behalf of the Underwriters, and our Company and the number of Offer HDRs to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price per Offer HDR under the Public Offering will be identical to the Offer Price per Offer HDR under the International Placing based on the Hong Kong dollar price per Offer HDR under the International Placing, as determined by the Sole Global Coordinator, on behalf of the Underwriters, and our Company. The Offer Price per Offer HDR under the Public Offering will be fixed at the Hong Kong dollar amount which, when increased by the 1% brokerage, 0.003% SFC transaction levy and 0.005% Hong Kong Stock Exchange trading fee payable thereon, is (subject to any necessary rounding) effectively equivalent to the Hong Kong dollar price per Offer HDR under the International Placing. The SFC transaction levy and the Hong Kong Stock Exchange trading fee otherwise payable by investors in the International Placing on Offer HDRs purchased by them will be paid by us.

The Offer Price will not be more than HK\$145.52 per Offer HDR and is expected to be not less than the Discounted TSE Market Price unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offering.

The Sole Global Coordinator, on behalf of the Underwriters, may, where it considers it appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer HDRs below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offering. In such a case, we will, as soon

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as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offering, cause there to be published in the *South China Morning Post* (in English) and the *Hong Kong Economic Times* (in Chinese) notices of the reduction. Such notice will also be available at the website of the Stock Exchange at www.hkexnews.hk. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer HDRs may not be made until the day which is the last day for lodging applications under the Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. If applications for Public Offer HDRs have been submitted prior to the day which is the last day for lodging applications under the Public Offering, such applications can be subsequently withdrawn if the number of Offer HDRs is so reduced. In the absence of any such notice so published, the number of Offer HDRs will not be reduced from what is stated in this prospectus.

In the event of a reduction in the number of Offer HDRs, the Sole Global Coordinator may, at its discretion, reallocate the number of Offer HDRs to be offered in the Public Offering and the International Placing, provided that the number of Offer HDRs comprised in the Public Offering shall not be less than 10% of the total number of Offer HDRs available under the Global Offering (assuming the Over-allotment Option is not exercised). The Offer HDRs to be offered in the Public Offering and the Offer HDRs to be offered in the International Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Sole Global Coordinator.

The net proceeds from the Global Offering accruing to us (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering, assuming that the Over-allotment Option is not exercised), are estimated to be approximately HK\$2,405.6 million, assuming an Offer Price of HK\$145.52 per Offer HDR, being the maximum Offer Price.

The final Offer Price, the level of indications of interest in the Global Offering and the basis of allotment of Offer HDRs available under the Public Offering are expected to be announced on Wednesday, 13 April 2011 in the *South China Morning Post* (in English) and the *Hong Kong Economic Times* (in Chinese).

HONG KONG UNDERWRITING AGREEMENT

The Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Sole Global Coordinator, on behalf of the Underwriters, agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Placing on the Price Determination Date.

These underwriting arrangements, and the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarised in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer HDRs pursuant to the Global Offering will be conditional on:

- (i) the Listing Committee of the Hong Kong Stock Exchange granting approval for the listing of, and permission to deal in, our HDRs being offered pursuant to the Global Offering (subject only to issuance);

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

- (ii) the execution and delivery of the International Underwriting Agreement on the Price Determination Date; and
- (iii) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 April 2011.

If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (on behalf of the Underwriters) on or before Friday, 8 April 2011, the Global Offering will not proceed and will lapse.

The consummation of each of the Public Offering and the International Placing, as the case may be, is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Public Offering will be published by our Company in the *South China Morning Post* (in English) and the *Hong Kong Economic Times* (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Public Offer HDRs — Results of allocations” and “How to Apply for Public Offer HDRs — Despatch/collection of HDR certificates and refund cheque”. In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

HDR certificates for the Offer HDRs will only become valid certificates of title at 8:00 a.m. on Thursday, 14 April 2011 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Public Offering — Grounds for Termination” has not been exercised.

CLOSING AND SETTLEMENT

For the purpose of settlement and completion of the Global Offering and the timely delivery of HDRs to investors, underlying Shares are required to be deposited with the Custodian so that the Depositary is in a position to issue HDRs before delivery of the same to investors at completion. From and after completion of the Global Offering, the Shares deposited with the Custodian will then be held for the account of the Depositary on behalf of the HDR Holders. For further details, see the section headed “Description of Hong Kong Depositary Receipts” in this prospectus.

Under the Companies Act, a subscriber for shares shall become the shareholder of such shares only and as from the day that the subscriber has paid the required contribution for such shares, and the transfer of shares shall not be perfected against the company unless the name and address of the person who acquires those shares is stated or recorded in the shareholder register. For further details, see the section headed “Summary of the Constitution of our Company, Certain TSE and OSE Listing Regulations and Japanese Corporations Law — 3. Japanese Corporations Laws — (8) Transfer of shares” in Appendix V to this prospectus.

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Due to the above Japanese law requirements, and owing to our settlement agents' operational and procedural requirements, Shares subscribed for must be fully paid up before they can be issued, and then deposited with the Custodian. It is only after Shares have been deposited with the Custodian that the Depositary will be in a position to issue HDRs representing those Shares.

In order to facilitate settlement and completion of the Global Offering, the Hong Kong Underwriters have entered into the Hong Kong Underwriting Agreement, and the International Underwriters will enter into the International Underwriting Agreement, to, among other things, subscribe Shares from the Company and pay in full for the Shares in accordance with their respective underwriting commitments two days prior to the Listing Date. Daiwa Capital Markets Hong Kong Limited as the Sole Global Coordinator, shall subscribe for and pay in full the Shares for and on behalf of the Hong Kong Underwriters and International Underwriters. Daiwa Capital Markets Hong Kong Limited will then deposit the Shares subscribed by the Underwriters with the Custodian in order that the Depositary can issue and allot, and effect timely delivery of, HDRs to investors. Upon completion of the Global Offering, on the basis that the Offer HDRs are fully subscribed, the Underwriters will receive the gross proceeds from the Global Offering, the issue, allotment and delivery of HDRs will become effective, and Daiwa Capital Markets Hong Kong Limited will cease to have an interest in the underlying Shares represented by the HDRs.

The Underwriters may hold HDRs upon completion of the Global Offering pursuant to the terms of their respective underwriting commitments, but none of the Underwriters is expected to become a substantial shareholder (as defined in the Listing Rules) of our Company immediately after the Global Offering (assuming the Over-Allotment Option is exercised in full), based on the enlarged share capital of the Company.

DEALING

Assuming that the Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 14 April 2011, it is expected that dealings in our HDRs on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Thursday, 14 April 2011.

HOW TO APPLY FOR PUBLIC OFFER HDRS

WHO CAN APPLY FOR THE PUBLIC OFFER HDRS AND METHODS TO APPLY

You can apply for the Public Offer HDRs available for subscription by the public on a **WHITE** or **YELLOW** Application Form, if you or any person(s) for whose benefit you are applying, are an individual, and:

1. are 18 years of age or older;
2. have a Hong Kong address;
3. are outside the United States; and
4. are not a US Person (as defined in Regulation S of the US Securities Act 1933, as amended).

If you wish to apply for Public Offer HDRs online through the **White Form eIPO** service (www.eipo.com.hk), you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO**.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the Application Form must be signed by a duly authorised officer, who must state his or her representative capacity.

If an application is made by a person who is a duly authorised attorney, we and the Sole Global Coordinator or its agents and nominees as our agents may accept it at our/their discretion, and subject to any conditions we/it think fit, including production of evidence of the authority of the attorney.

We and the Sole Global Coordinator, in its capacity as our agent, each have full discretion to reject or accept any application, in full or in part, without assigning any reason.

The number of joint applicants may not exceed four.

The Public Offer HDRs are not available to existing beneficial owners of our Shares, or Directors or chief executives of our Company or any of our subsidiaries, or their respective associates (as defined in the Listing Rules); or any other connected persons (as defined in the Listing Rules) of our Company or persons who will become connected persons (as defined in the Listing Rules) immediately upon completion of the Global Offering.

You may apply for Public Offer HDRs under the Public Offering or indicate an interest for International Offer HDRs under the International Placing, but you may not do both.

METHODS OF APPLYING FOR THE HONG KONG PUBLIC OFFER HDRS

There are three ways to make an application for Public Offer HDRs. You may either (i) use a **WHITE** or **YELLOW** Application Form; (ii) apply online through the designated website of the **White Form eIPO** Service Provider, referred to herein as the "**White Form eIPO**" service; or (iii) **electronically** instruct HKSCC to cause HKSCC Nominees to apply for Public Offer HDRs on your

HOW TO APPLY FOR PUBLIC OFFER HDRS

behalf. Except where you are a nominee and provide the required information in your application, you or your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** and **YELLOW** Application Forms or applying online through **White Form eIPO** service or by giving **electronic application instructions** to HKSCC.

1. Applying by using a **WHITE** or **YELLOW** Application Form

Which Application Form to use

Use a **WHITE** Application Form if you want the Public Offer HDRs issued in your own name.

Use a **YELLOW** Application Form if you want the Public Offer HDRs to be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 31 March 2011 until 12:00 noon on Wednesday, 6 April 2011 from:

Daiwa Capital Markets Hong Kong Limited
Level 26, One Pacific Place
88 Queensway
Hong Kong

CCB International Capital Limited
34/F, Two Pacific Place
88 Queensway
Hong Kong

Haitong International Securities Company Limited
25/F, New World Tower
16-18 Queen's Road Central
Hong Kong

Kingston Securities Limited
Unit 2801, 28/F
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

HOW TO APPLY FOR PUBLIC OFFER HDRS

or any of the following branches of Bank of China (Hong Kong) Limited:

	Branch name	Branch address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Quarry Bay Branch	Parkvale, 1060 King's Road, Quarry Bay
	King's Road Branch	131-133 King's Road, North Point
	Aberdeen Branch	25 Wu Pak Street, Aberdeen
Kowloon	To Kwa Wan Branch	80N To Kwa Wan Road, To Kwa Wan
	Hoi Yuen Road Branch	55 Hoi Yuen Road, Kwun Tong
	Shanghai Street (Mong Kok) Branch	611-617 Shanghai Street, Mong Kok
	Humphrey's Avenue Branch	4-4A Humphrey's Avenue, Tsim Sha Tsui
New Territories	Castle Peak Road (Tsuen Wan) Branch	201-207 Castle Peak Road, Tsuen Wan
	Metro City Branch	Shop 209, Level 2, Metro City Phase 1, Tseung Kwan O
	Castle Peak Road (Yuen Long) Branch	162 Castle Peak Road, Yuen Long

HOW TO APPLY FOR PUBLIC OFFER HDRS

or any of the following branches of Standard Chartered Bank (Hong Kong) Limited:

	Branch name	Branch address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
	Hennessy Road Branch	399 Hennessy Road, Wanchai
	Quarry Bay Branch	G/F, Westlands Gardens, 1027 King's Road, Quarry Bay
Kowloon	Kwun Tong Hoi Yuen Road	G/F, Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong, Kowloon
	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
	Tsimshatsui Branch	G/F, 10 Granville Road, Tsimshatsui
New Territories	Shatin Centre Branch	Shop 32C, Level 3, Shatin Shopping Arcade, Shatin Centre, 2-16 Wang Pok Street, Shatin
	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan
	Yuen Long Fung Nin Road Branch	Shop B at G/F and 1/F, Man Cheong Building, 247 Castle Peak Road, Yuen Long

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 31 March 2011 until 12:00 noon on Wednesday, 6 April 2011 from:

- (1) the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or
- (2) your stockbroker, who may have such Application Forms and this prospectus available.

HOW TO APPLY FOR PUBLIC OFFER HDRS

How to complete the Application Form

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow these instructions your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated in the Application Form.

You should note that by completing and submitting the Application Form you (and if you are joint applicants, each of you jointly and severally), for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee, among other things:

- (i) confirm that you have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set out in any supplement to this prospectus;
- (ii) agree that we, the Sole Global Coordinator, the Hong Kong Underwriters and any of our or their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering are liable only for the information and representations contained in this prospectus and any supplement thereto;
- (iii) undertake and confirm that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application (if any) have not indicated an interest for, applied for or taken up any International Offer HDRs or otherwise participated in the International Placing; and
- (iv) agree to disclose to our Company and/or our Depositary, the receiving banker, the Sole Global Coordinator, the Hong Kong Underwriters and their respective advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application (if any).

In order for the **YELLOW** Application Forms to be valid you, as the applicant, must complete the Application Form as indicated below and sign on the first page of the Application Form. Only written Signatures will be accepted.

(i) If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):

- (a) the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box in the Application Form.

(ii) If the application is made by an individual CCASS Investor Participant:

- (a) the Application Form must contain the CCASS Investor Participant's name and Hong Kong identity card number; and
- (b) the participant I.D. must be inserted in the appropriate box in the Application Form.

(iii) If the application is made by a joint individual CCASS Investor Participant:

- (a) the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong identity card number of all joint CCASS Investor Participants; and
- (b) the participant I.D. must be inserted in the appropriate box in the Application Form.

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(iv) If the application is made by a corporate CCASS Investor Participant:

- (a) the Application Form must contain the CCASS Investor Participant's company name and Hong Kong business registration number; and
- (b) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of participant I.D. and/or company chop bearing its company name or other similar matters may render the application invalid.

If your application is made through a duly authorised attorney, we and the Sole Global Coordinator or its agents and nominees, as our agents, may accept it at our/its discretion, and subject to any conditions we/they think fit, including evidence of the authority of your attorney. We and the Sole Global Coordinator or its agents and nominees, in their capacity as our agents, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

How to make payment for the application

Each completed **WHITE** or **YELLOW** Application Form must be accompanied by either one cheque or one banker's cashier order, which must be stapled to the top left hand corner of the Application Form.

If you pay by cheque, the cheque must:

- be in Hong Kong dollars;
- be drawn on your Hong Kong dollar bank account in Hong Kong;
- bear an account name (or, in the case of joint applicants, the name of the first-named applicant) (either pre-printed on the cheque or endorsed on the reverse of the cheque by an authorised signatory of the bank on which it is drawn), which must be the same as the name on your Application Form (or, in the case of joint applicants, the name of the first-named applicant). If the cheque is drawn on a joint account, one of the joint account names must be the same as the name of the first-named applicant;
- be made payable to Bank of China (Hong Kong) Nominees Limited —SBI Public Offer;
- be crossed "Account Payee Only"; and
- not be post-dated.

Your application may be rejected if your cheque does not meet all of these requirements or is dishonored on first presentation.

If you pay by banker's cashier order, the banker's cashier order must:

- be in Hong Kong dollars;
- be issued by a licenced bank in Hong Kong and have your name certified on the reverse of the banker's cashier order by an authorised signatory of the bank on which it is drawn. The name on the reverse of the banker's cashier order and the name on the Application Form must be the same. If the application is a joint application, the name on the back of the banker's cashier order must be the same as the name of the first-named applicant;

HOW TO APPLY FOR PUBLIC OFFER HDRS

- be made payable to Bank of China (Hong Kong) Nominees Limited — SBI Public Offer;
- be crossed “Account Payee Only”; and
- not be post-dated.

Your application may be rejected if your banker’s cashier order does not meet all of these requirements.

The right is reserved to present all or any remittance for payment. However, your cheque or banker’s cashier order will not be presented for payment before 12:00 noon on Wednesday, 6 April 2011. We will not give you a receipt for your payment. We will keep any interest accrued on your application monies (up until, in the case of monies to be refunded, the date of despatch of refund cheque). The right is also reserved to retain any HDR certificates and/or any surplus application monies or refunds pending clearance of your cheque or banker’s cashier order.

How many applications you may make

Please refer to the section headed “Further Terms and Conditions of the Public Offering — 5. Multiple applications” in this prospectus.

Members of the public — time for applying for Public Offer HDRs

Completed **WHITE** or **YELLOW** Application Forms, together with payment attached, must be lodged by 12:00 noon on Wednesday, 6 April 2011, or, if the application lists are not open on that day, then by 12:00 noon on the next day the lists are open.

Your completed **WHITE** or **YELLOW** Application Form, with full payment in Hong Kong dollars attached, should be deposited in the special collection boxes provided at any of the branches of Bank of China (Hong Kong) Limited or Standard Chartered Bank (Hong Kong) Limited listed under the section headed “Where to collect the Application Forms” at the specified times on the following dates:

Thursday, 31 March 2011 — 9:00 a.m. to 5:00 p.m.
Friday, 1 April 2011 — 9:00 a.m. to 5:00 p.m.
Saturday, 2 April 2011 — 9:00 a.m. to 1:00 p.m.
Monday, 4 April 2011 — 9:00 a.m. to 5:00 p.m.
Wednesday, 6 April 2011 — 9:00 a.m. to 12:00 noon

The application lists will be open from **11:45 a.m. to 12:00 noon** on Wednesday, 6 April 2011.

No proceedings will be taken on applications for the Public Offer HDRs and no allotment of any such Public Offer HDRs will be made until after the closing of the application lists. No allotment of any of our Public Offer HDRs will be made after the closing of the application lists.

Effect of bad weather on the opening of the application lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning signal,

HOW TO APPLY FOR PUBLIC OFFER HDRS

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 6 April 2011. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

For the purpose of this section, Business Day means a day that is not a Saturday, Sunday or public holiday in Hong Kong.

Results of allocations

We expect to announce the Offer Price, the level of indication of interest in the International Placing, the basis of allotment and the results of applications of successful applicants under the Public Offering on Wednesday, 13 April 2011 in the *South China Morning Post* (in English) and the *Hong Kong Economic Times* (in Chinese) or on our website at www.sbigroup.co.jp and the website of the Hong Kong Stock Exchange at www.hkexnews.hk.

The results of allocations, including the Hong Kong Identity Card/passport/Hong Kong Business Registration numbers of successful applicants (where appropriate) under the Public Offering will be available at the times and date and in the manner specified below:

- results of allocations for the Public Offering will be available from our designated results of allocations website at www.iporeresults.com.hk on a 24-hour basis from 8:00 a.m. on Wednesday, 13 April 2011 to 12:00 midnight on Tuesday, 19 April 2011. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its Application Form to search for his/her/its own allocation result;
- results of allocations will be available from our Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Public Offer HDRs allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, 13 April 2011 to Saturday, 16 April 2011;
- special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Wednesday, 13 April 2011 to Friday, 15 April 2011 at all the receiving bank branches and sub-branches at the addresses set out in the paragraph headed “How to Apply for Public Offer HDRs — Where to collect the Application Forms” of this prospectus; and
- results of allocations for the Public Offering can be found in the announcement to be posted on the Company’s website at www.sbigroup.co.jp. and the website of the Hong Kong Stock Exchange at www.hkexnews.hk on Wednesday, 13 April 2011.

Despatch/collection of HDR certificates and refund cheque

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the initial price per Public Offer HDR (excluding the brokerage fee, the SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon) paid on application, or if the conditions of the Global Offering are not fulfilled in accordance with the section entitled “Structure of the Global Offering — Conditions of the Public Offering” or if any application is revoked or any allocation pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage fee, the SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

HOW TO APPLY FOR PUBLIC OFFER HDRS

You will receive one HDR certificate for all the Public Offer HDRs issued to you under the Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC where the HDR certificates will be deposited into CCASS as described below).

No temporary documents of title will be issued in respect of the Public Offer HDRs. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course, these will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on your Application Form:

- (a) (i) HDR certificates for all the Public Offer HDRs applied for, if the application is wholly successful; or (ii) HDR certificates for the number of Public Offer HDRs successfully applied for, if the application is partially successful (except for wholly successful and partially successful applicants on **YELLOW** Application Forms whose HDR certificates will be deposited into CCASS as described below); and/or
- (b) refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Public Offer HDRs unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the initial price per Public Offer HDR paid on application in the event that the Offer Price is less than the initial price per Public Offer HDR paid on application, in each case including the brokerage fee of 1%, the SFC transaction levy of 0.003% and the Hong Kong Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest.

Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and HDR certificates for successful applicants under **WHITE** Application Forms are expected to be posted on or before Wednesday, 13 April 2011. The right is reserved to retain any HDR certificate(s) and any surplus application monies pending clearance of cheque(s).

(a) If you apply using a WHITE Application Form:

- If you apply for 50,000 Public Offer HDRs or more on a **WHITE** Application Form and have indicated in your Application Form that you wish to collect refund cheque(s) (where applicable) and/or HDR certificate(s) (where applicable) in person and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and HDR certificate(s) (where applicable) from Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 13 April 2011 or any other date as notified by us in the newspapers as the date of despatch of refund cheques/HDR certificates.
- If you are an individual who has applied for 50,000 Public Offer HDRs or more and who opt for personal collection, you must not authorise any other person to make collection

HOW TO APPLY FOR PUBLIC OFFER HDRS

on your behalf. If you are a corporate applicant who has applied for 50,000 Public Offer HDRs or more and which opt for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited.

- If you do not collect your refund cheque(s) (where applicable) and/or HDR certificate(s) (where applicable) within the time specified for collection, they will be sent to the address as specified in your Application Form in the afternoon on the date of despatch by ordinary post and at your own risk.

If you have applied for 50,000 Public Offer HDRs or above and have not indicated on your Application Form that you will collect your HDR certificate(s) and/or refund cheque(s) (if any) in person, or you have applied for less than 50,000 Public Offer HDRs or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Public Offering," or if your application is revoked or any allotment pursuant thereto has become void, your HDR certificate(s) (where applicable) and/or refund cheque(s) (where applicable) in respect of the application monies or the appropriate parties thereof, together with the related brokerage fee, the Hong Kong Stock Exchange trading fee, the SFC transaction levy, if any, (without interest) will be sent to the address on your Application Form on Wednesday, 13 April 2011 by ordinary post and at your own risk.

HDR certificates will only become valid certificates of title at 8:00 a.m. on Thursday, 14 April 2011 provided that the Public Offering has become unconditional in all respects and the right of termination described in the section entitled "Underwriting — Grounds for Termination" has not been exercised.

(b) If you apply using a YELLOW Application Form:

If you apply for Public Offer HDRs using a **YELLOW** Application Form and your application is wholly or partially successful, your HDR certificate(s) will be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on Wednesday, 13 April 2011, or in the event of contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) for Public Offer HDRs credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Public Offer HDRs allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, we expect to publish the results of CCASS Investor Participants' applications together with the results of the Public Offering, on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and the Company's website at www.sbigroup.co.jp, in the *South China Morning Post* (in English) and the *Hong Kong Economic Times* (in Chinese) on Wednesday, 13 April 2011. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 13 April 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer HDRs to your CCASS Investor Participant stock account, you can check the number of Public Offer HDRs allocated to you via the CCASS Phone System and the CCASS

HOW TO APPLY FOR PUBLIC OFFER HDRS

Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Public Offer HDRs credited to your CCASS Investor Participant stock account.

If you apply for 50,000 Public Offer HDRs or more and you have elected on your **YELLOW** Application Form to collect your refund cheque(s) (if any) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you have applied for 50,000 Public Offer HDRs or above and have not indicated on your Application Forms that you will collect your refund cheque(s) (if any) in person, or you do not collect your refund cheque(s) (if any) in person within the time specified for its collection where you have indicated on your **YELLOW** Application Form that you wish to collect such in person, or you have applied for less than 50,000 Offer HDRs or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Public Offering are not fulfilled in accordance with the section headed "Structure and Conditions of the Global Offering — Conditions of the Global Offering" or if your application is revoked or any allotment pursuant thereto has become void, your refund cheque(s) (where applicable) in respect of the application monies or the appropriate parties thereof, together with the related brokerage fee, the Hong Kong Stock Exchange trading fee, the SFC transaction levy, if any, (without interest) will be sent to the address on your Application Form on Wednesday, 13 April 2011 by ordinary post and at your own risk.

2. Applying by using White Form eIPO

- (i) You may apply through **White Form eIPO** by submitting an application through the designated website at www.eipo.com.hk. If you apply through **White Form eIPO** the Shares will be issued in your own name.
- (ii) Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at www.eipo.com.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **White Form eIPO** Service Provider and may not be submitted to our Company.
- (iii) The designated **White Form eIPO** Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website at www.eipo.com.hk. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.
- (iv) By submitting an application to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service, you are deemed to have authorised the designated **White Form eIPO** Service Provider to transfer the details of your application to our Company and our HDR Registrar.
- (v) You may submit an application through the **White Form eIPO** service in respect of a minimum of 50 Public Offer HDRs. Each **electronic application instruction** in respect of more than 50 Public Offer HDRs must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at www.eipo.com.hk.
- (vi) You should give **electronic application instructions** through **White Form eIPO** at the times set out in the paragraph headed "Members of the public — Time for applying for the Public Offer HDRs by using White Form eIPO."

HOW TO APPLY FOR PUBLIC OFFER HDRS

- (vii) You should make payment for your application made by **White Form eIPO** service in accordance with the methods and instructions set out in the designated website at www.eipo.com.hk. If you do not make complete payment of the application monies (including the brokerage fee, the Hong Kong Stock Exchange trading fee, and the SFC transaction levy) on or before 12:00 noon on Wednesday, 6 April 2011, or such later time as described under the paragraph headed “Effect of Bad Weather on the Opening of the Application Lists”, the designated **White Form eIPO** Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.eipo.com.hk.
- (viii) Warning: The application for Public Offer HDRs through the **White Form eIPO** service is only a facility provided by the designated **White Form eIPO** Service Provider to public investors. Our Company, our Directors, the Sole Global Coordinator and the Hong Kong Underwriters take no responsibility for such applications, and provide no assurance that applications through the **White Form eIPO** service will be submitted to our Company or that you will be allotted any Public Offer HDRs.

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **White Form eIPO** service, you are advised not to wait until the last day for submitting applications in the Public Offering to submit your **electronic application instructions**. In the event that you have problems connecting to the designated website for the **White Form eIPO** service, you should submit a **WHITE** Application Form. However, once you have submitted **electronic application instructions** and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** Application Form. Please see the paragraph headed “How many applications you may make” above.

Members of the public — Time for applying for the Public Offer HDRs by using White Form eIPO

You may submit your application to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk from 9:00 a.m. on Thursday, 31 March 2011 until 11:30 a.m. on Wednesday, 6 April 2011 or such later time as described under the paragraph headed “Effect of bad weather on the opening of the application” under this section below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 6 April 2011, the last application day, or, if the application lists are not open on that day, then by the time and date stated in “Effect of bad weather on the opening of the application lists.”

You will not be permitted to submit your application to the designated White Form eIPO Service Provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

Despatch/collection of HDR certificates and refund cheque if you apply using a White Form eIPO

If you apply for 50,000 Public Offer HDRs or more through the **White Form eIPO** service by submitting an electronic application to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk and your application is wholly or partially successful,

HOW TO APPLY FOR PUBLIC OFFER HDRS

you may collect your HDR certificate(s) (where applicable) and/or refund cheque(s) (where applicable) in person from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 13 April 2011, or such other date as notified by our Company in the newspapers as the date of despatch/collection of HDR certificates/refund cheques. If you do not collect your HDR certificate(s) and/or refund cheque(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 50,000 Public Offer HDRs, your HDR certificate(s) (where applicable) and/or refund cheque(s) (where applicable) will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk on Wednesday, 13 April 2011, by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated **White Form eIPO** Service Provider set out in the section headed "Further Terms and Conditions of the Public Offering – 9. Additional information for applicants applying through White Form eIPO" in this prospectus.

3. Applying by giving electronic application instructions to HKSCC

General

CCASS Participants may give **electronic application instructions** via CCASS to HKSCC to apply for the Public Offer HDRs and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
2/F Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer HDRs on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to us and to the Depository.

HOW TO APPLY FOR PUBLIC OFFER HDRS

Effect of giving electronic application instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to us or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer HDRs on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, the brokerage fee of 1 %, the SFC transaction levy of 0.003% and the Hong Kong Stock Exchange trading fee of 0.005% by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the initial price per Public Offer HDR paid on application, refund of the application monies, in each case including the brokerage fee of 1 %, the SFC transaction levy of 0.003% and the Hong Kong Stock Exchange trading fee of 0.005%, by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer HDRs applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer HDRs in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer HDRs given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made. No application for any other number of Public Offer HDRs will be considered and any such application is liable to be rejected.

Minimum subscription amount and permitted multiples

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 50 Public Offer HDRs. Such instructions in respect of more than 50 Public Offer HDRs must be in one of the numbers set out in the table in the Application Forms.

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the specified times on the following dates:

Thursday, 31 March 2011 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
Friday, 1 April 2011 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Saturday, 2 April 2011 — 8:00 a.m. to 1:00 p.m.⁽¹⁾
Monday, 4 April 2011 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 6 April 2011 — 8:00 a.m.⁽¹⁾ to 12:00 noon

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

HOW TO APPLY FOR PUBLIC OFFER HDRS

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 31 March 2011 until 12:00 noon on Wednesday, 6 April 2011 (24 hours daily, except the last application day).

Effect of bad weather on the last application day

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 6 April 2011, the last application day. If:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning signal,

is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 6 April 2011, the last application day will be postponed to the next Business Day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 am. and 12:00 noon on such day. If the application lists of the Public Offering do not open and close on Wednesday, 6 April 2011 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed “Expected Timetable”, such dates mentioned in the section headed “Expected Timetable” may be affected. A press announcement will be made in such event.

Allocation of Public Offer HDRs

For the purposes of allocating the Public Offer HDRs, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instructions is given will be treated as an applicant.

Deposit of HDR certificates into CCASS and refund of application monies

- No temporary document of title will be issued. No receipt will be issued for application monies received.
- If your application is wholly or partially successful, your HDR certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account on Wednesday, 13 April 2011, or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.
- We expect to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, we will include information relating to the relevant beneficial owner, where supplied), your Hong Kong Identity Card/passport number or other identification code (Hong Kong Business Registration number for corporations) and the basis of allotment of the Public Offering in the *South China Morning Post* (in English) and the *Hong Kong Economic Times* (in Chinese) on Wednesday, 13 April 2011 in the manner described above in the paragraph headed “Results of allocations”. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 13 April 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer HDRs allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

HOW TO APPLY FOR PUBLIC OFFER HDRS

- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer HDRs allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 13 April 2011. Immediately following the credit of the Public Offer HDRs to your CCASS Investor Participant stock account and the credit of refund monies to your designated bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer HDRs credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the initial price per Public Offer HDR paid on application, in each case including the brokerage fee of 1%, the SFC transaction levy of 0.003% and the Hong Kong Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 13 April 2011. No interest will be paid thereon.

Section 40 of the Companies Ordinance

For the avoidance of doubt, we and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Personal data

The section of the Application Form entitled "Personal Data" applies to any personal data held by us, the Depository, receiving banker, the Sole Global Coordinator, the Hong Kong Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Warning

The subscription of the Public Offer HDRs by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. We, the Directors, the Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Public Offer HDRs.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either: (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 6 April 2011.

4. How much are the Public Offer HDRs

The maximum Offer Price is HK\$145.52 per Public Offer HDR. You must also pay the brokerage fee of 1%, the SFC transaction levy of 0.003% and the Hong Kong Stock Exchange trading fee of 0.005% in full. This means that for every board lot of 50 Public Offer HDRs you will pay HK\$7,349.34. The Application Forms have tables showing the exact amount payable for certain numbers of Public Offer HDRs up to 875,000 HDRs.

HOW TO APPLY FOR PUBLIC OFFER HDRS

You must pay the amount payable upon application for the Public Offer HDRs by one cheque or one banker's cashier order in accordance with the terms set out in the Application Form or this prospectus (if you apply by an Application Form). Please refer also to the paragraph headed "How to Make Payment for the Application" of this section.

If your application is successful, brokerage fee is paid to participants of the Hong Kong Stock Exchange or the Hong Kong Stock Exchange (as the case may be), the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

5. Refund of application monies

If you do not receive any Public Offer HDRs for any reason, we will refund your application monies, including the brokerage fee of 1%, the SFC transaction levy of 0.003% and the Hong Kong Stock Exchange trading fee of 0.005%. No interest will be paid thereon. All interest accrued on such monies prior to the date of despatch of refund cheques will be retained for the benefit of our Company.

If your application is accepted only in part, we will refund the appropriate portion of your application monies, including the related brokerage fee of 1%, the SFC transaction levy of 0.003% and the Hong Kong Stock Exchange trading fee of 0.005%, without interest.

If the Offer Price as finally determined is less than the initial price per Public Offer HDR (excluding the brokerage fee of 1%, the SFC transaction levy of 0.003% and the Hong Kong Stock Exchange trading fee of 0.005% thereon) paid on application, we will refund the surplus application monies, together with the related brokerage fee of 1%, the SFC transaction levy of 0.003% and the Hong Kong Stock Exchange trading fee of 0.005%, without interest.

Refund cheques for surplus application monies (if any) under **WHITE** or **YELLOW** Application Forms or **White Form eIPO** and HDR certificates for successful applicants under **WHITE** Application Forms and **White Form eIPO** are expected to be posted and/or available for collection (as the case may be) on or around Wednesday, 13 April 2011.

For further information on arrangements for the despatch/collection of HDR certificates and refunds of application monies, please refer to the section headed "Further Terms and Conditions of the Public Offering — Refund of application monies" in this prospectus.

6. Dealings and settlement

Commencement of dealings in the HDRs

Dealings in our HDRs on the Hong Kong Stock Exchange are expected to commence on Thursday, 14 April 2011. Our HDRs will be traded in board lots of 50 HDRs each. The stock code of our HDRs is 6488.

HDRs will be eligible for admission into CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, our HDRs and we comply with the stock admission requirements of HKSCC, our HDRs will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our HDRs on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

HOW TO APPLY FOR PUBLIC OFFER HDRS

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made for our HDRs to be admitted into CCASS.

FURTHER TERMS AND CONDITIONS OF THE PUBLIC OFFERING

1. General

- (a) If you apply for Public Offer HDRs in the Public Offering, you will be agreeing with us and the Sole Global Coordinator (for themselves and on behalf of the Hong Kong Underwriters) as set out below.
- (b) If you give **electronic application instructions** to HKSCC via CCASS to cause HKSCC Nominees to apply for Public Offer HDRs on your behalf, you will have authorised HKSCC Nominees to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the relevant application method.
- (c) If you give **electronic application instructions** to the **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk, you will have authorised the **White Form eIPO** Service Provider to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the **White Form eIPO** service.
- (d) In this section, references to “you”, “applicants”, “joint applicants” and other like references shall, if the context so permits, include references to both nominees and principals on whose behalf HKSCC Nominees or the **White Form eIPO** Service Provider is applying for Public Offer HDRs, and references to the making of an application shall, if the context so permits, include references to making applications electronically by giving instructions to HKSCC or by submitting an application to the **White Form eIPO** Service Provider through the designated website for the **White Form eIPO** service.
- (e) Applicants should read this prospectus carefully, including the terms and conditions set out herein and in the Application Forms or imposed by HKSCC and or the **White Form eIPO** Service Provider prior to making any application for Public Offer HDRs.

2. Offer to purchase the Public Offer HDRs

- (a) You offer to purchase from us at the Offer Price the number of the Public Offer HDRs indicated in your Application Form (or any smaller number in respect of which your application is accepted) on the terms and conditions set out in this prospectus and the relevant Application Form.
- (b) For applicants using Application Forms, a refund cheque in respect of the surplus application monies (if any) representing the Public Offer HDRs applied for but not allocated to you and representing the difference (if any) between the final Offer Price and the maximum Offer Price (including the brokerage fee, SFC transaction levy and Hong Kong Stock Exchange trading fee attributable thereto), will be sent to you at your own risk to the address stated on your Application Form on or before Wednesday, 13 April 2011. Details of the procedure for refunds relating to each of the Public Offering methods are contained below in the paragraphs headed “— 7. If your application for the Public Offer HDRs is successful (in whole or in part)”, “— 8. Refund of application monies” “— 10. Additional information for applicants applying by giving **electronic application instructions** to HKSCC” in this section.
- (c) Any application may be rejected in whole or in part.
- (d) Applicants under the Public Offering should note that in no circumstances (save for those provided under section 40 of the Companies Ordinance) can applications be withdrawn once submitted. For the avoidance of doubt, our Company and all other

FURTHER TERMS AND CONDITIONS OF THE PUBLIC OFFERING

parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, **electronic application instructions** to HKSCC via CCASS is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

3. Acceptance of your offer

- (a) The Public Offer HDRs will be allocated after the application lists close. We expect to announce the final number of Public Offer HDRs, the level of applications under the Public Offering and the basis of allocations of the Public Offer HDRs in *South China Morning Post* (in English) and *Hong Kong Economic Times* (in Chinese) on Wednesday, 13 April 2011.
- (b) The results of allocations of the Public Offer HDRs under the Public Offering, including the Hong Kong identity card numbers, passports numbers or Hong Kong business registration numbers (where applicable) of successful applicants and the number of Public Offer HDRs successfully applied for, will be made available on Wednesday, 13 April 2011 in the manner described in the section headed “How to Apply for Public Offer HDRs — Results of allocations”.
- (c) We may accept your offer to purchase (if your application is received, valid, processed and not rejected) by announcing the basis of allocations and/or making available the results of allocations publicly.
- (d) If we accept your offer to purchase (in whole or in part), there will be a binding contract under which you will be required to purchase the Public Offer HDRs in respect of which your offer has been accepted if the conditions of the Global Offering are satisfied or the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure and Conditions of the Global Offering”.
- (e) You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

4. Effect of making any application

- (a) By completing and submitting any application you:
 - **instruct** the Company and the Sole Global Coordinator (or their respective agents or nominees) as agent of the Company to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect registration of any Public Offer HDRs allocated to you in your name(s), or HKSCC Nominees, as the case may be, as required by the Articles of Incorporation and otherwise to give effect to the arrangements described in this prospectus and the relevant Application Form;
 - **undertake** to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Public Offer HDRs allocated to you, and as required by the Articles of Incorporation;
 - **represent** and **warrant** that you understand the Public Offer HDRs have not been and will not be registered under the US Securities Act and you are outside the United States (as defined in Regulation S of the US Securities Act) when completing the Application Form and are not a US person described in paragraph (h)(3) of Rule 902 of Regulation S under the US Securities Act;

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- **confirm** that you have received a copy of this prospectus and have only relied on the information and representations contained in this prospectus in making your application, and not on any other information or representation concerning the Company and you agree that neither the Company, the Sole Global Coordinator, the Underwriters, other parties involved in the Global Offering nor any of their respective directors, officers, employees, partners, agents or advisers will have any liability for any such other information or representations;
- **agree** (without prejudice to any other rights which you may have) that, once your application has been accepted, you may not rescind it because of an innocent misrepresentation and you may not revoke it other than as provided in this prospectus;
- (if the application is made for your own benefit) **warrant** that the application is the only application which has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the **White Form eIPO** Service Provider via **White Form eIPO** service;
- (if the application is made by an agent on your behalf) **warrant** that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;
- (if you are an agent for another person) **warrant** that this is the only application which has been or will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the **White Form eIPO** Service Provider via **White Form eIPO** service, and that you are duly authorised to sign the Application Form or to give **electronic application instruction** as that other person's agent;
- **undertake** and **confirm** that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up or indicated an interest in or received or been placed, allotted or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any of the International Offer HDRs in the International Placing, nor otherwise participate in the International Placing;
- **warrant** the truth and accuracy of the information contained in the application;
- **agree** to disclose to the Company, and/or its registrar, receiving bankers, advisers and agents and the Sole Global Coordinator, the Underwriters and their respective advisers and agents, any information about you which they require or the person(s) for whose benefit you have made the application;
- **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- **undertake** and **agree** to accept the Public Offer HDRs applied for, or any lesser number allocated to you under the application;
- If you apply by using an Application form, **authorise** the Company to place your name(s) or HKSCC Nominees, as the case may be, on the register of members of the Company as the holder(s) of any Public Offer HDRs allocated to you respectively, and the Company and/or its agents to send any HDR certificates (where applicable) and/or refund cheques (if any) to you (or in the case of joint

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applicants), the first-named applicant on the Application Form, by ordinary post at your own risk to the address stated on your Application Form (except that if you have applied for 50,000 Public Offer HDRs or more and have indicated on your Application Form that you wish to collect your HDR certificate(s) and/or refund cheque(s) (if any) in person, you can collect your HDR certificate(s) (where applicable and/or refund cheques(s) (if any) in person from Computershare Hong Kong Investor Services Limited between 9:00 a.m. and 1:00 p.m. on the date notified by the Company in the newspapers as the date of despatch of HDR certificate(s) and refund cheque(s)). The date of despatch of HDR certificate(s) and refund cheques(s) is expected to be Wednesday, 13 April 2011;

- **understand** that these declarations and representations will be relied upon by the Company and the Sole Global Coordinator in deciding whether or not to make any allotment of any Public Offer HDRs in response to your application and that you may be prosecuted if you make a false declaration;
 - if the laws of any place outside Hong Kong are applicable to your application, you **agree** and **warrant** that you have complied with all such laws and none of the Company, the Sole Global Coordinator, the Underwriters, and the other parties involved in the Global Offering nor any of their respective directors, employees, partners, agents, officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus;
 - **agree** with the Company, for itself and for the benefit of each Shareholder of the Company (and so that the Company will be deemed by its acceptance in whole or in part of the application to have agreed, for itself and on behalf of each Shareholder of the Company) (and if applicable, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Act and the Articles of Incorporation; and
 - **agree** with the Company and each Shareholder of the Company that Shares represented by HDRs in the Company are freely transferable by the holders thereof.
- (b) If you apply for the Public Offer HDRs using a **YELLOW** Application Form, in addition to the confirmations and agreements referred to in (a) above, you (and if you are joint applicants, each of you jointly and severally) **agree** that:
- any Public Offer HDRs allocated to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant in accordance with your election on the Application Form;
 - each of HKSCC and HKSCC Nominees reserves the right at its absolute discretion (1) not to accept any or part of the Public Offer HDRs allotted to you in the name of HKSCC Nominees or not to accept such allotted Public Offer HDRs for deposit into CCASS; (2) to cause such allotted Public Offer HDRs to be withdrawn from CCASS and transferred into your name (or, if you are joint applicants, to the name of the first-named applicant) at your own risk and costs; and (3) to cause such allotted Public Offer HDRs to be issued in your name (or, if you are a joint

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applicant, to the name of the first-named applicant) and in such a case, to post the HDR certificates for such allotted Public Offer HDRs at your own risk to the address on your application form by ordinary post or to make available the same for your collection;

- each of HKSCC and HKSCC Nominees may adjust the number of Public Offer HDRs allotted to you and issued in the name of HKSCC Nominees;
 - neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the Application Form; and
 - neither HKSCC nor HKSCC Nominees shall be liable to you in any way.
- (c) In addition, by giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC via CCASS, you (and if you are joint applicants, each of you jointly and severally) are deemed to do the following additional things and neither HKSCC nor HKSCC Nominees will be liable to the Company nor any other person in respect of such things or the breach of the terms and conditions of the **WHITE** Application Form or this prospectus:
- **instruct** and **authorise** HKSCC to cause HKSCC Nominees (acting as nominee for the CCASS Participants) to apply for the Public Offer HDRs on your behalf;
 - **instruct** and **authorise** HKSCC to arrange payment of the maximum Offer Price, brokerage fee the Hong Kong Stock Exchange trading fee and the SFC transaction levy by debiting your designated bank account and, in the case of wholly or partly unsuccessful applications and/or if the final Offer Price is less than the maximum Offer Price of HK\$145.52 per Public Offer HDR, refund the appropriate portion of the application money by crediting your designated bank account;
 - (in addition to the confirmations and agreements set out in paragraph (a) above) **instruct** and **authorise** HKSCC to cause HKSCC Nominees to do on your behalf all the things which is stated to be done on your behalf on the **WHITE** Application Form and the following;
 - agree that the Public Offer HDRs to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of the CCASS Participant who has input **electronic application instructions** on your behalf;
 - **undertake** and **agree** to accept the Public Offer HDRs in respect of which you have given **electronic application instructions**, or any lesser number;
 - (if the **electronic application instructions** are given for your own benefit) **declare** that only one set of **electronic application instructions** has been given for your benefit;
 - (If you are an agent for another person) **declare** that you have given only one set of **electronic application instructions** for the benefit of that other person, and that you are duly authorised to give those instructions as that other person's agent;

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- **understand** that the above declaration will be relied upon by the Company and the Sole Global Coordinator in deciding whether or not to make any allocation of the Public Offer HDRs in respect of the **electronic application instructions** given by you and that you may be prosecuted if you make a false declaration;
- **authorise** the Company to place the name of HKSCC Nominees on the register of members of the Company as the holder of the Public Offer HDRs allocated in respect of your **electronic application instructions** and to send HDR certificates and/or refund money in accordance with arrangements separately agreed between the Company and HKSCC;
- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- **confirm** that you have only relied on the information and representations in this prospectus in giving your **electronic application instructions** or instructing your CCASS Broker Participant or CCASS Custodian Participant to give **electronic application instructions** on your behalf;
- **agree** that the Company, the Underwriters and any other parties involved in the Global Offering are liable only for the information and representations contained in this prospectus;
- **agree** (without prejudice to any other rights which you may have) that, once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation and you may not revoke it other than as provided in this prospectus;
- **agree** to disclose your personal data to the Sole Global Coordinator, the Company, the Underwriters, the share registrars, receiving bankers, agents and advisers and any other information about you which they may reasonably require;
- **agree** that any application made by HKSCC Nominees on your behalf pursuant to **electronic application instructions** given by you is irrevocable on or before 13 April 2011, such agreement to take effect as a collateral contract with the Company and to become binding when you give the instructions, and such collateral contract to be in consideration of the Company agreeing that it will not offer any Public Offer HDRs to any person on or before 30 April 2011, except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before 13 April 2011 if a person responsible for this prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
- **agree** that, once the application of HKSCC Nominees is accepted, neither that application nor your **electronic application instructions** can be revoked and that acceptance of that application will be evidenced by the results of the Public Offering made available by the Company; and
- **agree** to the arrangements, undertakings and warranties specified in the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to the Public Offer HDRs.

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- (d) The Company, the Sole Global Coordinator, the Underwriters, other parties involved in the Global Offering and their respective directors, officers, employees, partners, agents and advisers are entitled to rely on any warranty, representation or declaration made by you in your application.
- (e) All the warranties, representations, declarations and obligations expressed to be made, given or assumed by or imposed on the joint applicants shall be deemed to have been made, given or assumed by or imposed on the applicants jointly and severally.

5. Multiple applications

- (a) It will be a term and condition of all applications that by completing and delivering an Application Form or giving **electronic application instructions**, you:
 - (if the application is made for your own benefit) warrant that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider through the **White Form eIPO** service;
 - (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider through the **White Form eIPO** service, and that you are duly authorised to sign the Application Form as that other person's agent.
- (b) Except where you are a nominee and provide the information required to be provided in your application, all of your applications will be rejected as multiple applications if you, or your and your joint applicant(s) together:
 - make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider through the **White Form eIPO** service;
 - both apply (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider through the **White Form eIPO** service;
 - apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider through the **White Form eIPO** service for more than 50% of the HDRs initially being offered for public subscription under the Public Offering (that is, 875,000 HDRs), as more particularly described in the section entitled "Structure and Conditions of the Global Offering — The Public Offering"; or
 - have applied for or taken up, or indicated an interest for, or have been or will be placed (including conditionally and/or provisionally) Offer HDRs under the International Placing.

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(c) All of your applications will also be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and

- the only business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

Unlisted company means a company with no equity securities listed on the Hong Kong Stock Exchange.

Statutory control means you:

- control the composition of the board of directors of that company; or;
- control more than half of the voting power of that company; or
- hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

6. Circumstances in which you will not be allotted Public Offer HDRs

You should note the following situations in which Public Offer HDRs will not be allotted to you or your application is liable to be rejected:

(a) If your application is revoked:

By completing and submitting an Application Form or submitting an electronic application instruction to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before 13 April 2011. This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form or submit your **electronic application instructions** to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly or to the **White Form eIPO** Service Provider. This collateral contract will be in consideration of our Company agreeing that we will not offer any Public Offer HDRs to any person on or before Saturday, 30 April 2011 except by means of one of the procedures referred to in this prospectus. Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before Wednesday, 13 April 2011 if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus. If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented. If your application or the application made, by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of

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applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) If our Company, the Sole Global Coordinator or the White Form eIPO Service Provider (where applicable) or their respective agents exercise their discretion to reject your application:

- We and the Sole Global Coordinator (as agent for our Company) and the **White Form eIPO** Service Provider (where applicable), or their respective agents and nominees, have full discretion to reject or accept any application, or to accept only part of any application, without having to give any reasons for any rejection or acceptance.

(c) If the allotment of Public Offer HDRs is void:

The allotment of Public Offer HDRs to you or to HKSCC Nominees (if you give **electronic application instructions** to HKSCC or apply by a **YELLOW** Application Form) will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing of the application lists; or
- within, a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) In the following circumstances:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you apply have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Offer HDRs in the International Placing. By filling in any of the Application Forms or **giving electronic instructions** to HKSCC or to the **White Form eIPO** Service Provider through the **White Form eIPO** service, you agree not to apply for Offer HDRs in the International Placing. Reasonable steps will be taken to identify and reject applications in the Public Offering from investors who have received Offer HDRs in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have received Public Offer HDRs in the Public Offering;
- you apply for more than 50% of the Public Offer HDRs initially being offered under the Public Offering (that is, 875,000 HDRs);
- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured upon its first presentation;
- your Application Form is not completed and in accordance with the instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions set out in the designated website, www.eipo.com.hk;

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- either of the Hong Kong Underwriting Agreement or the International Underwriting Agreement does not become unconditional; or
- either of the Hong Kong Underwriting Agreement or the International Underwriting Agreement is terminated in accordance with their respective terms.

7. If your application for Public Offer HDRs is successful (in whole or in part)

No temporary document of title will be issued in respect of HDRs.

No receipt will be issued for sums paid on application.

You will receive one HDR certificate for all of the Public Offer HDRs issued to you under the Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS, in which case HDR certificates will be deposited in CCASS).

HDR certificates will only become valid certificates of title at 8:00 a.m. on Thursday, 14 April 2011 provided that the Public Offering has become unconditional in all respects and the right of termination described in the section entitled “Underwriting — Underwriting Arrangements and Expenses — Public Offering — Hong Kong Underwriting Agreement — Grounds for termination” has not been exercised.

(a) If you apply using a **WHITE** Application Form:

If you apply for 50,000 Public Offer HDRs or more on a **WHITE** Application Form and have indicated your intention in your Application Form to collect your HDR certificate(s) and/or refund cheque (where applicable) from Computershare Hong Kong Investor Services Limited and have provided all information required by your Application Form, you may collect it/them in person from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 13 April 2011 or such other date as notified by our Company in the newspapers as the date of despatch/collection of HDR certificates/refund cheques.

If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited.

If you do not collect your refund cheque(s) and/or HDR certificate(s) personally within the time specified for collection, they will be sent to the address as specified in your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 50,000 Public Offer HDRs or if you apply for 50,000 Public Offer HDRs or more but have not indicated on your Application Form that you will collect your refund cheque(s) and/or HDR certificate(s) (where applicable) in person, your refund cheque(s) and/or HDR certificate(s) (where applicable) will be sent to the address on your Application Form on Wednesday, 13 April 2011 by ordinary post and at your own risk.

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(b) If you apply using a YELLOW Application Form:

If you apply for Public Offer HDRs using a **YELLOW** Application Form and your application is wholly or partially successful, your HDR certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on Wednesday, 13 April 2011, or in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) on a **YELLOW** Application Form for Public Offer HDRs credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Public Offer HDRs allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, our Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Public Offering on Wednesday, 13 April 2011 in the manner described in "How To Apply For Public Offer HDRs — Results of allocations". You should check such results and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 13 April 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer HDRs to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Public Offer HDRs credited to your stock account.

If you apply for 50,000 Public Offer HDRs or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same procedure, as those for **WHITE** Application Form applicants as described above. If you have applied for 50,000 Public Offer HDRs or above and have not indicated on your Application Form that you will collect your refund cheque (if any) in person, or if you have applied for less than 50,000 Public Offer HDRs, your refund cheque (if any) will be sent to the address on your Application Form on Wednesday, 13 April 2011, by ordinary post and at your own risk.

(c) If you apply through White Form eIPO:

If you apply for 50,000 Public Offer HDRs or more through the **White Form eIPO** service by submitting an electronic application to the **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk and your application is wholly or partially successful, you may collect your HDR certificate(s) and/or refund cheque(s) (where applicable) in person from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 13 April 2011, or such other date as notified by our Company in the newspapers as the date of despatch/collection of HDR certificates/refund cheques.

If you do not collect your HDR certificate(s) and/or refund cheque(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the **White Form eIPO** Service Provider promptly thereafter by ordinary post and at your own risk.

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If you apply for less than 50,000 Public Offer HDRs, your HDR certificate(s) and/or refund cheque(s) (where applicable) will be sent to the address specified in your application instructions to the **White Form eIPO** Service Provider on Wednesday, 13 April 2011 by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the **White Form eIPO** Service Provider set out below in “— 9. Additional Information for Applicants Applying Through White Form eIPO”.

8. Refund of application monies

Your application monies, or the appropriate portion thereof, together with the related brokerage fee of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%, will be refunded if:

- your application is rejected, not accepted or accepted in part only or if you do not receive any Public Offer HDRs for any of the reasons set out above in the section headed “— 6. Circumstances in which you will not be allotted Public Offer HDRs;”
- the Offer Price as finally determined is less than the Offer Price of HK\$145.52 per HDR (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee thereon) initially paid on application;
- the conditions of the Public Offering are not fulfilled in accordance with the section headed “Structure and Conditions of the Global Offering — Conditions of the Global Offering”; or
- any application is revoked or any allotment pursuant thereto has become void.

No interest will be paid thereon. All interest accrued on such monies prior to the date of refund will be retained for our benefit.

In a contingency situation involving a substantial over-subscription, at the discretion of our Company and the Joint Bookrunner, cheques for applications for certain small denominations of Public Offer HDRs (apart from successful and reserved applications) may not be cleared.

Refund of your application monies (if any) will be made on Wednesday, 13 April 2011 in accordance with the various arrangements as described above. All refunds will be made by a cheque crossed “Account Payee Only” made out to you, or if you are joint applicants, to the first-named applicant. Part of your Hong Kong identity card number or passport number, or, if you are joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number or passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate your refund cheque. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

9. Additional information for applicants applying through White Form eIPO

For the purposes of allocating Public Offer HDRs, each applicant giving **electronic application instructions** through the **White Form eIPO** service to the **White Form eIPO** Service Provider through the designated website will be treated as an applicant.

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If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Offer HDRs for which you have applied, or if your application is otherwise rejected by the **White Form eIPO** Service Provider, the **White Form eIPO** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the **White Form eIPO** Service Provider on the designated website www.eipo.com.hk.

Otherwise, any monies payable to you due to a refund for any of the reasons set out above in “— 8. Refund of Application Monies” shall be made pursuant to the arrangements described above in “— 7. If your application for Public Offer HDRs is successful (in whole or in part) — (c) If you apply through White Form eIPO”.

10. Additional information for applicants applying by giving electronic application instructions to HKSCC

(a) Allocation of Public Offer HDRs

- For the purposes of allocating Public Offer HDRs, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instructions is given will be treated as an applicant.

(b) Deposit of HDR certificates into CCASS and Refund of Application Monies

- No temporary document of title will be issued. No receipt will be issued for sums on paid application.
- If your application is wholly or partially successful, your HDR certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account on Wednesday, 13 April 2011, or, in event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees Limited.
- Our Company expects to publish the application results of the CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner, if supplied), your Hong Kong identity card/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offering on Wednesday, 13 April 2011 in the manner described in “How To Apply For Public Offer HDRs — Results of allocations”. You should check such results and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 13 April 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer HDRs allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer HDRs allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for

FURTHER TERMS AND CONDITIONS OF THE PUBLIC OFFERING

Investor Participants” in effect from time to time) on Wednesday 13 April 2011. HKSCC will also make available to you an activity statement showing the number of Public Offer HDRs credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the offer price per Share initially paid on application in each case including brokerage fee of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 13 April 2011. No interest will be paid thereon.

11. Personal data

The main provisions of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the “Ordinance”) came into effect in Hong Kong on 20 December 1996. This Personal Information Collection Statement informs the applicant for and holder of our HDRs of the policies and practices of our Company and our Depository in relation to personal data and the Ordinance.

(a) Reasons for the collection of your personal data

From time to time it is necessary for applicants for securities or registered holders of securities to supply their latest correct personal data to our Company and our Depository when applying for securities or transferring securities into or out of their names or in procuring the services of the Depository.

Failure to supply, the requested data may result in your application for securities being rejected or in delay or inability of our Company or the Depository to effect transfers or otherwise render their services. It may also prevent or delay registration or transfer of the Public Offer HDRs which you have successfully applied for and/or the despatch of HDR certificate(s), and/or the despatch or encashment of refund cheque(s) to which you are entitled.

It is important that holders of securities inform us and our Depository immediately of any inaccuracies in the personal data supplied.

(b) Purposes

The personal data of the applicants and the holders of securities may be used, held and/or stored (by whatever means) for the following purposes:

- processing of your application and refund cheque, where applicable, and verification of compliance with the terms and application procedures set out in the Application Forms and this prospectus and announcing results of allocations of the Public Offer HDRs;
- enabling compliance with all applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the name of holders of securities including, where applicable, in the name of HKSCC Nominees;
- maintaining or updating the registers of holders of securities of our Company;

FURTHER TERMS AND CONDITIONS OF THE PUBLIC OFFERING

- conducting or assisting in the conduct of signature verifications, any other verification or exchange of information;
- establishing benefit entitlements of holders of securities of our Company, such as dividends, rights issues and bonus issues;
- distributing communications from our Company and our subsidiaries;
- compiling statistical information and shareholder profiles;
- making disclosures as required by laws, rules or regulations;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and the Depositary to discharge our obligations to holders of securities and/or regulators and/or other purpose to which the holders of securities may from time to time agree.

(c) Transfer of personal data

Personal data held by our Company and the Depositary relating to the applicants and the holders of securities will be kept confidential but our Company and the Depositary, to the extent necessary for achieving the above purposes or any of them, may make such enquiries as they consider necessary to confirm the accuracy of the personal data and, in particular, they may disclose, obtain and/or transfer (whether within or outside Hong Kong) the personal data of the applicants and the holders of securities to, from or with any and all of the following persons and entities:

- our Company or our respective appointed agents such as financial advisers and receiving bankers;
- HKSCC and HKSCC Nominees, who will use the personal data for the purposes of operating CCASS (in cases where the applicants have requested for the Public Offer HDRs to be deposited into CCASS);
- any agents, contractors or third party service providers who offer administrative, telecommunications, computer, payment or other services to our Company and/or the Depositary in connection with the operation of their business;
- the Hong Kong Stock Exchange, the SFC and any other statutory, regulatory or, governmental bodies; and
- any other persons or institutions with which the holders of securities have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers.

By signing an Application Form or by giving **electronic application instructions** to HKSCC, you agree to all of the above.

(d) Access to and correction of personal data

The Ordinance provides the holders of securities with rights to ascertain whether our Company or the Depositary holds their personal data, to obtain a copy of that data, and to correct any data that is inaccurate.

FURTHER TERMS AND CONDITIONS OF THE PUBLIC OFFERING

In accordance with the Ordinance, our Company and the Depositary have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practices and kinds of data held should be addressed to us, at our registered address disclosed in the “Corporate Information” section in this prospectus or as notified from time to time in accordance with applicable law, for the attention of the company secretary, or the Depositary for the attention of the privacy compliance officer.

The following is the text of a report received from our reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, for the purpose of incorporation in this prospectus.

Deloitte.

德勤

德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

31 March 2011

The Directors
SBI Holdings, Inc.
Daiwa Capital Markets Hong Kong Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) relating to SBI Holdings, Inc. (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended 31 March 2008, 2009 and 2010 and the six months ended 30 September 2010 (the “Track Record Period”) for inclusion in the prospectus of the Company dated 31 March 2011 (the “Prospectus”) in connection with the secondary listing of the Company’s Hong Kong Depositary Receipts on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated in Japan on 8 July 1999 and listed on the First Section of the Tokyo Stock Exchange, Inc. and the First Section of the Osaka Securities Exchange Co., Ltd. in February and November 2002 respectively. The Group is an internet-based financial group and is principally engaged in asset management, brokerage and investment banking, financial services and housing and real estate.

The details of the Group’s corporate structure are explained in the section headed “History and Corporate Structure” to the Prospectus.

As at the date of this report, the Company has direct and indirect interest in the following subsidiaries (the “consolidated subsidiaries”) which were consolidated by the Group in preparing its consolidated financial statements in accordance with generally accepted accounting principles in Japan (“JGAAP”) during the Track Record Period which, in the opinion of the directors, principally affected the results, assets or liabilities of the Group:

Name of entity	Place and date of incorporation / establishment / registration	Issued and fully paid capital stock / share capital / registered capital	Equity interest attributable to the Group					Principal activities
			As at 31 March			As at 30 September	As at date of this report	
			2008	2009	2010	2010		
SBI Investment Co., Ltd. (c)	Japan 7 June 1996	¥50,000,000	100.00%	100.00%	100.00%	100.00%	100.00%	Asset Management
SBI Trans-Science Co., Ltd. (a)	Japan 20 November 2009	¥10,000,000	—	—	80.90%	80.90%	80.90%	Asset Management
SBI BROADBAND CAPITAL Co., Ltd. (a)(c)	Japan 30 June 2004	¥10,000,000	100.00%	100.00%	100.00%	100.00%	100.00%	Asset Management
SOFT TREND CAPITAL Corp (a)(c)	Japan 27 April 1999	¥62,500,000	80.00%	80.00%	80.00%	80.00%	80.00%	Asset Management

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Name of entity	Place and date of incorporation / establishment / registration	Issued and fully paid capital stock / share capital / registered capital	Equity interest attributable to the Group					As at date of this report	Principal activities
			As at 31 March			As at 30 September	2010		
			2008	2009	2010	2010			
SBI CAPITAL Co., Ltd. (b)	Japan 13 April 2001	¥194,806,138	60.00%	60.00%	100.00%	100.00%	100.00%	Asset Management	
SBI Capital Solutions Co., Ltd. (a)(b)	Japan 1 June 2006	¥30,000,000	100.00%	100.00%	100.00%	100.00%	100.00%	Asset Management	
SBI Incubation Advisory Co., Ltd. (a)(b)#	Japan 26 May 2004	¥50,000,000	50.00%	50.00%	100.00%	—	—	Asset Management	
SBI-HIKARI P.E. Co., Ltd. (a)(b)	Japan 5 April 1973	¥86,500,000	—	—	70.00%	70.00%	70.00%	Asset Management	
Softbank Internet Fund #	Japan 1 July 1999	¥12,300,000,000	8.94%	11.38%	11.38%	11.38%	11.38%	Asset Management	
SBI BROADBAND FUND No.1 LIMITED PARTNERSHIP (b)#	Japan 1 October 2004	¥32,600,000,000	36.09%	37.73%	38.34%	38.34%	38.34%	Asset Management	
SBI BB Mobile Investment LPS (b)#	Japan 30 March 2006	¥32,000,000,000	35.00%	35.00%	35.31%	35.31%	35.31%	Asset Management	
SBI Mezzanine Fund No.1 (b)	Japan 23 August 2004	¥3,100,000,000	100.00%	100.00%	100.00%	100.00%	100.00%	Asset Management	
SBI Mezzanine Fund No.2 LIMITED PARTNERSHIP(b)	Japan 12 April 2005	¥679,700,000	73.22%	73.22%	73.22%	73.22%	73.22%	Asset Management	
SBI Mezzanine Fund No.3 LIMITED PARTNERSHIP (b)	Japan 30 October 2008	¥2,555,000,000	—	100.00%	100.00%	100.00%	100.00%	Asset Management	
Metropolitan Enterprise Revitalization Fund, Limited Liability Investment Partnership#	Japan 13 March 2006	¥216,000,000	7.41%	7.41%	7.41%	7.41%	7.41%	Asset Management	
Metropolitan Enterprise Revitalization Fund, Limited Liability Investment Partnership No.2#	Japan 10 September 2009	¥1,215,000,000	—	—	7.41%	7.41%	7.41%	Asset Management	
SBI Value Up Fund No.1 Limited PARTNERSHIP (b)#	Japan 1 September 2006	¥18,508,413,000	49.78%	49.78%	49.78%	49.78%	49.78%	Asset Management	
SBI Real Incubation No.1 (b)#	Japan 1 September 2003	¥1,800,000,000	13.33%	13.33%	26.67%	26.67%	26.67%	Asset Management	
Biovision Life Science Fund No.1 (b)	Japan 24 December 2003	¥4,200,000,000	59.52%	59.52%	61.90%	61.90%	61.90%	Asset Management	
SBI Bio Life Science Investment LPS (b)#	Japan 1 August 2005	¥6,300,000,000	47.62%	47.62%	47.62%	47.62%	47.62%	Asset Management	

Name of entity	Place and date of incorporation / establishment / registration	Issued and fully paid capital stock / share capital / registered capital	Equity interest attributable to the Group				As at date of this report	Principal activities
			As at 31 March			As at 30 September		
			2008	2009	2010	2010		
SBI LIFE SCIENCE TECHNOLOGY INVESTMENT LPS (b)	Japan 1 March 2007	¥5,800,000,000	53.33%	53.33%	55.17%	55.17%	55.17%	Asset Management
SBI LIFE SCIENCE TECHNOLOGY NO.2 INVESTMENT LPS (b)#	Japan 1 September 2007	¥4,000,000,000	42.50%	42.50%	50.00%	50.00%	50.00%	Asset Management
SBI NEO Technology A Investment LPS (b)#	Japan 1 July 2008	¥4,950,000,000	—	42.00%	47.47%	52.53%	52.53%	Asset Management
SBI NEO Technology B Investment LPS (b)#	Japan 2 February 2009	¥250,000,000	—	40.00%	40.00%	40.00%	40.00%	Asset Management
SBI NEO Technology C Investment LPS (b)#	Japan 19 June 2009	¥500,000,000	—	—	8.00%	8.00%	8.00%	Asset Management
SBI Selective Target Investment LPS (a)(b)#	Japan 2 February 2010	¥900,000,000	—	—	33.33%	33.33%	33.33%	Asset Management
SBI Innovation Fund No.1(b)	Japan 31 March 2010	¥3,000,000,000	—	—	100.00%	100.00%	100.00%	Asset Management
SBI Advanced Technology No. 1 Investment LPS	Japan 20 April 2010	¥400,000,000	—	—	—	18.75%	37.14%	Asset Management
SBI & TH Venture Capital Enterprise (b)	The People's Republic of China (the "PRC") 18 January 2008	RMB244,224,060	100.00%	100.00%	87.09%	87.09%	87.09%	Asset Management
SBI & TH (Beijing) Investment Advisory Co., Ltd.	PRC 2 June 2009	RMB100,000	—	—	100.00%	100.00%	—	Asset Management
SBI & TH (Beijing) Venture Capital Management Co., Ltd. (b)#	PRC 6 July 2007	RMB4,550,700	50.00%	50.00%	50.00%	50.00%	50.00%	Asset Management
SBI VIETNAM INVESTMENT LLP	Singapore 10 August 2007	VND45,243,897	100.00%	100.00%	100.00%	100.00%	100.00%	Asset Management
THE VIETNAM JAPAN FUND	Vietnam 19 March 2008	VND793,400,000,000	—	90.00%	96.98%	95.42%	96.50%	Asset Management
FD Company Limited	Vietnam 22 May 2009	VND 88,400,000,000	—	—	100.00%	100.00%	100.00%	Asset Management
JB Company Limited	Vietnam 22 May 2009	VND 114,000,000,000	—	—	100.00%	100.00%	100.00%	Asset Management
SP Company Limited	Vietnam 22 May 2009	VND 99,800,000,000	—	—	100.00%	100.00%	100.00%	Asset Management
VG Company Limited	Vietnam 22 May 2009	VND 128,200,000,000	—	—	100.00%	100.00%	100.00%	Asset Management

Name of entity	Place and date of incorporation / establishment / registration	Issued and fully paid capital stock / share capital / registered capital	Equity interest attributable to the Group					As at date of this report	Principal activities
			As at 31 March			As at 30 September	2010		
			2008	2009	2010	2010			
SS Venture Services Ltd. (b)#	India 2 April 2007	INR41,067,220	—	50.00%	50.00%	50.00%	100.00%	Asset Management	
KNOWLEDGE INVESTMENT (MAURITIUS) LIMITED	Mauritius 1 May 2006	US\$12,795,001	—	100.00%	100.00%	100.00%	100.00%	Asset Management	
India Japan Fund	India 29 April 2008	INR447,517,319	—	95.00%	95.00%	95.00%	100.00%	Asset Management	
SBI VEN HOLDINGS PTE. LTD. (b)	Singapore 7 June 2007	US\$85,789,334	—	100.00%	100.00%	100.00%	100.00%	Asset Management	
SBI & Capital 22 Management Co. Ltd.	Cayman Islands 21 October 2008	US\$50,000	—	60.00%	60.00%	60.00%	60.00%	Asset Management	
SBI & Capital 22 Management Inc.	Taiwan 17 November 2008	TWD4,725,000	—	60.00%	60.00%	60.00%	60.00%	Asset Management	
SBI Zhaoxin Advisor Limited	Cayman Islands 11 March 2009	US\$100	—	—	85.71%	85.71%	85.71%	Asset Management	
Elan SBI Capital Partners Fund Management Private Limited Company (a)	Hungary 26 January 2009	HUF25,000,000	—	—	60.00%	60.00%	60.00%	Asset Management	
SHENTON STRUCTURED PROJECTS PTE. LTD.	Singapore 10 August 2007	US\$8,010,000	—	—	100.00%	100.00%	100.00%	Asset Management	
SBI OFFSHORE PARTNERS LLP	Singapore 3 April 2008	US\$26,842,064	—	100.00%	100.00%	100.00%	100.00%	Asset Management	
SBI & Capital 22 JV Fund, L.P. (b)	Cayman Islands 29 October 2008	US\$6,750,300	—	66.67%	66.67%	66.67%	66.67%	Asset Management	
SBI European Fund (a)	Hungary 7 May 2009	HUF5,561,711,124	—	—	60.00%	60.00%	60.00%	Asset Management	
SBI Zhaoxin L.P. (b)	Cayman Islands 11 March 2009	US\$1,023,841	—	—	100.00%	100.00%	100.00%	Asset Management	
SBI KOREA HOLDINGS CO., LTD. (b)	Korea 27 March 2002	KRW183,000,000	100.00%	100.00%	100.00%	100.00%	100.00%	Asset Management	
SBI Global Investment Co., Ltd.#	Korea 20 December 1986	KRW 22,801,197,000	—	—	—	40.13%	40.13%	Asset Management	
e-Research Inc. (a)(b)	Japan 1 October 1999	¥300,000,000	100.00%	100.00%	100.00%	100.00%	100.00%	Asset Management	
SBI Incubation Co., Ltd. (a)(b)	Japan 17 August 1999	¥5,555,750,000	100.00%	100.00%	100.00%	100.00%	100.00%	Asset Management	
SBI Asset Management Co., Ltd. (a)(b)	Japan 29 August 1986	¥400,201,000	100.00%	100.00%	100.00%	100.00%	100.00%	Asset Management	
SBI Arsnova Research Co., Ltd. (a)(b)	Japan 31 August 2001	¥200,000,000	99.00%	99.00%	99.00%	99.00%	99.00%	Asset Management	

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Name of entity	Place and date of incorporation / establishment / registration	Issued and fully paid capital stock / share capital / registered capital	Equity interest attributable to the Group					As at date of this report	Principal activities
			As at 31 March			As at 30 September			
			2008	2009	2010	2010			
SBI SECURITIES Co., Ltd. (b)	Japan 30 March 1944	¥47,937,928,501	55.84%	100.00%	100.00%	100.00%	100.00%	Brokerage & Investment Banking	
SBI Liquidity Market Co., Ltd. (a)(b)	Japan 8 July 2008	¥1,000,000,000	—	100.00%	100.00%	100.00%	100.00%	Brokerage & Investment Banking	
SBI Futures Co., Ltd. (b)	Japan 13 October 2000	¥1,870,236,715	78.65%	84.63%	100.00%	—	—	Brokerage & Investment Banking	
SBI Lease Co., Ltd. (b)	Japan 24 November 1999	¥780,000,000	100.00%	100.00%	100.00%	100.00%	100.00%	Financial Services	
SBI VeriTrans Co., Ltd. (b)#	Japan 24 April 1997	¥1,066,972,274	42.16%	41.13%	42.73%	42.73%	43.28%	Financial Services	
Morningstar Japan K.K. (b)#	Japan 27 March 1998	¥2,093,080,000	49.81%	48.63%	49.60%	49.60%	49.60%	Financial Services	
Gomez Consulting Co., Ltd.	Japan 22 March 2001	¥614,331,250	74.19%	74.19%	74.19%	74.04%	73.63%	Financial Services	
SBI Marketing Co., Ltd. (a)(b)	Japan 20 July 2005	¥65,000,000	91.95%	91.95%	93.00%	93.00%	98.33%	Financial Services	
SBI Credit Co., Ltd	Japan 31 July 2007	¥1,250,000,000	—	—	—	100.00%	100.00%	Financial Services	
SBI Servicer Co., Ltd. (b)	Japan 27 January 2005	¥500,000,00	60.00%	100.00%	100.00%	100.00%	100.00%	Financial Services	
SBI Receipt Co., Ltd. (a)	Japan 1 November 2005	¥90,000,000	—	100.00%	100.00%	100.00%	100.00%	Financial Services	
SBI Business Support Corp. (a)(b)	Japan 26 April 2006	¥100,000,000	100.00%	100.00%	100.00%	100.00%	100.00%	Financial Services	
SBI Card Co., Ltd. (b)	Japan 1 June 2005	¥480,000,000	100.00%	100.00%	100.00%	50.01%	96.49%	Financial Services	
SBI Insurance Co., Ltd. (b)	Japan 1 June 2006	¥3,050,002,840	61.60%	61.60%	64.44%	65.53%	65.53%	Financial Services	
Autoc one K.K. (b)	Japan 3 June 1999	¥943,306,548	53.43%	54.05%	54.05%	51.29%	51.29%	Financial Services	
SBI Property Advisors Co., Ltd. (a)(b)	Japan 1 February 2002	¥50,000,000	100.00%	100.00%	100.00%	100.00%	100.00%	Housing and Real Estate	
SBI Estate Management Co., Ltd. (a)(b)	Japan 1 December 2005	¥250,000,000	100.00%	100.00%	100.00%	100.00%	100.00%	Housing and Real Estate	
SBI MACAU HOLDINGS LIMITED (b)	Macau 25 September 2006	MOP970,874	100.00%	100.00%	100.00%	100.00%	100.00%	Housing and Real Estate	
SBI HAWAII PROPERTY ONE, INC. (a)(b)	United States of America 19 September 2006	US\$12,000,000	100.00%	100.00%	100.00%	100.00%	100.00%	Housing and Real Estate	

Name of entity	Place and date of incorporation / establishment / registration	Issued and fully paid capital stock / share capital / registered capital	Equity interest attributable to the Group				As at date of this report	Principal activities
			As at 31 March			As at 30 September		
			2008	2009	2010	2010		
SBI Life Living, Co., Ltd. (b)	Japan 28 February 1990	¥491,300,000	52.31%	68.22%	68.22%	68.22%	68.22%	Housing and Real Estate
SBI Mortgage Co., Ltd. (b)	Japan 9 June 2000	¥3,603,250,000	93.82%	93.82%	94.00%	94.00%	94.00%	Housing and Real Estate
CEM Corporation (b)	Japan 8 August 1996	¥2,405,001,598	79.69%	79.69%	79.69%	79.69%	79.69%	Housing and Real Estate
E*GOLF Corporation (a)(b)	Japan 11 August 1998	¥392,500,000	67.23%	77.93%	77.93%	—	—	Housing and Real Estate
SBI Net Systems Co., Ltd. (b)	Japan 22 October 1997	¥3,811,426,034	69.13%	81.00%	81.00%	81.00%	81.00%	Others (c)
SBI Biotech Co., Ltd.(b)	Japan 30 March 2001	¥2,012,630,000	69.18%	69.18%	71.60%	71.49%	71.49%	Others (c)
HOMEOSTYLE Inc.	Japan 11 November 1999	¥1,200,000,000	95.76%	80.89%	80.89%	80.89%	80.89%	Others (c)

(a) No audited financial statements have been prepared for these entities as they are not subject to statutory audit requirement.

(b) These entities are directly held by the Company. All other entities are indirectly held by the Company.

(c) "Others" included system-related, drug-discovery and garment businesses.

The Group is able to exercise control over these entities through board representation or other contractual arrangements.

Notes:

— The place of operation of the consolidated subsidiaries listed above is same as their respective place of incorporation/establishment/registration, except for those Cayman Islands and Mauritius incorporated subsidiaries which provide asset management services in several jurisdictions.

— Information for subsidiaries controlled by the Group but not consolidated in the Group's consolidated financial statements under JGAAP is not presented above.

The financial statements of the consolidated subsidiaries issued during the Track Record Period, or from their respective dates of incorporation/establishment/registration when the period is shorter, were prepared in accordance with relevant accounting principles and financial regulations applicable to their respective jurisdictions and were audited by Deloitte Touche Tohmatsu LLC ("Deloitte Japan"), a member of the Japan Institute of Certified Public Accountants (JICPA) registered in Japan except for those subsidiaries in note (a) of page I-6 and below:

<u>Name of entity</u>	<u>Financial period</u>	<u>Name of auditor</u>
Softbank Internet Fund	For each of the three years ended 30 September 2007, 2008 and 2009	Yusei Audit & Co.
SBI Real Incubation No.1.	For each of the three years ended 31 August 2007, 2008 and 2009	Yusei Audit & Co.
SBI & TH (Beijing) Venture Capital Management Co., Ltd.	For the period from 6 July 2007 (date of incorporation) to 31 December 2008 and the year ended 31 December 2009	ShineWing certified public accountants
THE VIETNAM JAPAN FUND	For the period from 19 March 2008 (date of establishment) to 31 December 2008 and the year ended 31 December 2009	Ernst & Young Vietnam Limited
SS Venture Services Ltd.	For the period from 2 April 2007 (date of incorporation) to 31 December 2008 and the year ended 31 December 2009	S.R. Batliboi & Co.
India Japan Fund	For the period from 29 April 2008 (date of establishment) to 31 March 2009 and the year ended 31 March 2010	S.R. Batliboi & Co.
SBI VEN HOLDINGS PTE. LTD.	For each of the two years ended 31 December 2008, 2009	Ernst & Young LLP
SBI & Capital 22 Management Co. Ltd.	For the period from 21 October 2008 (date of incorporation) to 31 December 2009	Ernst & Young LLP
SBI & Capital 22 Management Inc.	For the period from 17 November 2008 (date of incorporation) to 31 December 2008 and the year ended 31 December 2009	Ernst & Young LLP
SBI Zhaoxin Advisor Limited	For the period from 11 March 2009 (date of incorporation) to 31 December 2009	Ernst & Young Hua Ming

Name of company	Financial period	Name of auditor
SHENTON STRUCTURED PROJECTS PTE. LTD.	For the period from 10 August 2007 (date of incorporation) to 31 December 2009	Ernst & Young LLP
SBI & Capital 22 JV Fund, L.P.	For the period from 29 October 2008 (date of registration) to 31 December 2009	Ernst & Young LLP
SBI Zhaoxin L.P.	For the period from 11 March 2009 (date of registration) to 31 December 2009	Ernst & Young Hua Ming
SBI KOREA HOLDINGS LTD.	For the three years ended 31 December 2007, 2008 and 2009	SamiPriceWaterhouseCoopers
SBI MACAU HOLDINGS LIMITED	For the period from 25 September 2006 (date of incorporation) to 31 December 2007 and each of the two years ended 31 December 2008 and 2009	CSC & Accociados
SBI Life Living, Co., Ltd.	For the two years ended 31 March 2008 and 2009 For the year ended 31 March 2010	Ernst & Young Shin Nihon LLC Godai & Co.
SBI Net Systems Co., Ltd.	For each of the three years ended 31 March 2008, 2009 and 2010	Aska & Co.

Deloitte Japan has carried out audit procedures in accordance with auditing standards generally accepted in Japan on the consolidated financial statements of the Group and the financial statements of the Company for each of the three years ended 31 March 2008, 2009 and 2010 and the six months ended 30 September 2010, which are prepared in accordance with JGAAP (the "Underlying Financial Statements"), and presented by reference to the "Rules Governing Term, Form and Preparation of Consolidated Financial Statements" (Financial Ministerial Order the 28th, 1976, which is hereinafter referred to as the "Consolidated Financial Statements Rule") for the Group and the "Rules Governing Term, Form and Preparation of Financial Statements" (Finance Ministerial Order the 59th, 1963, which is hereinafter referred to as the "Financial Statements Rule") for the Company.

Sections A.1 and A.2 of the Financial Information set out in this report have been prepared from the Underlying Financial Statements. No adjustments are considered necessary to adjust the Underlying Financial Statements for the preparation of this report for inclusion in the Prospectus. Section A.3 of the Financial Information contains supplementary financial information on the theoretical impact on the JGAAP Financial Information as if the accounting policies applied in preparing the consolidated financial statements of the Group for the six months ended 30 September 2010 were applied consistently throughout the Track Record Period. Additional information required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and a summary of the material differences between International Financial Reporting Standards ("IFRSs") and JGAAP are provided in Section B and C respectively.

For the purpose of preparing this report, we have examined the Underlying Financial Statements and performed such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The directors of the Company are responsible for preparing the Underlying Financial Statements and the content of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information, and to report our opinion to you.

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of the Group and the Company as at 31 March 2008, 2009 and 2010 and 30 September 2010, the net income (loss) of the Group and the Company for each of the three years ended 31 March 2008, 2009 and 2010 and the six months ended 30 September 2010 and the consolidated cash flows of the Group for each of the three years ended 31 March 2008, 2009 and 2010 and the six months ended 30 September 2010.

The comparative consolidated statement of operations, consolidated statement of changes in net assets and consolidated statement of cash flows of the Group and the comparative statement of operations and statement of changes in net assets of the Company for the six months ended 30 September 2010 together with the notes thereon have been extracted from the Group's financial information for the same period (the "30 September 2009 Financial Information"), which was prepared by the directors of the Company solely for the purpose of this report. We conducted our review on the 30 September 2009 Financial Information in accordance with the Hong Kong Standards on Review Engagement 2400 "Engagements to Review Financial Statements" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 30 September 2009 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 September 2009 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information.

A.1 FINANCIAL INFORMATION

(Amounts in millions of Japanese Yen, and are rounded down to the nearest million except for per share information, unless otherwise stated)

CONSOLIDATED BALANCE SHEETS

	Notes	As at 31 March			As at 30 September
		2008	2009	2010	2010
Assets					
Current assets					
Cash and deposits	V.4 & 10	160,281	127,123	143,726	134,933
Notes and accounts receivable-trade	V.4	10,984	7,914	8,483	10,560
Leases receivable and lease investment assets		—	18,819	17,924	16,332
Short-term investment securities		445	2,893	240	328
Cash segregated as deposits	V.10	313,930	266,365	318,865	308,665
Operational investment securities	V.1 & 4	115,717	105,236	121,576	125,139
Allowance for investment losses		(4,966)	(6,206)	(8,424)	(5,115)
Operational investment securities, net		110,750	99,029	113,152	120,023
Operational loans receivable	V.4 & 13	66,260	47,868	34,694	35,395
Real estate inventories	V.2 & 4	32,894	36,515	28,767	31,579
Trading instruments	V.8	1,728	7,724	3,514	10,024
Loans on margin transactions		274,887	134,792	221,107	245,253
Cash collateral pledged for securities borrowings on margin transactions		17,995	46,008	40,533	22,010
Margin transaction assets		292,882	180,800	261,641	267,264
Short-term guarantee deposits		13,413	8,845	5,944	3,350
Securities in custody	V.9	259	209	—	—
Deferred tax assets		1,053	5,920	7,667	6,819
Others	V.4	66,148	44,079	37,732	49,845
Allowance for doubtful accounts		(1,762)	(2,703)	(2,032)	(2,813)
Total current assets		1,069,271	851,408	980,323	992,309
Non-current assets					
Property and equipment					
Buildings		4,420	5,161	9,972	9,920
Accumulated depreciation		(2,237)	(2,173)	(2,405)	(2,909)
Buildings, net		2,182	2,988	7,567	7,010
Furniture and fixtures		6,404	5,551	5,079	5,211
Accumulated depreciation		(3,778)	(3,607)	(3,585)	(3,747)
Furniture and fixtures, net		2,626	1,943	1,493	1,463
Assets leased to other parties		21,738	—	—	—
Accumulated depreciation		(14,813)	—	—	—
Assets leased to other parties, net		6,924	—	—	—
Land		886	2,953	7,556	5,740
Others		65	791	4,503	4,634
Accumulated depreciation		(34)	(98)	(506)	(940)
Others, net		31	692	3,996	3,694
Total property and equipment		12,652	8,577	20,613	17,909
Intangible assets					
Software		8,815	9,369	11,670	13,057
Goodwill		60,874	136,354	133,008	129,823
Others		1,398	168	608	549
Total intangible assets		71,088	145,892	145,286	143,430

	Notes	As at 31 March			As at 30 September
		2008	2009	2010	2010
Investments and other assets					
Investment securities	V.3, 4 & 15	41,791	33,868	41,204	54,373
Deferred tax assets		10,594	10,601	14,196	17,876
Others		18,365	32,388	34,860	34,975
Allowance for doubtful accounts		(4,769)	(6,644)	(9,767)	(10,692)
Total investments and other assets		65,983	70,214	80,494	96,532
Total non-current assets		149,723	224,685	246,395	257,872
Deferred charges					
Stock issuance costs		6	4	—	186
Bonds issuance costs		62	20	61	50
Deferred operating costs under Article 113 of the Insurance Business Act		182	3,114	3,159	4,468
Total deferred charges		252	3,139	3,220	4,705
Total assets		1,219,247	1,079,233	1,229,939	1,254,886
Liabilities					
Current liabilities					
Short-term loans payable	V.4 & 14	53,831	54,658	55,614	56,057
Current portion of long-term loans payable	V.4	6,282	21,553	13,368	13,885
Current portion of bonds payable	V.4	100,520	41,480	112,600	111,500
Current portion of bonds payable with warrants		5,940	—	—	—
Accrued income taxes		9,351	2,624	4,953	4,406
Advances received	V.11	1,764	1,813	1,828	1,864
Borrowings on margin transactions	V.4	81,583	56,726	48,813	52,857
Cash received for securities lending on margin transactions		62,530	89,544	101,223	72,274
Margin transaction liabilities		144,114	146,270	150,036	125,131
Loans payable secured by securities		35,440	46,587	63,780	67,388
Guarantee deposits received	V.9	272,005	258,068	282,373	277,825
Customers' deposits received for commodity futures transactions	V.9	39,573	—	—	—
Deposits from customers		20,147	23,488	31,176	32,157
Accrued expenses		2,941	2,980	2,835	3,113
Deferred tax liabilities		8,867	5	2,959	1,566
Provision for bonuses		338	54	53	85
Provision for contingent losses		22	—	—	—
Other provisions		—	38	155	229
Others		39,491	23,823	25,353	42,132
Total current liabilities		740,633	623,448	747,090	737,345
Non-current liabilities					
Bonds payable	V.4	30,300	300	—	—
Bonds payable with warrants		13,270	—	—	—
Long-term loans payable	V.4	33,578	13,283	27,620	35,274
Deferred tax liabilities		299	566	540	489
Provision for retirement benefits		102	128	52	47
Provision for directors' retirement benefits		3	—	—	—
Other provisions		—	390	877	733
Others		5,325	14,524	17,924	18,269
Total non-current liabilities		82,879	29,193	47,014	54,813

APPENDIX I
ACCOUNTANTS' REPORT

	Notes	As at 31 March			As at 30 September
		2008	2009	2010	2010
Statutory reserves					
Reserve for securities transaction liabilities . .		7,925	—	—	—
Reserve for financial products transaction liabilities		—	7,219	7,219	5,196
Reserve for commodities transaction liabilities		41	33	—	—
Reserve for price fluctuation		—	0	0	0
Total statutory reserves	V.12	<u>7,967</u>	<u>7,253</u>	<u>7,219</u>	<u>5,196</u>
Total liabilities		<u>831,480</u>	<u>659,894</u>	<u>801,324</u>	<u>797,355</u>
Net assets					
Shareholders' equity					
Capital stock		55,157	55,214	55,284	73,226
Capital surplus		116,761	219,012	218,968	236,910
Retained earnings		112,339	86,865	87,276	86,241
Treasury stock		(53,063)	(636)	(246)	(246)
Total shareholders' equity		<u>231,195</u>	<u>360,456</u>	<u>361,282</u>	<u>396,131</u>
Valuation and translation adjustments					
Unrealized gains (losses) on available-for-sale securities		10,133	(5,946)	(559)	(3,649)
Deferred gains (losses) on hedges		8	(25)	14	(1,475)
Foreign currency translation adjustments		(121)	(966)	(1,506)	(3,167)
Total valuation and translation adjustments . .		<u>10,020</u>	<u>(6,937)</u>	<u>(2,051)</u>	<u>(8,293)</u>
Stock acquisition rights		4	11	11	11
Minority interests		146,546	65,808	69,372	69,680
Total net assets		<u>387,766</u>	<u>419,338</u>	<u>428,615</u>	<u>457,530</u>
Total liabilities and net assets		<u>1,219,247</u>	<u>1,079,233</u>	<u>1,229,939</u>	<u>1,254,886</u>

CONSOLIDATED STATEMENTS OF OPERATIONS

	Notes	Year ended 31 March			Six months ended 30 September	
		2008	2009	2010	2009	2010
					<i>(unaudited)</i>	
Net sales	VI.1	222,567	130,922	124,541	63,153	62,948
Cost of sales	VI.2	115,343	63,633	59,138	28,274	28,646
Gross profit.		107,223	67,289	65,403	34,879	34,301
Selling, general and administrative expenses	VI.3 & 4	64,616	62,885	61,971	31,126	30,696
Operating income		42,606	4,403	3,431	3,752	3,605
Non-operating income						
Interest income		289	1,033	365	169	165
Dividend income		358	400	155	113	139
Share of results of affiliates.		—	—	—	—	203
Refunded consumption taxes		—	—	188	—	—
Others		481	989	476	241	245
Total non-operating income		1,129	2,423	1,185	524	754
Non-operating expense						
Interest expense		1,784	2,450	1,960	864	1,375
Amortization of stock issuance costs		186	5	4	2	16
Amortization of bond issuance costs		196	41	60	20	46
Amortization of deferred operating costs under Article 113 of the Insurance Business Act		—	—	746	300	343
Share of results of affiliates.		4,614	2,508	98	149	—
Foreign exchange losses		724	621	64	551	1,249
Others		541	1,162	569	375	632
Total non-operating expense		8,048	6,790	3,504	2,264	3,663
Ordinary income		35,687	37	1,112	2,012	695
Extraordinary income						
Gains on sales of investment securities		6,783	10,523	3,153	913	55
Reversal of allowance for doubtful accounts		28	89	40	42	176
Reversal of statutory reserves.		—	714	33	33	2,022
Gains on the changes in interests in consolidated subsidiaries and equity method investees		598	355	185	148	32
Others		387	586	55	37	139
Total extraordinary income		7,797	12,269	3,466	1,174	2,426

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	Notes	Year ended 31 March			Six months ended 30 September	
		2008	2009	2010	2009	2010
					<i>(unaudited)</i>	
Extraordinary expense						
Losses on sales of non-current assets	VI.7	1	33	0	0	—
Losses on retirement of non-current assets . .	VI.8	253	259	103	51	127
Provision of allowance for doubtful accounts.	VI.6	—	—	1,989	1,485	189
Provision of statutory reserves		1,611	0	0	—	—
Losses on sales of investment securities . . .	VI.5	3	12,040	237	146	3
Losses on valuation of investment securities.		—	7,547	46	24	176
Write-down of real estate inventories		—	984	—	—	—
Losses on disposal of subsidiaries and affiliates.		—	—	—	—	635
Impairment losses on goodwill.		2,121	1,066	—	—	397
Impairment loss	VI.9	—	—	—	—	716
Goodwill amortization for equity method affiliates with significant losses.		6,794	1,353	238	—	—
Losses on the changes in equity interest in consolidated subsidiaries and equity method investees		2,300	14	44	42	1
Impact from applying the Accounting Standard of Asset Retirement Obligation . .		—	—	—	—	501
Others		1,580	5,137	998	362	257
Total extraordinary expense		<u>14,665</u>	<u>28,438</u>	<u>3,658</u>	<u>2,113</u>	<u>3,007</u>
Income (loss) before income taxes		<u>28,819</u>	<u>(16,132)</u>	<u>920</u>	<u>1,074</u>	<u>113</u>
Income taxes-current		<u>(19,311)</u>	<u>(11,829)</u>	<u>(9,095)</u>	<u>(4,971)</u>	<u>(4,392)</u>
Income taxes-deferred		<u>2,038</u>	<u>5,680</u>	<u>8,359</u>	<u>3,632</u>	<u>3,001</u>
Total income taxes.		<u>(17,273)</u>	<u>(6,148)</u>	<u>(736)</u>	<u>(1,338)</u>	<u>(1,391)</u>
Income (loss) after income taxes before minority interests		<u>11,546</u>	<u>(22,280)</u>	<u>184</u>	<u>(264)</u>	<u>(1,277)</u>
Minority interests in income (loss)		<u>7,317</u>	<u>(3,905)</u>	<u>(2,165)</u>	<u>(1,086)</u>	<u>(1,963)</u>
Net income (loss)		<u><u>4,228</u></u>	<u><u>(18,375)</u></u>	<u><u>2,350</u></u>	<u><u>822</u></u>	<u><u>686</u></u>

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	Year ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
				<i>(unaudited)</i>	
SHAREHOLDERS' EQUITY					
Capital stock					
Balance at the end of previous year/period	54,914	55,157	55,214	55,214	55,284
Changes during the year/period					
Issuance of new stock	243	56	69	22	17,942
Total changes during the year/period	243	56	69	22	17,942
Balance at the end of current year/period	55,157	55,214	55,284	55,237	73,226
Capital surplus					
Balance at the end of previous year/period	116,518	116,761	219,012	219,012	218,968
Changes during the year/period					
Issuance of new stock	243	57	69	22	17,942
Increase (decrease) through share exchanges . . .	—	102,204	(112)	(112)	—
Adjustments due to change of scope of equity method	—	843	—	—	—
Disposal of treasury stock	(0)	(855)	(0)	(0)	(0)
Total changes during the year/period	243	102,250	(43)	(90)	17,942
Balance at the end of current year/period	116,761	219,012	218,968	218,921	236,910
Retained earnings					
Balance at the end of previous year/period	122,167	112,339	86,865	86,865	87,276
Changes during the year/period					
Dividends	(13,557)	(6,795)	(1,673)	(1,673)	(1,676)
Net income (loss)	4,228	(18,375)	2,350	822	686
Decrease due to newly consolidated subsidiary . .	(790)	—	—	—	—
Decrease due to deconsolidation of subsidiaries . .	(16)	—	—	—	—
Decrease through a merger	—	—	(194)	(194)	—
Adjustments due to change of scope of consolidation	—	(103)	217	(58)	—
Adjustments due to change of scope of equity method	307	(198)	(290)	—	(44)
Total changes during the year/period	(9,827)	(25,473)	410	(1,103)	(1,034)
Balance at the end of current year/period	112,339	86,865	87,276	85,762	86,241
Treasury stock					
Balance at the end of previous year/period	(53,061)	(53,063)	(636)	(636)	(246)
Changes during the year/period					
Purchases of treasury stock	(2)	(644)	—	—	—
Disposal of treasury stock	1	53,071	389	389	—
Decrease of treasury stock due to change in equity	0	—	—	—	—
Total changes during the year/period	(1)	52,427	389	389	—
Balance at the end of current year/period	(53,063)	(636)	(246)	(246)	(246)

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	Year ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
				<i>(unaudited)</i>	
Total shareholders' equity					
Balance at the end of previous year/period	240,537	231,195	360,456	360,456	361,282
Changes during the year/period					
Issuance of new stock	487	113	138	45	35,884
Increase (decrease) through share exchanges . . .	—	102,204	(112)	(112)	—
Dividends	(13,557)	(6,795)	(1,673)	(1,673)	(1,676)
Net income (loss)	4,228	(18,375)	2,350	822	686
Decrease due to newly consolidated subsidiary . .	(790)	—	—	—	—
Decrease due to deconsolidation of subsidiaries . .	(16)	—	—	—	—
Decrease due to merger	—	—	(194)	(194)	—
Adjustments due to change of scope of consolidation	—	(103)	217	(58)	—
Adjustments due to change of scope of equity method	307	644	(290)	—	(44)
Purchases of treasury stock	(2)	(644)	—	—	—
Disposal of treasury stock	0	52,216	388	389	(0)
Treasury stocks held by affiliates accounted for using equity method	0	—	—	—	—
Total changes during the year/period	<u>(9,342)</u>	<u>129,261</u>	<u>825</u>	<u>(781)</u>	<u>34,849</u>
Balance at the end of current year/period	<u>231,195</u>	<u>360,456</u>	<u>361,282</u>	<u>359,675</u>	<u>396,131</u>
Valuation and translation adjustments					
Unrealized gains (losses) on available-for-sale securities					
Balance at the end of previous year/period	5,436	10,133	(5,946)	(5,946)	(559)
Changes during the year/period					
Net changes other than shareholders' equity . . .	4,697	(16,079)	5,387	3,754	(3,090)
Total changes during the year/period	<u>4,697</u>	<u>(16,079)</u>	<u>5,387</u>	<u>3,754</u>	<u>(3,090)</u>
Balance at the end of current year/period	<u>10,133</u>	<u>(5,946)</u>	<u>(559)</u>	<u>(2,192)</u>	<u>(3,649)</u>
Deferred gains (losses) on hedges					
Balance at the end of previous year/period	2	8	(25)	(25)	14
Changes during the year/period					
Net changes other than shareholders' equity . . .	6	(34)	40	25	(1,490)
Total changes during the year/period	<u>6</u>	<u>(34)</u>	<u>40</u>	<u>25</u>	<u>(1,490)</u>
Balance at the end of current year/period	<u>8</u>	<u>(25)</u>	<u>14</u>	<u>—</u>	<u>(1,475)</u>
Foreign currency translation adjustments					
Balance at the end of previous year/period	973	(121)	(966)	(966)	(1,506)
Changes during the year/period					
Net changes other than shareholders' equity . . .	(1,095)	(844)	(540)	(725)	(1,660)
Total changes during the year/period	<u>(1,095)</u>	<u>(844)</u>	<u>(540)</u>	<u>(725)</u>	<u>(1,660)</u>
Balance at the end of current year/period	<u>(121)</u>	<u>(966)</u>	<u>(1,506)</u>	<u>(1,691)</u>	<u>(3,167)</u>

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ACCOUNTANTS' REPORT

	Year ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
				<i>(unaudited)</i>	
Total valuation and translation adjustments					
Balance at the end of previous year/period	6,411	10,020	(6,937)	(6,937)	(2,051)
Changes during the year/period					
Net changes other than shareholders' equity	3,608	(16,958)	4,886	3,054	(6,242)
Total changes during the year/period	3,608	(16,958)	4,886	3,054	(6,242)
Balance at the end of current year/period	10,020	(6,937)	(2,051)	(3,883)	(8,293)
Stock acquisition rights					
Balance at the end of previous year/period	41	4	11	11	11
Changes during the year/period					
Net changes other than shareholders' equity	(37)	7	(0)	(0)	(0)
Total changes during the year/period	(37)	7	(0)	(0)	(0)
Balance at the end of current year/period	4	11	11	11	11
Minority interests					
Balance at the end of previous year/period	99,648	146,546	65,808	65,808	69,372
Changes during the year/period					
Net changes other than shareholders' equity	46,897	(80,738)	3,564	4,535	308
Total changes during the year/period	46,897	(80,738)	3,564	4,535	308
Balance at the end of current year/period	146,546	65,808	69,372	70,343	69,680
Total net assets					
Balance at the end of previous year/period	346,640	387,766	419,338	419,338	428,615
Changes during the year/period					
Issuance of new stock	487	113	138	45	35,884
Increase (decrease) through share exchanges	—	102,204	(112)	(112)	—
Dividends	(13,557)	(6,795)	(1,673)	(1,673)	(1,676)
Net income (loss).	4,228	(18,375)	2,350	822	686
Decrease due to newly consolidated subsidiary.	(790)	—	—	—	—
Decrease due to deconsolidation of subsidiaries	(16)	—	—	—	—
Decrease through a merger.	—	—	(194)	(194)	—
Adjustments due to change of scope of consolidation	—	(103)	217	(58)	—
Adjustments due to change of scope of equity method	307	644	(290)	—	(44)
Purchases of treasury stock	(2)	(644)	—	—	—
Disposal of treasury stock.	0	52,216	388	389	(0)
Decrease of treasury stock due to change in equity	0	—	—	—	—
Net changes other than shareholders' equity	50,468	(97,689)	8,450	7,588	(5,933)
Total changes during the year/period	41,126	31,572	9,276	6,807	28,915
Balance at the end of current year/period	387,766	419,338	428,615	426,146	457,530

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
				<i>(unaudited)</i>	
Net cash from (used in) operating activities					
Income (loss) before income taxes	28,819	(16,132)	920	1,074	113
Adjustments for:					
Depreciation and amortization	6,896	4,893	5,550	2,553	2,969
Amortization of goodwill	4,580	7,068	7,764	3,889	4,271
Increase in provision	4,353	7,539	8,038	3,600	2,927
Share of results of affiliates	4,614	2,508	98	149	(203)
Write-down of operational investment securities	1,961	2,515	602	340	836
Equity in earnings of funds	(3,101)	(2,880)	(1,174)	(1,362)	(1,049)
(Gains) losses on sales of investment securities	(6,780)	1,517	(2,915)	(767)	(52)
Losses on valuation of investment securities	—	7,547	46	24	176
Foreign exchange losses	1,376	336	275	1,180	2,256
Interest and dividend income	(31,237)	(27,495)	(17,456)	(9,272)	(8,803)
Interest expense	7,809	8,784	5,962	2,956	3,369
Changes in assets and liabilities:					
(Increase) decrease in operational investment securities	(5,596)	(20,645)	(8,961)	805	(16,860)
(Increase) decrease in operational loans receivable	(16,108)	7,357	6,188	1,654	(1,050)
Decrease (increase) in real estate inventories	9,190	(7,616)	(2,036)	(1,940)	(514)
(Increase) decrease in notes and accounts receivable-trade	(1,979)	453	(1,302)	(761)	820
(Decrease) increase in notes and accounts payable-trade	(280)	(2,044)	263	(526)	(732)
Decrease (increase) in cash segregated as deposits	18,901	32,379	(12,962)	(55,962)	16,000
Decrease (increase) in trading instruments	386	(2,038)	(1,486)	(2,073)	(7,651)
Purchases of leased assets	(1,041)	—	—	—	—
Increase (decrease) in margin transaction assets/liabilities	55,172	108,341	(77,074)	(86,555)	(30,528)
Increase in deposits from customers	3,821	2,615	7,357	4,980	718
Decrease in guarantee deposits received for margin transactions	(25,442)	—	—	—	—
(Decrease) increase in guarantee deposits received	—	(29,706)	4,173	19,245	(4,548)
(Decrease) increase in loans payable secured by securities	(20,290)	11,105	17,193	11,682	3,607
Increase (decrease) in advances received	1,292	1,449	1,464	444	(458)
Others, net	20,511	1,815	(1,614)	44,735	3,709
Subtotal	57,830	99,669	(61,085)	(59,902)	(30,675)
Interest and dividend income received	30,595	27,847	17,747	10,037	8,402
Interest expense paid	(7,810)	(8,698)	(5,629)	(2,867)	(3,394)
Income taxes (paid) refunded	(30,542)	(15,782)	(4,167)	584	(4,366)
Net cash from (used in) operating activities	50,073	103,034	(53,134)	(52,149)	(30,034)

APPENDIX I
ACCOUNTANTS' REPORT

	Notes	Year ended 31 March			Six months ended 30 September	
		2008	2009	2010	2009	2010
					<i>(unaudited)</i>	
Net cash from (used in) investing activities						
Purchases of intangible assets		(3,457)	(3,913)	(7,043)	(2,269)	(2,776)
Purchases of investment securities		(8,309)	(7,344)	(7,653)	(5,296)	(9,298)
Proceeds from sales of investment securities .		3,579	784	3,204	2,475	3,031
Proceeds from sales of investments in subsidiaries		7,190	130	28	—	249
Purchases of investments in subsidiaries resulting in change in scope of consolidation	VIII.2	(3,861)	(1,086)	(260)	(399)	(99)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation		—	19,341	2,540	—	—
Purchases of investments in subsidiaries		(4,442)	(5,621)	(3,753)	(3,511)	—
Payments of loans receivable		(200,952)	(42,156)	(15,756)	(8,005)	(7,506)
Collection of loans receivable		191,927	37,519	16,226	7,598	6,630
Payments for lease and guarantee deposits . .		(2,855)	(3,045)	(1,491)	(1,104)	(455)
Proceeds from collection of lease and guarantee deposits		1,377	2,063	1,347	749	339
Others, net		(804)	2,225	(2,953)	(3,053)	92
Net cash used in investing activities		(20,610)	(1,104)	(15,563)	(12,816)	(9,793)
Net cash from (used in) financing activities						
Increase in short-term loans payable		2,672,500	—	—	—	—
Decrease in short-term loans payable		(2,680,830)	—	—	—	—
Increase (decrease) in short-term loans payable		—	(8,959)	940	42,929	(182)
Proceeds from long-term loans payable		46,215	1,474	28,360	1,700	2,000
Repayment of long-term loans payable		(38,571)	(9,899)	(22,208)	(3,638)	(3,328)
Proceeds from issuance of bonds payable . . .		297	200	122,218	49,968	40,464
Redemption of bonds payable		(1,400)	(108,366)	(51,480)	(41,480)	(41,600)
Proceeds from stock issuance		413	134	141	44	35,678
Proceeds from stock issuance to minority interests		2,850	325	1,023	1,006	1,681
Contributions from minority shareholders in consolidated investment funds		29,858	5,611	11,931	8,307	1,912
Cash dividend paid		(13,451)	(6,795)	(1,681)	(1,666)	(1,666)
Cash dividend paid to minority shareholders .		(2,554)	(2,746)	(218)	(152)	(147)
Distributions to minority shareholders in consolidated investment funds		(25,265)	(7,975)	(3,914)	(1,670)	(1,360)
Proceeds from sales of treasury stock		0	10	—	—	—
Purchases of treasury stock		(2)	(585)	(13)	(9)	(2)
Others, net		(19)	57	(499)	(132)	(488)
Net cash (used in) from financing activities . .		(9,957)	(137,514)	84,599	55,205	32,959
Effect of changes in exchange rate on cash and cash equivalents		(931)	(102)	(490)	(1,153)	(1,978)
Net increase (decrease) in cash and cash equivalents		18,574	(35,686)	15,410	(10,914)	(8,847)
Increase in cash and cash equivalents from newly consolidated subsidiaries		25,364	2,875	842	63	—
Decrease in cash and cash equivalents resulting from deconsolidation of subsidiaries		(23)	(107)	—	—	(28)
Increase in cash and cash equivalents resulting from merger		—	223	15	15	—
Cash and cash equivalents at beginning of year/period		115,092	159,007	126,312	126,312	142,581
Cash and cash equivalents at end of year/period	VIII.1	159,007	126,312	142,581	115,477	133,705

I. BASIS OF PRESENTATION

The Financial Information of SBI Holdings, Inc. (the “Company”) and its consolidated subsidiaries (hereinafter referred to as the “Group”) was prepared in accordance with the generally accepted accounting principles in Japan (“JGAAP”) and was presented by reference to the “Rules Governing Term, Form and Preparation of Consolidated Financial Statements” (Finance Ministerial Order the 28th, 1976, which is hereinafter referred to as the “Consolidated Financial Statements Rule”). The Financial Information of the Group has been prepared on the historical cost basis except for certain investments which are stated at fair value, the details of which are listed below.

The Financial Information is presented in Japanese Yen (“Yen” or “¥”).

II. SIGNIFICANT ACCOUNTING POLICIES**1. Accounting policies****(1) Scope of consolidation and application of equity method**

- (a) Under the control or influence concept, those companies in which the Group, directly or indirectly, is able to exercise control are consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for using the equity method.
- (b) All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit or loss resulting from intercompany transactions is eliminated.
- (c) Basis for exclusion from scope of consolidation
 - (i) Small size entities of which total assets, sales, net income, and retained earnings are considered to be immaterial are excluded from consolidation. Investments in partnerships which are classified as subsidiaries under Practical Issues Task Force (“PITF”) No. 20 — “Practical Solution on Application of Control”, issued on 8 September 2006, are excluded from consolidation as the effect of consolidation may be misleading to investors, in accordance with the item (ii) of Article 5(1) of the Consolidated Financial Statements Rule.
 - (ii) Venture capital investments are not classified as subsidiaries when certain conditions for venture capital have been satisfied.
- (d) Basis for not applying equity method
 - (i) Small size entities, which have immaterial effect to net income and retained earnings individually and collectively, are not accounted for using the equity method.
 - (ii) Venture capital investments are not classified as affiliates when certain conditions for venture capital have been satisfied.
- (e) Consolidated financial statements are prepared based on the financial statements of each reporting entity and adjustments are made when their year end dates are different over 3 months.

(2) Valuation method of significant assets

(a) Trading instruments

Trading instruments, 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 income.

(b) Available-for-sale securities (consist of investment securities and operational investment securities other than investments in funds), which are not classified as trading instruments:

(i) Listed securities

Listed securities are measured at fair value, with fair value gains and losses, net of applicable taxes, reported as “unrealized gains (losses) on available-for-sales securities”, a separate component of net assets. The cost of securities sold is determined based on the moving average cost method.

(ii) Unlisted securities

Unlisted securities are stated at cost less impairment, determined by the moving average cost method.

(c) Investments in funds

Investments in funds other than those classified as consolidated subsidiaries are accounted for using the equity method based on the Group's percentage share in the contributed capital. The Group's proportionate share in the equity of the funds are presented in “operational investment securities” or “investment securities”.

(d) Securities in custody for commodity futures related businesses

In accordance with the Article 39 of the Commodities Exchange Act, securities in custody for commodity futures related businesses are reported at a price determined by the commodity exchange 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 of the Japanese Stock Exchange market: 70 percent of fair value

Warehouse receipts (commodity certificates): 70 percent of fair value.

(e) Derivative contracts

Derivative contracts are measured at fair value.

(f) Real estate inventories

Real estate inventories are measured at the lower of cost or net realizable value.

(3) Depreciation method of depreciable assets

(a) Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation of property and equipment by the Company and its consolidated subsidiaries is computed using the declining-balance method over the estimated useful lives of assets while the straight-line

method is applied to buildings acquired after 1 April 1998. 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 from 2 to 20 years in 2008 and 2009 and from 4 to 20 years in 2010 for furniture and fixtures.

(b) Land

Land is stated at cost less impairment.

(c) Intangible assets

(i) Software used for internal purposes is amortized using the straight line method over the estimated useful life of the software (5 years).

(ii) Software for sale is amortized using the straight line method over the estimated saleable period of the software, which is 3 years or less.

(d) Assets leased to other parties under operating leases

Assets leased to other parties under operating leases are depreciated using the straight line method over the useful life of assets with estimated residual value.

(4) Recognition and measurement of significant provisions and allowances

(a) Allowance for investment losses

Allowance for investment losses for operational investment securities and investment securities are provided based on the estimated losses of the investments and the financial condition of the investees.

(b) Allowances for doubtful accounts

Allowance for doubtful accounts is provided based on the Group's past credit loss experience and an evaluation of the recoverability of the outstanding receivables including notes and accounts receivable-trade, operational loans receivable, loans on margin transactions and other loans receivable.

(c) Provision for bonuses

Bonuses to employees are accrued at the balance sheet date.

(d) Employees' retirement benefits

The Group recorded liabilities for employees' retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The liabilities were recognized and measured by assuming all the employee voluntarily retired at the end of the year.

(e) Retirement allowance for directors

Retirement allowance for directors is recorded at the amount as if all directors retired at each balance sheet date.

(f) Provision for contingent losses

The Group provided a liability for estimated losses relating to litigations.

(g) Statutory reserve for securities transactions liabilities/financial products transactions

For the year ended 31 March 2008, pursuant to Article 51 of the former Securities and Exchange Law, a statutory reserve was provided against possible losses resulting from execution errors related to securities business transactions. The amount was calculated in accordance with Article 35 of the former "Cabinet Office Ordinance concerning Securities Companies".

After 31 March 2008, pursuant to Article 46-5 of the Financial Instruments and Exchange Act, a statutory reserve is provided against possible losses resulting from execution errors related to securities business transactions. The amount is calculated in accordance with Article 175 of the "Cabinet Office Ordinance concerning Financial Instruments Business".

The Financial Instruments and Exchange Act (enacted on 30 September 2007) reformed and replaced the Securities and Exchange Law. The effect of the change resulted in the account "Reserve for securities transactions liabilities", which was recorded in accordance with Article 51 of the former Japanese Securities and Exchange Law, was replaced by "Reserve for financial products transaction liabilities" which are recorded in accordance with Article 46-5 of the Financial Instruments and Exchange Act effective from 1 April 2008. The loss before income taxes was decreased by ¥624 million for the year ended 31 March 2009 as a result of the change.

(h) Statutory reserve for commodity transactions liabilities

Statutory reserve is provided against possible losses resulting from commodity futures transaction errors in accordance with Article 221 of the Commodities Exchange Act.

(i) Statutory reserve for price fluctuation

Statutory reserve is provided against possible losses resulting from stock price fluctuations in accordance with Article 115 of the Insurance Business Act.

(5) Translations of significant assets and liabilities denominated in foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese Yen using the exchange rates at the balance sheet date. The balance sheets of the consolidated foreign subsidiaries are translated into Japanese Yen using their exchange rate as at the balance sheet date except for net assets, which are translated at the historical rates. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese Yen using the average exchange rate of the year. Differences arising from such translation are shown as "Foreign currency translation adjustments", as a separate component under "Net assets" except for the portion pertaining to the minority shareholders, which is included under "Minority interests" as a separate component under "Net assets".

(6) Recognition for net sales and cost of sales

Net sales and cost of sales

The Group's net sales primarily consist of a) revenue from operational investment securities, b) fees from funds, c) revenue from construction projects, d) revenue from securities transactions, e) revenue from commodity futures transactions, and f) revenue from finance lease transactions. The costs of sales principally consist of the cost of operational investment securities, cost of construction project, and the related provision of allowance for investment losses, if any.

(a) Revenue and cost of 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. Cost of operational investment securities consists of the cost of operational investment securities and securities held by funds, write down of operational investment securities and securities held by funds, and fees related to securities transactions.

(b) Fees from funds

Fees from funds consist of establishment fees for fund organization, management fees, and success fees from funds managed by the Group. Management fees from funds are recognized over the period of the fund management agreement. Establishment fees and success fees from funds are recognized when those revenue amounts are determined and the services are provided.

(c) Revenue from construction projects

When the total construction revenue, total construction costs and the stage of completion of the contract can be reliably measured at the balance sheet date, the percentage-of-completion method is applied. If the outcome of a construction contract cannot be reliably estimated at the balance sheet date, the completed contract method is applied.

(d) Revenue from securities transactions

Revenue from securities transactions primarily consists of brokerage commissions from securities transactions, fees from underwriting activities and offering of securities for initial public offerings and fees for placements and sales of securities. Commission income for executing brokerage transactions are accrued on a trade date basis. Underwriting fees are recorded when services for underwriting activities are completed. All other fees are recognized when related services are rendered.

(e) Revenue from commodity futures transactions

Revenue and cost of commodity futures transactions are recognized on a trade date basis.

(f) Revenue from finance lease transactions

Revenue and cost of finance lease transactions are recognized at the commencement of the lease term.

(g) Financial charges and cost of funding

Financial charges and cost of funding, which consist of interest expense for margin trading transactions and costs from repurchase agreement transactions, etc. which are related to the investment banking businesses, are recorded as cost of sales. As for certain consolidated

subsidiaries, interest expense other than financial charges is classified as interests related to operating assets (e.g. leases receivable and lease investment assets, etc.) or to non-operating assets. Interest expense (cost of funding) related to operating asset is classified as cost of sales. During the development of a project, interest expense related to long term and large scale real estate development is included in the cost of the real estate inventories.

(7) Accounting for significant lease transactions

In March 2007, the Accounting Standards Board of Japan ("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 1 April 2008 with early adoption permitted for fiscal years beginning on or after 1 April 2007.

(a) Lessee

Prior to 1 April 2007 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. ASBJ Statement No. 13 requires that all finance lease transactions be capitalized to recognize leased assets and lease obligations in the balance sheet. In addition, leases which existed at the transition date and did not transfer ownership of the leased assets to the lessee are continued to be accounted for as operating lease transactions with certain "as if capitalized" information disclosed in the notes to the lessee's financial information.

The Group continued to account for leases which existed at the transition date that did not transfer ownership of the leased assets to the lessee as operating lease transactions.

(b) Lessor

Prior to 1 April 2007 finance leases that deemed to transfer ownership of the assets leased to other parties under operating lease 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. ASBJ statement No. 13 requires that all finance leases be recognized as leases receivable, and that all finance leases that are deemed not to transfer ownership of the assets leased to other parties under operating leases be recognized as lease investment assets. For the finance leases which existed at the transition date and did not transfer ownership of the assets leased to other parties under operating leases, the 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.

The Group applied on 1 April 2008. The effect of this change was not considered material to net income for the year ended 31 March 2009.

Leases receivable and lease investment assets are stated at cost less accumulated depreciation. Depreciation is computed by using the straight-line method over the useful life with residual value of zero.

(8) Accounting for significant hedging transactions

(a) Accounting for hedges

Foreign currency forward contracts are used to hedge foreign currency exposures in the Group. Receivables, payables and investment securities denominated in foreign currencies are translated at the contracted rates if the forward contracts are qualified for hedge accounting. Interest rate swaps, which are qualified for hedge accounting and met the specific matching criteria, are not remeasured at market value. The differential paid or received under the swap agreements is recognized and included in interest expense or income.

(b) Hedging instruments and hedged item

(i) Hedging instruments and hedged item

Foreign exchange forward contracts and foreign currency denominated receivables and payables and investment securities.

(ii) Hedging instruments and hedged item

Interest rate swap contracts and interest expense for borrowing.

(c) Hedging policy

(i) For foreign currency-denominated transactions, the foreign currency forward contracts are used to hedge foreign currency exposures in the Group.

(ii) For interest expense on borrowing, interest rate swap contract is utilized to mitigate the volatility of interest rates.

(9) Other significant accounting policies for consolidated financial statements**1. Business Combination**

For the period up to 31 March 2010:

In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations" and on 27 December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Revised Guidance on 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 to be adopted. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

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 amortized by straight-line method over the estimated useful life of goodwill. Goodwill is amortized over 20 years when its useful life cannot be reasonably estimated. 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 amortized by straight-line method over periods appropriate to the circumstances of the respective acquisitions. Immaterial goodwill or negative goodwill is charged/credited to consolidated statements of operations when incurred.

Assets acquired and liabilities assumed at a business combination are recorded at its acquisition-date's fair value.

For the period beginning on 1 April 2010:

In December 2008, the ASBJ issued a revised accounting standard for business combinations, "Accounting Standard for Business Combinations" (ASBJ Statement No.21 issued on 26 December 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22 issued on 26 December 2008), "Partial amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No.23 issued on 26 December 2008), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7 (Revised 2008) issued on 26 December 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No.16 (Revised 2008) released on 26 December 2008) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10 (Revised 2008) issued on 26 December 2008), hereinafter referred to as "revised standards". The revised standards are effective for the business combinations transactions undertaken on or after 1 April 2010 and will be applied prospectively.

Major accounting changes under the revised accounting standards are as follows:

- (1) The previous 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 standards requires accounting for such business combination by the purchase method and the pooling of interests method of accounting is no longer allowed.
- (2) The previous accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standards, an in-process research and development (IPR&D) acquired by the business combination is capitalized as an intangible asset.
- (3) Under the previous accounting standard, a bargain purchase (negative goodwill) is capitalized and is amortized within 20 years. Under the revised standards, a bargain purchase is recognized as profit on the acquisition date.
- (4) Under the previous accounting standard, when a parent obtains control over a subsidiary by a step acquisition, goodwill is measured on the date the parent obtains control as the difference between (a) the aggregate carrying amount of any previously held equity interests and the purchase consideration and (b) the net amount of the fair value of assets and the liabilities attributable to the parent on the date the parent obtains control. Under the revised standards, the acquirer should remeasure its previously held equity interests in the acquiree at its acquisition-date fair value and recognize any resulting gain or loss. Goodwill is measured at the acquisition date as the difference

between (1) the aggregate of the acquisition date fair value of the consideration transferred, the amount of any non-controlling interests in the entity acquired and the acquisition-date fair value of any previously held equity interests in the entity acquired and (2) the net of the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed.

2. Accounting for investments in funds

Investment in funds, held for operational investment purpose, which are not within the scope of consolidation are accounted for as follows:

The Group's proportionate share in the equity of the funds as at balance sheet date is presented as "operational investment securities" (current assets) in the consolidated balance sheets. Revenue and expenses stated on the statement of operations of the funds are recorded in the consolidated statements of operations based on the Group's percentage of ownership.

Investment in funds, other than held for operational investment purpose, which are not within the scope of consolidation are accounted for as follows:

The Group's proportionate share in the equity of the funds as at balance sheet date are presented as "Investment securities" (non-current assets) in the consolidated balance sheets. Share of results of funds are included in "Non-operating income (expense)" in the consolidated statements of operations.

For the year ended 31 March 2009, the Group commenced quarterly reporting from this year under the Financial Instruments and Exchange Act. Consequently, for investment in funds not categorized as subsidiaries, the related gains/losses are measured based upon the investees' quarterly financial information when available. The operating income and ordinary income was increased, and the loss before income taxes was decreased by ¥1,189 million as a result of the change.

3. Deferred charges

(a) Stock issuance costs

Stock issuance costs are amortized over 3 years by using straight line method.

(b) Bond issuance costs

Bond issuance costs are amortized over the bond term by using straight line method.

(c) Deferred operating costs under Section 113 of the Insurance Business Act

This deferred operating costs can be amortized within 10 years according to section 113 of the Insurance Business Act of Japan.

4. Accounting for consumption tax

The amounts in the Financial Information are presented without consumption or local consumption taxes.

5. Cash segregated as deposits

Cash segregated as deposits are mainly client's trust money and cash deposited as collateral under the regulatory requirement, which is stated as cost.

6. Loans and receivables

Loans and receivables including notes and accounts receivable-trade, operational loans receivable and other loans receivable are measured at historical cost less allowance for doubtful accounts. The carrying amount of loans and receivables is reduced through the use of an allowance account. Margin loans receivable are stated at amounts equal to the purchase amounts of the relevant securities, which are collateralized by customers' securities and customers' deposits. (See the accounting policy in respect of allowance for doubtful accounts).

7. Deposits from customers and guarantee deposits received

Deposits received are mainly deposits received from customers, payment amount and guarantee deposits received which are recognized at cost.

8. Impairment losses on non-current assets

The Group reviews their non-current assets for impairment whenever events or changes in circumstance indicate that 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.

9. Asset retirement obligation

Asset retirement obligation is required to be recognized when there is a present obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. The asset retirement obligation should be measured at the present value.

10. Borrowings

Borrowings are stated at cost, which represent the loans payable and bonds payable outstanding at balance sheet date.

11. Retail margin trading liabilities

Retail margin trading liabilities are stated at cost.

12. Stock options

ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance are applicable to stock options granted on and after 1 May 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and expense over the vesting period as consideration for receiving goods or services.

The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock options granted or the goods or services received. In the consolidated balance sheets, 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. The standard allows the stock options granted by unlisted companies to be measured at their intrinsic value if their fair values cannot reliably estimate. The Group applied this accounting standard for stock options granted after 1 May 2006.

13. Bonuses to directors and corporate auditors

Bonuses to directors and corporate auditors are accrued at the balance sheet date.

14. 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 the Group is able to realize their benefits, or that future deductibility is uncertain.

15. 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.

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 attributable to the respective years including dividends to be paid after the end of the year.

16. Cash and deposits and short-term investment securities

Cash and cash equivalents stated in the consolidated statements of cash flows are cash and deposits or short-term investment securities that are readily convertible into cash, and are not exposed to significant risk of changes in value, all of which will be matured or become due within three months from the date of acquisition.

III. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The following new and revised accounting policies have been changed during the Track Record Period. The new and revised accounting policies are adopted prospectively:

FOR THE YEAR ENDED 31 MARCH 2009

- (1) The Group applied ASBJ PITF No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements" issued on 17 May 2006, effective on 1 April 2008. The effect of this change was considered as not material to the net loss for the year ended 31 March 2009.
- (2) On 30 March 2007, the ASBJ issued the revised ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which was previously issued on 17 June 1993, and the revised "Guidance for Accounting Standard for Lease Transaction" (ASBJ Guidance No. 16 previously issued on 18 January 1994) effective on 1 April 2008). 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 under the previous accounting standards. The revised accounting standards require that all finance lease transactions to be capitalized, as leased assets and lease obligations recognized in the consolidated balance sheets. In addition, the revised accounting standards permit leases which existed as of 1 April 2008 at the transition date and the ownership of the leased assets was not transferred to the lessee to be continued to account for as operating lease transactions.

As a lessee, the Group continued to account for leases which existed at the transition date and did not transfer ownership of the leased assets to others under operating lease to the lessee as operating lease transactions. As a lessor, finance leases where the ownership of the leased assets was not transferred to the lessee are measured at the carrying amount as at the end of the prior year and recorded as lease investment assets. The effect of the above changes were considered to be not material to the net loss for the year ended 31 March 2009.

- (3) Prior to 1 April 2008, inventories were stated at cost, determined by the specific identification method. On 5 July 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories." The Group applied this new accounting standard effective on 1 April 2008. The effect of this change was to decrease operating income and ordinary income by ¥408 million and to increase loss before income taxes by ¥1,393 million for the year ended 31 March 2009. Please refer to the segment information for the effects to the segment.

FOR THE YEAR ENDED 31 MARCH 2010

- (4) On 27 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." Until 31 March 2009, the Group adopted the percentage of completion method on the construction contracts, which met both (i) the contract amount is ¥300 million and more (ii) construction period is over 1 year. The Group adopted the completed contract method to other contracts. Under the new accounting standard, construction revenue and construction costs should be recognized using the percentage-of-completion method, if 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. The Group applied the new accounting standard effective on 1 April 2009. The effect of this change was considered to be not material.
- (5) On 13 May 2008, ASBJ issued the Implementation Guidance No. 22 "Guidance on determining a subsidiary and an affiliate". The Group applied this guidance with effective from 1 April 2009 and 3 entities were newly identified as subsidiaries of the Company for the year ended 31 March 2010. However, the 3 new identified subsidiaries were excluded from consolidation as they met the specific exemption of small size entities. There is no financial effect on such change of accounting policy for the year ended 31 March 2010.

FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2010

- (6) The Group has adopted "Accounting Standard for Asset Retirement Obligation" (ASBJ Statement No. 18 issued on 31 March 2008) and "Guidance for Accounting Standard for Asset Retirement Obligation" (ASBJ Guidance No. 21 issued on 31 March 2008). The operating income and ordinary income was decreased by ¥45 million and the income (loss) before income taxes was decreased by ¥547 million for the six month period ended 30 September 2010 as a result of the change.
- (7) Accounting standard for business combinations: The Group has adopted "Accounting Standard for Business Combinations" (ASBJ Statement No.21 issued on 26 December 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22 issued on 26 December 2008), "Partial amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No.23 issued on 26 December 2008), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7 (Revised 2008) issued on 26 December 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No.16 (Revised 2008) released on 26 December 2008) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10 (Revised 2008) issued on 26 December 2008) for the six months ended 30 September 2010.

The implication of changes in significant accounting policies as if the changes were applied retrospectively are disclosed in section A.3 of the Financial Information.

IV. CHANGES IN PRESENTATION**Changes in presentation due to adoption of Extensible Business Reporting Language (“XBRL”) for the purpose of filing financial information through Electronic Disclosure for Investors’ Network (“EDINET”):**

Consolidated balance sheets:

- (1) As at 31 March 2009, provisions included in “Others” line of “Current liabilities” (¥72 million as at 31 March 2008) and previously in “Others” line of “Non-current liabilities” (¥248 million as at 31 March 2008) were reclassified into “Other Provisions” of “Current liabilities” and “Other Provisions” of “Non-current liabilities” respectively.
- (2) In the consolidated balance sheet as at 31 March 2008, consignment guarantee money received for margin transactions were presented as “Guarantee deposits received” (¥229,183 million as at 31 March 2009) and customer deposits as collateral for commodity futures were presented as “Customers’ deposits received for commodity futures transactions” (¥28,885 million as at 31 March 2009).

“Guarantee deposits received” and “Customers’ deposits received for commodity futures transactions” were presented as “Guarantee deposits received” as at 31 March 2009.

Consolidated statements of changes in net assets:

- (3) “Decrease due to newly consolidated subsidiary” (decreased by ¥73 million for the year ended 31 March 2009) and “Decrease due to deconsolidation of subsidiaries” (decreased by ¥29 million for the year ended 31 March 2009) for the year ended 31 March 2008 have been reclassified into “Adjustments due to change of scope of consolidation” from the year ended 31 March 2009 onwards.

Consolidated statements of cash flows:

- (4) In the consolidated statement of cash flows for the year ended 31 March 2008, changes in consignment guarantee money received for margin transactions were presented as “Decrease in guarantee deposits received for margin transactions”. For the year ended 31 March 2009, amounts were reclassified into “(Decrease) increase in guarantee deposits received” (decreased by ¥42,822 million for the year ended 31 March 2009).

In addition, changes in customers’ deposits as collateral for commodity futures, which were presented as “Others, net” for the year ended 31 March 2008, were also reclassified into “(Decrease) increase in guarantee deposits received” (increased by ¥13,115 million for the year ended 31 March 2009).

Change in presentation due to expansion of a particular line item or grouping with other items if the corresponding amount exceeds or is below the benchmark of the associated Financial Information caption:

Consolidated balance sheets:

- (5) Assets leased to other parties of ¥5 million and the corresponding accumulated depreciation of ¥(0) million as at 31 March 2009, which were separately presented as at 31 March 2008, were included in "Property and Equipment — others" as the 2009 balance is below 10% of the total carrying amount of property and equipment.

Consolidated statements of operations:

- (6) "Losses on valuation of investment securities" was included in "Others" line of "Extraordinary expense" for the year ended 31 March 2008 and was separately presented for the subsequent reporting years periods within the Track Record Period, as the amount exceeded 10 percent of total extraordinary expense. "Losses on valuation of investment securities" for the year ended 31 March 2008 amounted to ¥676 million.
- (7) "Refunded consumption taxes" was included in "Others" line of "Non-operating income" for the years ended 31 March 2008 and 31 March 2009 and six months ended 30 September 2010 and was separately presented for the year ended 31 March 2010, as the amount exceeded 10 percent of total amount of non-operating income. "Refunded consumption taxes" for the year ended 31 March 2009 amounted to ¥238 million.
- (8) "Amortization of deferred operating costs under Article 113 of the Insurance Business Act" was included in "Others" line of "Non-operating expense" for the years ended 31 March 2008 and 31 March 2009 and was separately presented for the subsequent reporting periods within the Track Record Period, as the amount exceeded 10 percent of total non-operating expense. "Amortization of deferred assets under Article 113 of the Insurance Business Act" for the year ended 31 March 2009 amounted to ¥364 million.
- (9) "Provision of allowance for doubtful accounts" was included in "Others" line of "Extraordinary expense" for the years ended 31 March 2008 and 31 March 2009 and was separately presented for the subsequent reporting periods within the Track Record Period, as the amount exceeded 10 percent of total extraordinary expense. "Provision of allowance for doubtful accounts" for the year ended 31 March 2009 amounted to ¥2,468 million.
- (10) "Impairment loss" was included in "Others" line of "Extraordinary expense" for the year ended 31 March 2010 and prior reporting periods within the Track Record Period and was separately presented for the six months ended 30 September 2010, as the amount exceeds 10 percent of total amount of extraordinary expense. "Impairment loss" included in "Others" line of "Extraordinary expense" for the six months ended 30 September 2009 amounted to ¥6 million.

Consolidated statements of cash flows:

- (11) "Losses on valuation of investment securities" was included in "Others, net" line of "Net cash from (used in) operating activities" for the year ended 31 March 2008 and was separately presented for the subsequent reporting periods within the Track Record Period as a result of the significant increase in the amount. "Losses on valuation of investment securities" included in "Others" for the year ended 31 March 2008 was an increase of ¥676 million.

- (12) "Purchases of leased assets" was separately presented for the year ended 31 March 2008 and included in "Others, net" line of "Net cash from (used in) operating activities" for the subsequent reporting periods within the Track Record Period as a result of the significant decrease in balance. "Purchases of leased assets" included in "Others" line of "Net cash from (used in) operating cash flows" for the year ended 31 March 2009 was a decrease of ¥5 million.

Change in presentation due to other reasons:

Consolidated statements of cash flows:

- (13) In the consolidated statement of cash flows for the year ended 31 March 2008, "Increase in short-term loans payable" and "Decrease in short-term loans payable" in cash flows from financing activities were separately presented on a gross-basis. For the year ended 31 March 2009, amounts were presented on a net-basis in "Increase (decrease) in short-term loans payable" as the loans have a short term maturity. "Increase in short-term loans payable" and "Decrease in short-term loans payable" included in "Increase (decrease) in short-term loans payable" were increase of ¥1,310,204 million and decrease of ¥1,319,163 million, respectively, for the year ended 31 March 2009.

The implication of changes in presentation as if the changes were applied retrospectively are disclosed in section A.3 of the Financial Information.

V. NOTES TO CONSOLIDATED BALANCE SHEETS

1. Operational investment securities

As at 31 March 2008, 2009 and 2010 and 30 September 2010, operational investment securities included investments in funds and investments in operational investment securities. Investment in funds included in operational investment securities consisted of the following:

	As at 31 March			As at
	2008	2009	2010	30 September 2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)
NEW HORIZON FUND, L.P.	31,305	11,021	10,465	7,031
New Horizon Capital, L.P.	—	4,118	6,641	5,928
SBI & BDJB CHINA FUND, L.P.	—	—	1,253	2,160
New Horizon Capital III, L.P.	—	—	—	1,449
SBI BB MEDIA INVESTMENT LIMITED PARTNERSHIP	1,718	1,443	1,375	1,306
Others	4,114	1,848	2,873	2,795
Subtotal (Investments in funds)	37,138	18,432	22,608	20,671
Direct investments	78,578	86,804	98,967	104,467
Total	<u>115,717</u>	<u>105,236</u>	<u>121,576</u>	<u>125,139</u>

2. Real estate inventories

Real estate inventories consisted of the following:

	As at 31 March			As at
	2008	2009	2010	30 September 2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)
Real estate inventories	7,371	10,983	9,837	12,540
Real estate inventories in progress ...	15,939	13,109	7,926	8,082
Real estate for development	8,070	2,852	1,403	1,403
Beneficial interest in real estate investment trust	1,512	9,570	9,601	9,552
Total	<u>32,894</u>	<u>36,515</u>	<u>28,767</u>	<u>31,579</u>

3. Investments in unconsolidated subsidiaries and affiliates

Investments in unconsolidated subsidiaries and affiliates are as follows:

	As at 31 March			As at 30 September 2010
	2008	2009	2010	
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)
Investment securities	25,819	23,781	29,956	44,290

The above investment securities include investments in jointly controlled entities of ¥5,859 million, ¥13,422 million and ¥19,421 million as at 31 March 2009, 31 March 2010 and 30 September 2010 respectively.

4. Pledged assets

Pledged assets consisted of the following:

	As at 31 March			As at 30 September 2010
	2008	2009	2010	
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)
Cash and deposits	111	276	112	338
Notes and accounts receivable -trade	439	574	587	366
Operational investment securities	—	—	737	—
Operational loans receivable	21,213	15,260	2,864	3,415
Real estate inventories	12,462	11,188	10,519	10,773
Others-current assets	—	14,454	3,289	3,067
Investment securities	—	—	—	991
Total	<u>34,227</u>	<u>41,753</u>	<u>18,109</u>	<u>18,953</u>

The assets above were pledged as collateral for:

Short-term loans payable	22,495	29,246	10,194	9,207
Current portion of long-term loans payable	3,832	4,279	604	721
Current portion of bonds payable	300	—	300	—
Long-term loans payable	3,065	711	960	610
Bonds payable	300	300	—	—

Included in operational investment securities are ¥8,474 million, ¥474 million, ¥1,129 million and ¥823 million securities received from customers that were pledged as collateral for borrowings of retail margin trading as at 31 March 2008, 2009 and 2010 and 30 September 2010 respectively.

5. Provision for contingent losses

(1) Credit guarantees

Guarantees for the debts owed to other financial institutions in the Group's credit guarantee business are as follows:

	As at 31 March			As at
	2008	2009	2010	30 September
	(millions of Yen)	(millions of Yen)	(millions of Yen)	2010 (millions of Yen)
Guarantee of bank loans (Note)	519	556	542	492

Note:

	As at 31 March 2008
SBI Systems	200
Marniso Corporation	319
	<u>519</u>

(2) Other contingent losses

On 28 July 2008, the Tokyo District Court made a decision to commence civil rehabilitation proceedings to ZEPHYR CO., LTD. ("ZPYR"). On 18 February 2009, ZPYR's restructuring plan was approved at the creditors' meeting and confirmed by the court.

As a result, the loan extended to ZPYR by SBI Incubation Co. Ltd. (a consolidated subsidiary of the Company, formerly known as, Partners Investment Co., Ltd. ("PTINV")) in the aggregate amount of ¥11,366 million as at 31 March 2009. The loan is expected to recover through the disposal of real estate held as collateral to creditors. However, if there is an unrecoverable amount after the disposal of the real estate, the proceeds will be allocated using a percentage determined in the restructuring plan.

On 5 September 2008, the right of avoidance was exercised against PTINV through the Tokyo District Court by the oversight committee member of ZPYR's civil rehabilitation proceedings, who claims vitiation of certain collateral granted and demands the return of loan repayments and interest paid by ZPYR amounting to ¥3,036 million. Partners Investment Co., Ltd was merged with SBI Incubation Co., Ltd., which was the surviving company in September 2009.

6. Off-balance sheet items — Fair values of the securities deposited in securities-related businesses

Securities deposited in securities-related businesses represented securities lent to customers under securities lending arrangements.

Fair values of the securities deposited in securities-related businesses are as follows:

	As at 31 March			As at
	2008	2009	2010	30 September 2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)
Securities loaned on margin transactions	62,849	91,587	108,452	72,928
Securities pledged for loans payable for margin transactions .	79,919	53,956	49,619	51,990
Substitute securities for guarantee money paid	72,810	50,730	80,828	37,786
Securities loaned under loan agreement	33,018	42,106	61,557	67,870
Substitute securities for pledged margin transactions (except those related to customer's direct deposit)	—	—	—	46,478
Others	<u>1,515</u>	<u>—</u>	<u>—</u>	<u>—</u>

7. Off-balance sheet items — Fair values of the securities received in securities-related businesses

Securities received in securities-related businesses represented securities borrowed by the Group under securities lending arrangements.

Fair values of the securities received in securities-related businesses are as follows:

	As at 31 March			As at
	2008	2009	2010	30 September 2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)
Securities pledged for loans receivable for margin transactions . .	221,469	115,264	216,132	211,868
Securities borrowed on margin transactions	17,918	43,113	41,084	22,004
Substitute securities for guarantee money received, which were agreed on as collateral for other transactions	221,047	178,487	216,883	221,076
Substitute securities for guarantee money received on futures	3,244	506	99	—
Substitute securities for margin money received, which were agreed on as collateral for other transactions	—	—	—	99
Securities borrowed under loan agreement other than margin transactions	—	—	—	73,935
Others	<u>—</u>	<u>36,569</u>	<u>68,275</u>	<u>—</u>

8. Trading instruments

Trading instruments consisted of the following:

	As at 31 March			As at
	2008	2009	2010	30 September 2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)
Equity securities	14	10	0	8
Debt securities	1,598	7,049	901	313
Others	108	93	125	93
Subtotal	1,722	7,153	1,027	415
Derivatives	6	571	2,487	9,608
Total	<u>1,728</u>	<u>7,724</u>	<u>3,514</u>	<u>10,024</u>

9. Securities in custody

As at 31 March 2008 and 2009, the Group deposited securities to Japan Commodity Clearing House Co., Ltd as margin deposits in relation to its commodity futures brokerage business which amounted to ¥259 million and ¥209 million respectively. The corresponding liabilities were recorded as "Guarantee deposits received" in the consolidated balance sheets.

As at 31 March 2010 and 30 September 2010, there was no security in custody upon the cessation of commodity future business.

10. Cash act as collateral under the regulatory requirement

Cash segregated as deposit is required in respect of the following activities:

	As at 31 March			As at 30
	2008	2009	2010	September 2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)
Securities brokerage business				
Cash segregated as deposits under the Financial Instruments and Exchange Act Article No. 43-2-2 for the securities brokerage business	298,400	266,000	279,000	263,000
Foreign exchange brokerage business				
Cash segregated as deposits under the Financial Instruments and Exchange Act Article No. 43-3 for foreign exchange brokerage business	15,330	165	39,865	45,665

	As at 31 March			As at 30 September 2010
	2008	2009	2010	
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)
Commodity futures brokerage business				
Cash segregated as deposits under the Commodities Exchange Act Article No. 210 for commodities futures brokerage business	200	200	—	—
	<u>313,930</u>	<u>266,365</u>	<u>318,865</u>	<u>308,665</u>

11. Advances received

Advances received included advances for management fees from funds and other advances are as follows:

	As at 31 March			As at 30 September 2010
	2008	2009	2010	
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)
SBI BB MEDIA INVESTMENT LIMITED PARTNERSHIP	472	472	157	—
SBI BROADBAND CAPITAL Silent Partnership	239	232	209	464
Other funds	<u>42</u>	<u>27</u>	<u>24</u>	<u>9</u>
Total management fees	754	732	391	474
Other advances received	<u>1,009</u>	<u>1,081</u>	<u>1,436</u>	<u>1,390</u>
Total	<u>1,764</u>	<u>1,813</u>	<u>1,828</u>	<u>1,864</u>

12. Statutory reserves

As at 31 March 2008, reserve for the securities transaction liabilities was provided in accordance with Article 51 of the former Japanese Securities and Exchange Act. Statutory reserve for liability for commodity transactions was provided in accordance with Article 221 of the Commodities Exchange Act.

As at 31 March 2009, reserve for the financial products transaction liabilities was provided in accordance with Article 46-5 of Japanese Financial Instruments and Exchange Act. Statutory reserve for liability for commodity transactions was provided in accordance with Article 221 of the Commodities Exchange Act. Statutory reserve for price fluctuations provided in accordance with Article 115 of the Insurance Business Act.

As at 31 March 2010 and 30 September 2010, reserve for the financial products transaction liabilities was provided in accordance with Article 46-5 of Japanese Financial Instruments and Exchange Act. Statutory reserve for price fluctuations was in accordance with Article 115 of the Insurance Business Act.

13. Credit facilities provided

Several consolidated subsidiaries were engaged in retail loan business, cash advance business for credit cards, and financing corporate reorganization. The credit facilities provided in respect of these operations are as follows:

	As at 31 March			As at
	2008	2009	2010	30 September 2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)
Credit facilities	37,896	36,979	12,439	6,290
Utilised	<u>25,995</u>	<u>23,566</u>	<u>3,461</u>	<u>3,530</u>
Unused portion	<u>11,900</u>	<u>13,413</u>	<u>8,978</u>	<u>2,759</u>

It is noted that above credit facilities can be utilized if certain conditions are met. The purpose of borrowings and any rating changes of the customers may affect the withdrawal of credit facilities.

14. Lines of credit from financial institutions

To ensure an efficient operating funds procurement, the Group entered into or overdrafted facilities with 20, 14, 15 and 15 banks as at 31 March 2008, 2009 and 2010 and 30 September 2010 respectively. Unused overdraft facilities at the end of the year/period are as follows:

	As at 31 March			As at
	2008	2009	2010	30 September 2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)
Lines of credit	137,475	125,500	123,909	146,950
Used balance	<u>30,984</u>	<u>21,842</u>	<u>43,230</u>	<u>26,087</u>
Unused portion	<u>106,491</u>	<u>103,657</u>	<u>80,679</u>	<u>120,862</u>

15. Amount of allowance for investment losses which are directly deducted from investment securities

As at 31 March 2009 and 2010 and 30 September 2010, the amount of allowance for investment losses which are directly deducted from investment securities were ¥300 million, ¥300 million and ¥300 million respectively. No allowance for investment losses was booked as at 31 March 2008.

VI. NOTES TO CONSOLIDATED STATEMENTS OF OPERATIONS

1. Gains (losses) on trading included in net sales consisted of the following:

	Year ended 31 March									Six months ended 30 September					
	2008			2009			2010			2009			2010		
	(millions of Yen)			(millions of Yen)			(millions of Yen)			(unaudited) (millions of Yen)			(millions of Yen)		
Realized	Unrealized	Total	Realized	Unrealized	Total	Realized	Unrealized	Total	Realized	Unrealized	Total	Realized	Unrealized	Total	
Equity Securities	360	(4)	355	109	(1)	108	3	35	38	27	2	30	4	0	4
Debt Securities	1,511	4	1,516	868	(5)	863	195	41	237	293	4	297	737	(19)	717
Others	1,474	(16)	1,458	2,943	845	3,788	11,120	296	11,417	4,245	1,564	5,810	(2,578)	8,004	5,425
Total	<u>3,346</u>	<u>(16)</u>	<u>3,329</u>	<u>3,921</u>	<u>838</u>	<u>4,760</u>	<u>11,320</u>	<u>373</u>	<u>11,693</u>	<u>4,566</u>	<u>1,572</u>	<u>6,138</u>	<u>(1,836)</u>	<u>7,984</u>	<u>6,147</u>

Above trading gains (losses) included gains (losses) on certain businesses other than securities-related business of ¥43 million, ¥47 million, ¥81 million, ¥26 million and ¥23 million for the years ended 31 March 2008, 2009 and 2010 and for the six months ended 30 September 2009 (unaudited) and 2010 respectively.

2. Costs of sales consisted of the following:

	Year ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(unaudited) (millions of Yen)	(millions of Yen)
Cost of sales arising from operational investment securities	34,310	4,728	7,805	6,374	2,765
Provision of allowance for operational investment securities losses	1,125	1,623	3,073	522	1,639
Financial charges	5,882	6,171	3,851	2,020	1,914
Cost of sales arising from real estate inventories	41,162	12,051	3,868	764	979
Others	<u>32,863</u>	<u>39,060</u>	<u>40,539</u>	<u>18,593</u>	<u>21,348</u>
Total	<u>115,343</u>	<u>63,633</u>	<u>59,138</u>	<u>28,274</u>	<u>28,646</u>

Cost of sales arising from operational investment securities included valuation losses of ¥2,040 million, ¥2,702 million, ¥702 million, ¥340 million and ¥839 million for the years ended 31 March 2008, 2009 and 2010 and for the six months ended 30 September 2009 (unaudited) and 2010 respectively. Others included financial costs and payrolls related to net sales.

3. Selling, general and administrative expenses consisted of the following:

	Year ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(unaudited) (millions of Yen)	(millions of Yen)
Payroll and bonuses	8,811	10,018	9,970	4,957	5,119
Provision of retirement allowance for directors . .	23	35	—	24	—
Retirement benefit costs . . .	61	52	25	—	1
Provision of allowance for doubtful accounts	2,768	3,180	2,140	1,369	1,014
Provision of bonuses	494	50	53	50	67
Outsourcing fees	9,264	9,827	10,412	4,923	5,193
Amortization of goodwill . . .	<u>2,459</u>	<u>6,001</u>	<u>7,764</u>	<u>3,889</u>	<u>3,873</u>

4. Selling, general and administrative expenses included research and development costs of ¥1,106 million, ¥614 million, ¥447 million, ¥252 million and ¥223 million for the years ended 31 March 2008, 2009 and 2010 and for the six months ended 30 September 2009 (unaudited) and 2010 respectively.

5. For the year ended 31 March 2009, losses on disposal of ZPYR (Investment in affiliates) of ¥9,469 million was included.

6. For the year ended 31 March 2010 and six months ended 30 September 2009 (unaudited), provision of allowance for doubtful accounts included additional ¥1,206 million which was due from ZPYR. With regard to the settlement of the exercised right of avoidance by the oversight committee member of the ZPYR Civil rehabilitation proceeding on 1 October 2009, the provision of allowance for doubtful accounts is re-estimated. The impaired loan receivable is expected to be collected after foreclosure on ZPYR.

7. Losses on disposal of non-current assets consisted of the following:

	Year ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(unaudited) (millions of Yen)	(millions of Yen)
Buildings	—	15	—	—	—
Land	—	17	—	—	—
Furniture and fixtures	—	—	0	0	—
Other intangible assets	1	—	—	—	—
Other property and equipment	—	1	—	—	—
Total	<u>1</u>	<u>33</u>	<u>0</u>	<u>0</u>	<u>—</u>

8. Losses on retirement of non-current assets consisted of the following:

	Year ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(unaudited) (millions of Yen)	(millions of Yen)
Buildings	22	63	55	21	36
Furniture and fixtures	10	13	17	8	10
Other property and equipment	0	0	0	0	0
Software	219	180	26	20	77
Other intangible assets	1	1	4	0	2
Total	<u>253</u>	<u>259</u>	<u>103</u>	<u>51</u>	<u>127</u>

9. The Group recorded the following impairment losses for the six months ended 30 September 2010:

Business	Category	Items	Location	Impairment loss amount (millions of Yen)
Brokerage & Investment Banking Business	Assets for on-line securities operation system	Buildings, furnitures and fixtures, software and leased assets	Tokyo	350
Financial Services Business	Assets for credit card operation	Furnitures and fixtures, software	Tokyo	5
Others	Assets for health care related business	Buildings, furniure and fixtures and software, etc.	Tokyo	360

(1) Grouping of assets

The grouping of assets was generally based on the independent lowest cash-generating unit. The grouping of lease property and unutilized assets was based on individual asset.

(2) Background to recognize impairment loss

In the Brokerage & Investment Banking Business, a new online securities operation system will be in use subsequent to the six months ended 30 September 2010, assets used for the current operation system were decided to be disposed of. Since the recoverable amount was less than the carrying amount, the difference between the recoverable amount and the carrying amount of the assets was recognized as an impairment loss.

The amounts of impairment losses for buildings, furniture and fixtures, software and leased assets were ¥2 million, ¥16 million, ¥36 million and ¥295 million respectively.

In the Health Care Related Business, the difference between the recoverable amount and the carrying amount of assets used for health care operation was recognized as an impairment loss due to no expectation of profits. The amounts of impairment losses for buildings, furniture and fixtures, software and leased assets were ¥29 million, ¥86 million, ¥233 million and ¥10 million respectively.

(3) Calculation of recoverable amount

The recoverable amount is principally measured based on the net sales value.

VII. NOTES TO CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

1. Outstanding number of capital stock and treasury stock

Year ended 31 March 2008	As at 31 March 2007 (share)	Increase (share)	Decrease (share)	As at 31 March 2008 (share)
Outstanding capital stock				
Common shares (Note 1)	12,399,171.01	36,113.00	—	12,435,284.01
Treasury stock				
Common shares (Note 2, 3)	1,183,487.53	83.13	29.82	1,183,540.84

Notes:

1. The increase in common shares of 36,113.00 shares was due to the exercise of stock acquisition rights.
2. The increase in treasury stock (common shares) of 83.13 shares was due to the purchase of odd-lot shares.
3. The decrease in treasury stock (common shares) of 29.82 shares was due to the reissuance of odd-lot of 26.08 shares and the decrease of affiliates under equity method of 3.74 stocks.
4. The carrying amount of capital stock generally represents the total cash consideration received by the Company except that the Board of Directors may determine the amount to be recorded as capital stock different from the total subscription amount. Such difference will be recorded as capital surplus. For treasury stock, it is recorded at the acquisition costs paid by the Company.

Year ended 31 March 2009	As at 31 March 2008 (share)	Increase (share)	Decrease (share)	As at 31 March 2009 (share)
Outstanding capital stock				
Common shares (Notes 1, 2)	12,435,284.01	4,333,449.00	0.01	16,768,733.00
Treasury stock				
Common shares (Notes 3, 4)	1,183,540.84	38,141.61	1,184,021.45	37,661.00

Notes:

1. The increase in common shares of 4,333,449.00 shares was due to the exercise of stock acquisition rights of 14,237.00 shares and share exchange with SBI Securities Co., Ltd (a wholly owned subsidiary) of 4,319,212.00 shares.
2. The decrease in common shares of 0.01 share was due to the cancellation of fraction of shares.
3. The increase in common shares of 38,141.61 shares was due to the purchase of odd-lot of 37,530.61 shares and purchase of treasury stock of 611.00 shares by consolidated subsidiaries.
4. The decrease in treasury stock (common shares) of 1,184,021.45 shares was due to the reissuance of odd-lot of 113.62 shares, sales of treasury stock (common shares) owned by consolidated subsidiaries and affiliates under equity method of 74,907.83 shares and share exchange of 1,109,000.00 shares for the process that SBI Securities Co., Ltd became a wholly owned subsidiary.
5. The carrying amount of capital stock generally represents the total cash consideration received by the Company except that the Board of Directors may determine the amount to be recorded as capital stock different from the total subscription amount. Such difference will be recorded as capital surplus. For treasury stock, it is recorded at the acquisition costs paid by the Company.

<u>Year ended 31 March 2010</u>	<u>As at 31 March 2009 (share)</u>	<u>Increase (share)</u>	<u>Decrease (share)</u>	<u>As at 31 March 2010 (share)</u>
Outstanding capital stock				
Common shares (Note 1)	16,768,733	13,558	—	16,782,291
Treasury stock				
Common shares (Note 2)	37,661	—	23,040	14,621

Notes:

1. The increase in common shares of 13,558 was due to exercise of stock acquisition rights.
2. The decrease in treasury stock (common shares) of 23,040 was due to the acquisition of SBI Futures Co., Ltd. SBI Futures became a wholly owned subsidiary through a shares exchange.

<u>Six months ended 30 September 2009 (unaudited)</u>	<u>As at 31 March 2009 (share)</u>	<u>Increase (share)</u>	<u>Decrease (share)</u>	<u>As at 30 September 2009 (share)</u>
Outstanding capital stock				
Common shares (Note 1)	16,768,733	3,400	—	16,772,133
Treasury stocks				
Common shares (Note 2)	37,661	—	23,040	14,621

Notes:

1. The increase in common shares of 3,400 shares was due to the exercise of shares subscriptions.
2. The decrease in treasury stock (common shares) of 23,040 was due to the acquisition of SBI Futures Co., Ltd. SBI Futures became a wholly owned subsidiary through a shares exchange.

3. The carrying amount of capital stock generally represents the total cash consideration received by the Company except that the Board of Directors may determine the amount to be recorded as capital stock different from the total subscription amount. Such difference will be recorded as capital surplus. For treasury stock, it is recorded at the acquisition costs paid by the Company.

Six months ended 30 September 2010	As at 31 March 2010 (share)	Increase (share)	Decrease (share)	As at 30 September 2010 (share)
Outstanding capital stocks				
Common shares (Note)	16,782,291	3,158,201	—	19,940,492
Treasury stocks				
Common shares (Note)	14,621	—	—	14,621

Notes:

- The increase of 3,158,201 common shares consisted of 3,112,000 shares increased due to the issuance of new shares of which the payment due date was 23 June 2010, and 46,201 shares increased by the exercise of stock acquisition rights.
- The carrying amount of capital stock generally represents the total cash consideration received by the Company except that the Board of Directors may determine the amount to be recorded as capital stock different from the total subscription amount. Such difference will be recorded as capital surplus. For treasury stock, it is recorded at the acquisition costs paid by the Company.

2. Stock acquisition rights

Year ended 31 March 2008			Number of shares for stock acquisition rights (share)			As at 31 March 2008 (millions of Yen)
Entity	Details of stock acquisition rights	Type of share	As at 31 March 2007	Increase	Decrease	As at 31 March 2008
Reporting entity (the Company)	Stock acquisition rights (Notes 1, 2)	Common shares	43,569.93	—	37,205.83	6,364.10
	Stock acquisition rights (Notes 1, 2)	Common shares	335,000.00	—	56,780.56	278,219.44
Consolidated subsidiaries	—	—	—	—	—	—
Total	—	—	—	—	—	—

Notes:

- The above stock acquisition rights were exercisable during the year ended 31 March 2008. The decrease in numbers of stock acquisition rights was due to exercise and expiration of the rights.
- The monetary value of the stock acquisition rights of unlisted entities was the intrinsic value by comparing exercise price to the net assets value of the issuer. The monetary value of stock acquisition rights of listed entities was estimated using option pricing model (i.e. Black-Scholes model).

Year ended 31 March 2009			Number of shares for stock acquisition rights (share)			As at 31 March 2009 (millions of Yen)
Entity	Details of stock acquisition rights	Type of share	As at 31 March 2008	Increase	Decrease	As at 31 March 2009
Reporting entity (the Company)	Stock acquisition rights (Notes 1, 3, 4)	Common shares	6,364.10	—	6,364.10	—
	Stock acquisition rights (Notes 1, 2, 3, 4)	Common shares	278,219.44	75,923.85	23,759.52	330,383.77
Consolidated subsidiaries	—	—	—	—	—	—
Total	—	—	—	—	—	—

Notes:

1. Stock acquisition rights were exercisable during the year ended 31 March 2009.
2. The increase in stock acquisition rights was as result of SBI Securities Co., Ltd becoming a wholly owned subsidiary through a shares exchange. The Group granted stock acquisition rights to the shareholders of SBI Securities Co., Ltd.
3. The decrease in stock acquisition rights was due to the exercise and expiration of the rights.
4. The monetary value of the stock acquisition rights of unlisted entities was the intrinsic value by comparing exercise price to the net assets value of the issuer. The monetary value of stock acquisition rights of listed entities was estimated using option pricing model (i.e. Black-Scholes model).

Year ended 31 March 2010			Number of shares for stock acquisition rights (shares)			As at 31 March 2010
Classification	Details of stock acquisition rights	Type of share	As at 31 March 2009	Increase	Decrease	As at 31 March 2010 (millions of Yen)
Reporting entity (the Company)	Stock acquisition rights (Notes 1, 2)	Common shares	330,383.77	—	16,871.13	313,512.64
Subsidiaries under consolidation	—	—	—	—	—	—
Total			—	—	—	—

Notes:

1. Stock acquisition rights were exercisable during the year ended 31 March 2010.
2. The decrease in stock acquisition rights was due to the exercise and expiration of the rights.
3. The monetary value of the stock acquisition rights of unlisted entities was the intrinsic value by comparing exercise price to the net assets value of the issuer. The monetary value of stock acquisition rights of listed entities was estimated using option pricing model (i.e. Black-Scholes model).

Six months ended 30 September 2009 (unaudited)			Number of shares for stock acquisition rights (shares)			As at 30 September 2009
Classification	Details of stock acquisition rights	Type of share	As at 31 March 2009	Increase	Decrease	As at 30 September 2009 (millions of Yen)
Reporting entity (the Company)	Stock acquisition rights (Notes 1, 2)	Common shares	330,383.77	—	6,303.50	324,080.27
Consolidated subsidiaries	—	—	—	—	—	—
Total			—	—	—	—

Notes:

1. The above stock acquisition rights were exercisable during the six months ended 30 September 2009 (unaudited).
2. The decrease in stock acquisition rights was due to exercise and expiration of the rights.

Six months ended 30 September 2010			Number of shares for stock acquisition rights (shares)			As at 30 September 2010
Classification	Details of stock acquisition rights	Type of share	As at 31 March 2010	Increase	Decrease	As at 30 September 2010 (millions of Yen)
Reporting entity (the Company)	Stock acquisition rights (Notes 1, 2, 3)	Common shares	313,512.64	6,811.13	60,008.21	260,315.56
Consolidated subsidiaries	—	—	—	—	—	—
Total			—	—	—	—

Notes:

1. The above stock acquisition rights were exercisable during the six months ended 30 September 2010.
2. The increase in stock acquisition rights was due to the adjustment of the number of shares for stock acquisition rights accompanying the issuance of new shares by offering.
3. The decrease in stock acquisition rights was due to exercise and expiration of the rights.

3. Dividends

(a) Dividend paid

Year ended 31 March 2008		Dividend amount (millions of Yen)	Amount per share (Yen)	Declared date	Effective date
Resolution	Type of share				
Board of Directors' Meeting on 29 May 2007	Common shares	6,773	600	31 March 2007	14 June 2007
Board of Directors' Meeting on 19 September 2007	Common shares	6,783	600	30 September 2007	30 November 2007
Year ended 31 March 2009		Dividend amount (millions of Yen)	Amount per share (Yen)	Declared date	Effective date
Resolution	Type of share				
Board of Directors' Meeting on 26 May 2008	Common shares	6,795	600	31 March 2008	13 June 2008
Year ended 31 March 2010		Dividend amount (millions of Yen)	Amount per share (Yen)	Declared date	Effective date
Resolution	Type of share				
Board of Directors' Meeting on 27 May 2009	Common shares	1,673	100	31 March 2009	11 June 2009
Six months ended 30 September 2009 (unaudited)		Dividend amount (millions of Yen)	Amount per share (Yen)	Declared date	Effective date
Resolution	Type of share				
Board of Directors' Meeting on 27 May 2009	Common shares	1,673	100	31 March 2009	11 June 2009
Six months ended 30 September 2010		Dividend amount (millions of Yen)	Amount per share (Yen)	Declared date	Effective date
Resolution	Type of share				
Board of Directors' Meeting on 26 May 2010	Common shares	1,676	100	31 March 2010	14 June 2010

(b) Declared date for dividend paid belonged to the year ended 31 March 2008 with effective date in the year ended 31 March 2009

<u>Resolution</u>	<u>Type of share</u>	<u>Dividend amount (millions of Yen)</u>	<u>Dividend resource</u>	<u>Amount per share (Yen)</u>	<u>Declared date</u>	<u>Effective date</u>
Board of Directors' Meeting on 26 May 2008	Common shares	6,795	Retained earnings	600	31 March 2008	13 June 2008

Declared date for dividend paid belonged to the year ended 31 March 2009 with effective date in the year ended 31 March 2010

<u>Resolution</u>	<u>Type of share</u>	<u>Dividend amount (millions of Yen)</u>	<u>Dividend resource</u>	<u>Amount per share (Yen)</u>	<u>Declared date</u>	<u>Effective date</u>
Board of Directors' Meeting on 27 May 2009	Common shares	1,673	Retained earnings	100	31 March 2009	11 June 2009

Declared date for dividend paid belonged to the year ended 31 March 2010 with effective date in the year ended 31 March 2011

<u>Resolution</u>	<u>Type of share</u>	<u>Dividend amount (millions of Yen)</u>	<u>Dividend resource</u>	<u>Amount per share (Yen)</u>	<u>Declared date</u>	<u>Effective date</u>
Board of Directors' Meeting on 26 May 2010	Common shares	1,676	Retained earnings	100	31 March 2010	14 June 2010

VIII. NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

1. Cash and cash equivalents reconciliation

	Year ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(unaudited) (millions of Yen)	(millions of Yen)
Cash and deposits	160,281	127,123	143,726	117,426	134,993
Time deposits with original maturity of over three months	(1,518)	(1,203)	(1,275)	(2,079)	(1,361)
Money Market Fund (MMF) included in trading instruments	—	230	130	130	130
Cash segregated as deposits under the Financial Instruments and Exchange Act	(27)	—	—	—	—
Bank deposits for reserve for commodities transaction liabilities	(41)	—	—	—	—
Short-term investment securities	130	—	—	—	—
Cash segregated as deposits under the Commodities Exchange Act	182	162	—	—	—
Deposit included in others (current assets)	—	—	—	—	2
Cash and cash equivalents.	<u>159,007</u>	<u>126,312</u>	<u>142,581</u>	<u>115,477</u>	<u>133,705</u>

2. Cash paid/received resulted from changing in scope of consolidation

FOR THE YEAR ENDED 31 MARCH 2008

Assets and liabilities of newly consolidated subsidiaries through share purchase are as follows:

	<u>millions of Yen</u>
LIVING Corporation, Inc.	
Current assets	7,054
Non-current assets	90
Goodwill	2,140
Current liabilities	(5,795)
Non-current liabilities	(24)
Minority interest	<u>(616)</u>
Acquisition cost of stocks of LIVING Corporation, Inc.	2,849
Cash and cash equivalents of LIVING Corporation, Inc.	<u>(699)</u>
Difference: Cash paid in acquisition of LIVING Corporation, Inc.	<u>2,150</u>
	<u>millions of Yen</u>
C4 Technology, Inc. (Consolidated)	
Current assets	2,683
Non-current assets	1,217
Goodwill	1,619
Current liabilities	(669)
Non-current liabilities	(3,088)
Minority interest	<u>(48)</u>
Acquisition cost of C4 Technology, Inc.	1,714
Cash and cash equivalents of C4 Technology, Inc.	<u>(2,087)</u>
Difference: Cash paid in acquisition of C4 Technology, Inc.	<u>(373)</u>

FOR THE YEAR ENDED 31 MARCH 2009

The Group sold all shares of E*TRADE Korea Co., Ltd, a former consolidated subsidiary of the Company during the year. The following are details of the selling price of the shares, assets and liabilities of E*TRADE Korea Co., Ltd.

	<u>millions of Yen</u>
E*TRADE Korea Co., Ltd.	
Current assets	28,322
Non-current assets	1,087
Current liabilities	(19,967)
Non-current liabilities	(30)
Foreign currency translation adjustments	2,246
Minority interests	(2,696)
Gains on sale of securities	<u>10,055</u>
Selling price of shares of E*TRADE Korea Co., Ltd.	19,018
Cash and cash equivalents of E*TRADE Korea Co., Ltd.	<u>(771)</u>
Difference: Cash received in sale of shares of E*TRADE Korea Co., Ltd.	<u><u>18,246</u></u>

FOR THE YEAR ENDED 31 MARCH 2010

The Group sold all shares of SBI AXA Life Insurance Co., Ltd, a former consolidated subsidiary of the Company during the year. The following are details of the selling price of the shares, assets and liabilities of SBI AXA Life Insurance Co., Ltd.

	<u>millions of Yen</u>
SBI AXA Life Insurance Co., Ltd.	
Current assets	1,765
Non-current assets	847
Deferred assets	3,238
Current liabilities	(258)
Non-current liabilities	(228)
Statutory reserves	(0)
Unrealized gains (losses) on available-for-sale securities	8
Minority interests	(2,414)
Gains on sale of securities	<u>836</u>
Selling price of shares of SBI AXA Life Insurance Co., Ltd.	3,795
Cash and cash equivalents of SBI AXA Life Insurance Co., Ltd.	<u>(1,267)</u>
Difference: Cash received in sale of shares of SBI AXA Life Insurance Co., Ltd.	<u><u>2,527</u></u>

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	millions of Yen
SBI Global Investment Co.,Ltd.	
Current assets	1,562
Non-current assets	47
Goodwill	281
Current liabilities	(604)
Minority interest	<u>(601)</u>
Acquisition cost of stocks of SBI Global Investment Co.,Ltd.	(685)
Amount transferred from operational investment securities	<u>304</u>
Net: Acquisition cost of stocks of SBI Global Investment Co.,Ltd	(381)
Cash and cash equivalents of SBI Global Investment Co.,Ltd.	<u>133</u>
Difference: Cash paid in acquisition of SBI Global Investment Co., Ltd.	<u><u>(248)</u></u>

3. Significant non-cash transactions**FOR THE YEAR ENDED 31 MARCH 2009**

SBI Securities Co., Ltd. (former SBI E*TRADE Securities Co., Ltd.) became a wholly owned subsidiary through a shares exchange during the year ended 31 March 2009. As a result of the transaction, the balance of capital surplus increased by ¥102,204 million and treasury stock decreased by ¥50,295 million.

IX. NOTES TO LEASE TRANSACTIONS

LESSEE

1. Finance lease

Finance lease transaction commenced before 31 March 2008 that did not transfer ownership are accounted in a manner similar to an operating lease transaction. The information regarding these leases is as follows:

(a) Pro forma information of leased assets, on an "as if capitalized" basis as at 31 March 2008 including acquisition costs, accumulated depreciation, accumulated impairment losses and carrying amount

As at 31 March 2008	Acquisition costs (millions of Yen)	Accumulated depreciation (millions of Yen)	Carrying amount (millions of Yen)
Furniture and fixtures	9,358	4,873	4,485
Software	<u>1,382</u>	<u>885</u>	<u>497</u>
Total	<u>10,740</u>	<u>5,758</u>	<u>4,982</u>

As at 31 March 2009	Acquisition costs (millions of Yen)	Accumulated depreciation (millions of Yen)	Carrying amount (millions of Yen)
Building	660	521	138
Furniture and fixtures	8,661	5,859	2,801
Software	<u>988</u>	<u>729</u>	<u>259</u>
Total	<u>10,310</u>	<u>7,110</u>	<u>3,199</u>

As at 31 March 2010	Acquisition costs (millions of Yen)	Accumulated depreciation (millions of Yen)	Carrying amount (millions of Yen)
Building	660	550	110
Furniture and fixtures	5,645	4,346	1,299
Software	<u>500</u>	<u>394</u>	<u>106</u>
Total	<u>6,807</u>	<u>5,291</u>	<u>1,515</u>

As at 30 September 2009 (unaudited)	Acquisition costs (millions of Yen)	Accumulated depreciation (millions of Yen)	Carrying amount (millions of Yen)
Building	660	536	124
Furniture and fixtures	8,369	6,393	1,976
Software	<u>815</u>	<u>647</u>	<u>168</u>
Total	<u>9,846</u>	<u>7,577</u>	<u>2,268</u>

As at 30 September 2010	Acquisition costs (millions of Yen)	Accumulated depreciation (millions of Yen)	Accumulated impairment losses (millions of Yen)	Carrying amount (millions of Yen)
Building	660	565	—	95
Furniture and fixtures	5,156	4,400	295	460
Software	347	294	0	53
Total	<u>6,165</u>	<u>5,260</u>	<u>295</u>	<u>609</u>

There were no accumulated impairment losses as at 31 March 2008, 2009 and 2010.

(b) Obligation balances under finance leases

	As at 31 March			As at 30 September	
	2008	2009	2010	2009	2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(unaudited) (millions of Yen)	(millions of Yen)
Due within one year	2,856	1,744	1,168	1,415	796
Due after one year	<u>9,670</u>	<u>1,652</u>	<u>483</u>	<u>1,020</u>	<u>223</u>
Total	<u>12,527</u>	<u>3,397</u>	<u>1,652</u>	<u>2,435</u>	<u>1,019</u>
Impairment losses of leased assets	—	—	—	—	295

Note: The above information included obligations under finance leases, which were not cancellable for sub-lease contracts.

(c) Lease payments, depreciation, interest expenses and impairment losses:

	As at 31 March			As at 30 September	
	2008	2009	2010	2009	2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(unaudited) (millions of Yen)	(millions of Yen)
Lease payments	2,264	2,183	1,850	1,021	668
Depreciation	2,148	1,986	1,678	928	609
Interest expenses	111	91	53	31	16
Impairment losses	—	—	—	—	295

(d) Depreciation method

Leased assets were depreciated by using straight-line method over the lease terms with estimated residual value.

(e) Calculation of interest expenses

The difference between total lease payments and the acquisition cost was assumed to be interest expenses and interest methods were used to allocate interest expenses to each year.

2. Operating lease

Future lease payments on operating lease contracts, which were not cancellable:

	As at 31 March			As at 30 September	
	2008	2009	2010	2009	2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(unaudited) (millions of Yen)	(millions of Yen)
Due within one year	13	7	1	3	1
Due after one year	14	2	0	1	—
Total	<u>27</u>	<u>9</u>	<u>2</u>	<u>4</u>	<u>1</u>

LESSOR

On 30 March 2007, the ASBJ revised ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which was issued on 17 June 1993 and "Guidance for Accounting Standard for Lease Transaction" (ASBJ Guidance No. 16 issued on 18 January 1994 and revised on 30 March 2007).

Under the revised standard, the disclosure regarding the lessor's lease transactions had been changed after 31 March 2008.

FOR THE YEAR ENDED 31 MARCH 2008

1. Finance lease

(a) Acquisition costs, accumulated depreciation and carrying amount are as follows:

	Assets leased to other parties (Property and equipment)	Assets leased to other parties (Intangible assets)
	(millions of Yen)	(millions of Yen)
Acquisition costs	11,521	1,574
Accumulated depreciation . .	4,657	670
Carrying amount as at 31 March 2008	6,863	904

(b) Future leases receivable under finance lease as at 31 March 2008 are as follows:

Within one year	¥2,924 million
After one year	¥12,616 million
Total	<u>¥15,541 million</u>

Note: Future leases receivable balance included rents receivable under sub-lease contracts.

(c) Leases receivable, depreciation and interest income, which was not reflected in the consolidated statements of operations are as follows:

Lease income	¥2,847 million
Depreciation	¥2,495 million
Interest income	¥391 million

(d) Calculation of interest income

The difference between total lease payments to be received plus estimated residual value and the acquisition cost was assumed to be interest income which was allocated to the interest income of each year.

2. Operating lease

Future leases receivable on operating lease contracts:

Due within one year	¥27 million
Due after one year	¥51 million
Total	<u>¥79 million</u>

FOR THE YEARS ENDED 31 MARCH 2009 AND 2010 AND SIX MONTHS ENDED 30 SEPTEMBER 2010

1. Net investments in leases**Current assets**

	As at 31 March		As at
	2009	2010	30 September 2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)
Leases receivable	14,862	12,566	10,929
Estimated residual values	39	39	14
Unearned interest income	<u>(864)</u>	<u>(644)</u>	<u>(493)</u>
Investment in leases, current	<u>14,036</u>	<u>11,960</u>	<u>10,449</u>

2. Obligation of leases receivable for finance leases that transfer ownership of the leased assets to the lessee**Current assets**

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
As at 31 March 2009						
Leases receivable (millions of Yen)	1,492	1,492	1,276	735	74	—
Investments in leases (millions of Yen)	3,377	3,000	2,242	1,878	1,644	2,719
As at 31 March 2010						
Leases receivable (millions of Yen)	2,077	1,860	1,357	703	320	—
Investments in leases (millions of Yen)	3,176	2,452	2,104	1,884	1,761	1,186
As at 30 September 2010						
Leases receivable (millions of Yen)	2,362	1,690	1,269	641	246	—
Investments in leases (millions of Yen)	2,794	2,253	2,000	1,841	1,624	414

3. Future lease payments to be received under operating lease, which were not cancellable

	As at 31 March		As at
	2009	2010	30 September
	(millions of Yen)	(millions of Yen)	2010
Within one year.	1	1	1
Over one year.	<u>2</u>	<u>0</u>	<u>—</u>
Total	<u>4</u>	<u>2</u>	<u>1</u>

4. Leases receivable and lease investment assets, and lease obligations under a sublease transaction that recorded at the cost before interest portion

(a) Leases receivable and lease investment assets

	As at 31 March		As at
	2009	2010	30 September
	(millions of Yen)	(millions of Yen)	2010
Current assets	8,474	7,230	6,608

(b) Lease obligation

	As at 31 March		As at
	2009	2010	30 September
	(millions of Yen)	(millions of Yen)	2010
Current liabilities.	1,349	1,530	1,489
Non-current liabilities	<u>6,682</u>	<u>5,151</u>	<u>4,517</u>

X. FINANCIAL INSTRUMENTS

The Group applied the revised accounting standard (ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" issued on 10 March 2008) and the new guidance (ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures" issued on 10 March 2008) after 31 March 2009. Thus, the information regarding financial instruments was disclosed for the year ended 31 March 2010 and six months ended 30 September 2010 only.

FOR THE YEAR ENDED 31 MARCH 2010 AND SIX MONTHS ENDED 30 SEPTEMBER 2010

1. Details of the financial instruments**(1) Group Policy for Financial Instruments**

The Group engages in a wide range of financial related businesses, such as investment business, fund management business, securities business, leasing business, loan business, credit card business and insurance businesses, to avoid excessive concentration of risk on specific entities or businesses. To operate these businesses, the Group raises funds by indirect financing such as bank borrowing, direct financing such as bond issuance and equity financing, and transaction with securities financing companies. The Group also considers the market environment and maintains an appropriate strategy for short and long term financing.

The Group and certain consolidated subsidiaries used derivative instruments, including foreign currency forward contracts, interest rate swaps, index futures, commodity futures, bond futures and foreign currency spot contracts.

The Group entered into foreign currency forward contracts and interest swap transactions primarily to hedge foreign exchange risk and to manage its interest rate exposures on borrowings respectively. The Group does not hold or issue them for speculative purpose. Index futures and commodity futures were entered for the purpose of day trading or capping of the size of their transactions. Bond futures and a part of foreign currency forward contracts were for trading purpose. Foreign currency spot contracts were entered into for managing the exposures on foreign currency brokerage transactions. Each transaction was conducted with individually counterparties based on the Group's "Position Management Rule."

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

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

Investment-related assets include trading instruments, 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 fastening the development of venture capital portfolio companies or earning capital gains. These assets are exposed to the issuer's credit risk and the stock price fluctuation risk. Furthermore, unlisted equity securities are exposed to liquidity risk 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 financing companies, and financial institutions as well as the interest-rate risk.

Financing-related assets consist of operational loans receivable, leases receivable and lease investment assets and accounts receivable. These assets include real estate loans for domestic companies and individuals, unsecured personal loans, leases receivable and lease investment assets for operational companies and the receivable arising from the sales of leasing business or credit card business. These assets are exposed to the interest rate risk and credit risk of accounts such as default payments due to worsening economic conditions with higher credit risk exposure.

Financial liabilities of the Group primarily consist of borrowings, bonds and securities-related liabilities. The borrowings of the Group are exposed to liquidity risk from changes in the pricing policy of the financial institutions to the Group. Also, the bonds payable are monitored due to liquidity risk from market conditions or reducing credit rating of the Group.

Securities-related liabilities consist of margin transaction liabilities, loans secured by securities on repurchase agreement transactions, consignment guarantee money received from margin transactions, customers' deposits as collateral for commodity futures transactions and customers' deposits for securities transactions. The financing environment of the security business operated by the Group's certain subsidiaries is affected by the business policy of security financing companies and its investment strategy. The Group exercises control by matching the financing with the related security assets.

The Group 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 respectively.

The Group manages index futures as a part of investment business which is exposed to market risk. Because the counterparties of foreign currency forward contracts and interest rate swap agreements are limited to creditworthy major Japanese financial institutions and index futures are traded in the public market, the credit risk arising from non-performance condition is considered to be minimal.

The Group also enters into foreign currency spot contracts in the course of ordinary operations, and for hedging risks arising from the business. The transactions are subject to interest rate risks and foreign currency risks as well as exposed to credit risks with customers and credit and settlement risks with counterparties.

(3) Risk Management System over Financial Instruments

In order to maintain financial strength and appropriate operational procedures, the Company has risk management policies to identify, analyze and manage the relevant risks integrally. The management policies for credit risk, market risk, and liquidity risk are as follows:

Credit risk management

- (a) Accurately analyze financial conditions of investees/debtors and quantify relevant credit risk.
- (b) Appropriately manage the Group's capital and the related risks by periodic monitoring.
- (c) Under foreign investments or lending transaction, the Group identifies intrinsic risk of investees/debtors through collaboration with domestic/foreign offices as well as 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 fluctuation 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 the Group capital and its related risk by periodic monitoring.
- (c) Never enter into derivative transactions for speculative purposes in absence of established operating rules.

Liquidity risk management

- (a) Secure various financing arrangements such as bank overdraft arrangement, bond issuance registration or stock issuance.
- (b) Collect information on the Group's working capital requirement and understand the cash flow positions.
- (c) Obtain reports from the department responsible for cash management based upon the liquidity risk management policies stated in (a) and (b) above to monitor cash flow risks.

Under these policies, the Company 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 these risks. The risk management department analyzes and monitors the Group's risk on a timely basis.

(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 acceptable 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. Please see section "XII. DERIVATIVE CONTRACTS" for the detail of fair value of derivatives.

2. Fair value of financial instruments

The tables below presents the carrying amounts, the fair value of the financial instruments, and the difference between the carrying amounts and fair value.

The tables below do not include assets and liabilities which cannot be measured at fair value due to difficulties in determining fair value (refer to Note 2).

As at 31 March 2010	Carrying amount (millions of Yen)	Fair value (millions of Yen)	Difference (millions of Yen)
(1) Cash and deposits	143,726	143,726	—
(2) Notes and accounts receivable-trade	8,483	8,508	24
(3) Leases receivable and lease investment assets	17,924	18,063	138
(4) Short-term investment securities, operational investment securities and investment securities			
Available-for-sale securities	33,888	33,888	—
Securities in affiliates	1,133	1,136	2
(5) Cash segregated as deposits	318,865	318,865	—
(6) Operational loans receivable	34,694		
Allowance for doubtful accounts (*1)	(1,080)		
	<u>33,613</u>	<u>35,983</u>	<u>2,370</u>
(7) Trading instruments			
Trading securities	1,027	1,027	—
(8) Margin transaction assets	261,641	261,641	—
(9) Short-term guarantee deposits	5,944	5,944	—
Assets, total	<u>826,248</u>	<u>828,785</u>	<u>2,536</u>
(1) Short-term loans payable	55,614	55,614	—
(2) Current portion of bonds payable	112,600	112,600	—
(3) Accrued income taxes	4,953	4,953	—
(4) Margin transaction liabilities	150,036	150,036	—
(5) Loans payable secured by securities	63,780	63,780	—
(6) Guarantee deposits received	282,373	282,373	—
(7) Deposits from customers	31,176	31,176	—
(8) Long-term loans payable (*2)	40,988	40,994	6
Liabilities, total	<u>741,524</u>	<u>741,530</u>	<u>6</u>
Derivatives (*3)	<u>734</u>	<u>734</u>	<u>—</u>

As at 30 September 2010	Carrying amount (millions of Yen)	Fair value (millions of Yen)	Difference (millions of Yen)
(1) Cash and deposits	134,933	134,933	—
(2) Notes and accounts receivable-trade	10,560	10,489	(71)
(3) Leases receivable and lease investment assets	16,332	16,435	103
(4) Short-term investment securities, operational investment securities and investment securities			
Trading securities	7,884	7,884	—
Available-for-sale securities	28,384	28,384	—
Securities in affiliates	5,340	4,012	(1,327)
(5) Cash segregated as deposits	308,665	308,665	—
(6) Operational loans receivable	35,395		
Allowance for doubtful accounts (*1)	(1,059)		
	<u>34,336</u>	<u>36,401</u>	<u>2,064</u>
(7) Trading instruments			
Trading securities	415	415	—
(8) Margin transaction assets	267,264	267,264	—
(9) Short-term guarantee deposits	<u>3,350</u>	<u>3,350</u>	—
Assets, total	<u>817,468</u>	<u>818,236</u>	<u>768</u>
(1) Short-term loans payable	56,057	56,057	—
(2) Current portion of bonds payable	111,500	111,500	—
(3) Accrued income taxes	4,406	4,406	—
(4) Margin transaction liabilities	125,131	125,131	—
(5) Loans payable secured by securities	67,388	67,388	—
(6) Guarantee deposits received	277,825	277,825	—
(7) Deposits from customers	32,157	32,157	—
(8) Long-term loans payable (*2)	<u>49,159</u>	<u>49,177</u>	<u>18</u>
Liabilities, total	<u>723,628</u>	<u>723,646</u>	<u>18</u>
Derivatives (*3)	<u>8,718</u>	<u>8,718</u>	<u>—</u>

(*1) Includes general reserve and specific reserve for operational loans receivable.

(*2) Includes current-portion of long term loans payable.

(*3) Receivables and payables arising from derivative transactions are stated at net value in the tables above.

*Notes:***(1) Calculation of fair value of financial instruments, investment securities and derivatives****(a) Assets****(i) (1)Cash and deposits, (5)Cash segregated as deposits, and (9)Short-term guarantee deposits**

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

(ii) (2)Notes and accounts receivable—trade

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

The fair values of receivables settled over long-term period such as installment sales receivable are measured at the present value of the future cash inflow discounted at the discount rate considering government risk free rates and credit risk rates.

(iii) (3)Leases receivable and lease investment assets

The fair values of leases receivable and lease investment assets are measured at the present value of the future cash inflow discounted at the discount rate considering government risk free rates and credit risk rates.

(iv) (4)Short-term investment securities, operational investment securities and investment securities and (7)Trading instruments

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 quoted price provided by financial institutions. The fair values of investment trusts are measured at the price quoted by financial institutions. The fair values of investments in funds are measured at the fair values of partnership net assets based on the Group'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 is included in section "XI. SECURITIES".

(v) (6) 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 a government bond yield adjusted with relevant credit risk.

As the estimated credit losses are provided based on the individual assessment of recoverability of loans receivable held by certain consolidated subsidiaries with corporate restructuring business, the fair values are considered to approximate the carrying values.

(vi) (8) Assets

With respect to receivables from customers of margin transaction assets, the fair values are measured at the carrying 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 carrying 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 carrying value. 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 carrying value as for their short maturities.

(b) Liabilities

The fair values of liabilities other than (8)Long-term loans payable are measured at the carrying values as they approximate the carrying values because of their short maturities.

With respect to long-term debt with floating interest rates, the fair values are measured at the carrying 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 loans payable 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.

(c) **Derivatives**

The information of the fair value for derivatives is included in section "XII. DERIVATIVE CONTRACTS".

(2) **The following securities were stated at cost because the fair value could not be reliably determined. They were excluded from "Assets-(4) Short-term investment securities, operational investment securities and investment securities" of "Fair value of financial instruments".**

As at 31 March 2010	Carrying amount
Classification	(millions of Yen)
Available-for-sale securities	
Non-fair valued equity securities (*1)	90,051
Non-fair valued bonds	
Convertible bonds with stock acquisition rights(*2)	2,414
Investments in funds (*3)	6,680
Stock acquisition rights (*2)	31
Total	<u>99,177</u>
Investments in subsidiaries and affiliates	
Unlisted equity securities (*1)	28,369
Investments in funds (*3)	452
Total	<u>28,822</u>
As at 30 September 2010	
Classification	
Available-for-sale securities	
Non-fair valued equity securities (*1)	89,261
Non-fair valued bonds	
Convertible bonds with stock acquisition rights(*2)	2,817
Investments in funds (*3)	6,256
Stock acquisition rights (*2)	946
Total	<u>99,282</u>
Investments in subsidiaries and affiliates	
Unlisted equity securities (*1)	38,573
Investments in funds (*3)	376
Total	<u>38,950</u>

(*1) Unlisted equity securities were excluded from the fair value disclosure as there was no market value and it was extremely difficult to measure the fair value.

(*2) Convertible bonds with stock acquisition rights were excluded from the fair value disclosure as there was no market value and it was extremely difficult to estimate the future cash flow as a basis of fair value.

(*3) Investments in funds whose investments were mainly composed of unlisted equity securities were excluded from the fair value disclosure as it was extremely difficult to measure the fair value of unlisted equity.

(3) Maturity analysis for financial assets and securities with contractual maturities

As at 31 March 2010	Within one year (millions of Yen)	1 to 2 years (millions of Yen)	2 to 3 years (millions of Yen)	3 to 4 years (millions of Yen)	4 to 5 years (millions of Yen)	Over 5 years (millions of Yen)
Cash and deposits	143,726	—	—	—	—	—
Notes and accounts receivable-trade	8,067	323	76	12	2	0
Short-term investment securities, operational investment securities and investment securities with maturity date						
Debt securities (Corporate bonds)	60	150	50	—	—	—
Cash segregated as deposits	318,865	—	—	—	—	—
Operational loans	22,899	3,434	2,229	1,105	836	4,190
Margin transaction assets	261,641	—	—	—	—	—
Short-term guarantee deposits	5,944	—	—	—	—	—
Total	761,204	3,907	2,355	1,118	838	4,191
As at 30 September 2010	Within one year (millions of Yen)	1 to 2 years (millions of Yen)	2 to 3 years (millions of Yen)	3 to 4 years (millions of Yen)	4 to 5 years (millions of Yen)	Over 5 years (millions of Yen)
Cash and deposits	134,933	—	—	—	—	—
Notes and accounts receivable-trade	8,551	1,143	461	222	116	64
Short-term investment securities, operational investment securities and investment securities with maturity date						
Debt securities (Corporate bonds)	259	50	—	—	—	—
Cash segregated as deposits	308,665	—	—	—	—	—
Operational loans	26,096	2,204	1,621	962	645	3,864
Margin transaction assets	267,264	—	—	—	—	—
Short-term guarantee deposits	3,350	—	—	—	—	—
Total	749,120	3,398	2,082	1,185	762	3,929

(*) Maturities of leases receivable and lease investment assets after balance sheet date are described in the "Notes to lease transactions for consolidated financial statements".

(4) Maturity analysis for long-term loans payable and other interest-bearing debt after balance sheet date

	Within one year (millions of Yen)	1 to 2 years (millions of Yen)	2 to 3 years (millions of Yen)	3 to 4 years (millions of Yen)	4 to 5 years (millions of Yen)	Over 5 years (millions of Yen)
As at 31 March 2010						
Short-term loans payable	55,614	—	—	—	—	—
Current portion of bonds payable	112,600	—	—	—	—	—
Margin transaction liabilities						
Borrowings on margin transactions	48,813	—	—	—	—	—
Long-term loans payable	13,368	10,066	16,494	100	—	960
Total	<u>230,396</u>	<u>10,066</u>	<u>16,494</u>	<u>100</u>	<u>—</u>	<u>960</u>
	Within one year (millions of Yen)	1 to 2 years (millions of Yen)	2 to 3 years (millions of Yen)	3 to 4 years (millions of Yen)	4 to 5 years (millions of Yen)	Over 5 years (millions of Yen)
As at 30 September 2010						
Short-term loans payable	56,057	—	—	—	—	—
Current portion of bonds payable	111,500	—	—	—	—	—
Margin transaction liabilities						
Borrowings on margin transactions	52,857	—	—	—	—	—
Long-term loans payable	13,885	10,720	16,852	483	6,606	610
Total	<u>234,300</u>	<u>10,720</u>	<u>16,852</u>	<u>483</u>	<u>6,606</u>	<u>610</u>

XI. SECURITIES

The Group applied the revised accounting standard (ASBJ Statement No. 10 “Accounting Standard for Financial Instruments” issued on 10 March 2008) and the new guidance (ASBJ Guidance No. 19 “Guidance on Accounting Standard for Financial Instruments and Related Disclosures” issued on 10 March 2008) after 31 March 2009. Thus, the information disclosed for the year ended 31 March 2010 and six months ended 30 September 2010 was different from that for the years ended 31 March 2008 and 2009 and six months ended 30 September 2009.

FOR THE YEAR ENDED 31 MARCH 2008

1. Trading instruments

Fair value of trading assets and liabilities

(a) Trading assets and liabilities

	Fair value as at 31 March 2008	
	Assets (millions of Yen)	Liabilities (millions of Yen)
(1) Equity securities	14	—
(2) Debt securities	1,598	—
(3) Others	108	—
Total	<u>1,722</u>	<u>—</u>

2. Securities other than trading purpose

(a) Available-for-sale securities with fair value

	Type	Acquisition costs (millions of Yen)	Carrying amount (millions of Yen)	Difference (millions of Yen)
Carrying amount exceeds acquisition costs	(1) Equity securities	618	801	183
	(2) Others	—	—	—
	Sub-total	618	801	183
Carrying amount does not exceed acquisition costs	(1) Equity securities	18,989	12,405	(6,583)
	(2) Others	1,042	993	(49)
	Sub-total	20,032	13,398	(6,633)
Total		20,650	14,200	(6,449)

(b) Available-for-sale securities sold during the current year

Proceed from sales (millions of Yen)	Gains on sales (millions of Yen)	Losses on sales (millions of Yen)
51,062	19,001	1,450

(c) Available-for-sale securities not measured at fair value

	Carrying amount (millions of Yen)
(1) Held-to-maturity securities	
Corporate bonds	300
(2) Available-for-sale securities	
Non-fair valued equity securities	71,190
Corporate bonds	3,079
Investment in funds	43,197
Others	166
Total	117,933

(d) Carrying values of securities by contractual maturities for securities classified as available-for-sale and held-to-maturity are as follows:

	Within one year (millions of Yen)	1 to 5 years (millions of Yen)	5 to 10 years (millions of Yen)	Over 10 years (millions of Yen)
Debt securities				
(1) National & municipal bonds	—	3	—	—
(2) Corporate bonds	700	2,540	30	—
Total	700	2,544	30	—

Note: Impairment loss on available-for-sale securities of ¥2,625 million was recorded for the year ended 31 March 2008. The Group recognized impairment losses for securities whose fair value declined below 50 percent of the acquisition costs. For those securities whose fair value declined by 30 percent to 50 percent of acquisition costs, the Group recognized impairment losses, if necessary, by considering the possibility of recovery, the significance of the amount and other factors.

FOR THE YEAR ENDED 31 MARCH 2009

1. Trading instruments

Fair value of trading assets and liabilities

(a) Trading assets and liabilities

	Fair value as at 31 March 2009	
	Assets (millions of Yen)	Liabilities (millions of Yen)
(1) Equity securities	10	—
(2) Debt securities	7,049	—
(3) Others	93	—
Total	<u>7,153</u>	<u>—</u>

2. Securities other than trading purpose

(a) Available-for-sale securities with fair value

	Type	Acquisition costs	Carrying amount	Difference
		(millions of Yen)	(millions of Yen)	(millions of Yen)
Carrying amount exceeds acquisition costs	(1) Equity securities	243	332	88
	(2) Corporate bonds	898	914	15
	Sub-total	<u>1,142</u>	<u>1,246</u>	<u>104</u>
Carrying amount does not exceed acquisition costs	(1) Equity securities	11,833	8,624	(3,208)
	(2) Debt securities			
	Corporate bonds	1,664	1,508	(156)
	Others	197	191	(6)
(3) Others	<u>2,601</u>	<u>2,247</u>	<u>(353)</u>	
Sub-total	<u>16,296</u>	<u>12,571</u>	<u>(3,724)</u>	
Total		<u>17,438</u>	<u>13,818</u>	<u>(3,620)</u>

(b) Available-for-sale securities sold during the current year

Proceed from sales (millions of Yen)	Gains on sales (millions of Yen)	Losses on sales (millions of Yen)
4,170	1,757	1,312

(c) Available-for-sale securities not measured at fair value

	Carrying amount (millions of Yen)
Available-for-sale securities	
Non-fair value equity securities	80,366
Corporate bonds	1,159
Investment in funds	22,523
Others	350
Total	<u>104,399</u>

(d) Carrying values of securities by contractual maturities for securities classified as available-for-sale and held-to-maturity are as follows:

	Within one year (millions of Yen)	1 to 5 years (millions of Yen)	5 to 10 years (millions of Yen)	Over 10 years (millions of Yen)
Debt securities				
(1) Corporate bonds	1,236	988	1,153	202
(2) Others	—	95	95	—
Total	<u>1,236</u>	<u>1,083</u>	<u>1,249</u>	<u>202</u>

Note: Impairment loss on available-for-sale securities of ¥9,704 million was recorded during the year 2009.

FOR THE YEAR ENDED 31 MARCH 2010**1. Trading instruments**

Valuation gains of ¥75 million were included in income for the year ended 31 March 2010.

2. Available-for-sale securities with fair value

	Type	Carrying amount (millions of Yen)	Acquisition costs (millions of Yen)	Difference (millions of Yen)
Carrying amount exceeds acquisition costs	(1) Equity securities	6,452	4,155	2,297
	(2) Debt securities			
	Corporate bonds	52	50	2
	(3) Others	<u>20,101</u>	<u>9,607</u>	<u>10,493</u>
	Sub-total	<u>26,606</u>	<u>13,813</u>	<u>12,793</u>
Carrying amount does not exceed acquisition costs	(1) Equity securities	95,774	97,685	(1,910)
	(2) Debt securities			
	Corporate bonds	2,620	2,624	(4)
	(3) Others	<u>8,064</u>	<u>8,662</u>	<u>(598)</u>
	Sub-total	<u>106,459</u>	<u>108,972</u>	<u>(2,513)</u>
	Total	<u>133,065</u>	<u>122,785</u>	<u>10,279</u>

3. Available-for-sale securities sold during the year

Securities	Proceed from sales (millions of Yen)	Gains on sales (millions of Yen)	Losses on sales (millions of Yen)
(1) Equity securities	10,273	4,828	308
(2) Debt securities			
Corporate bonds	1,745	47	—
Others	197	0	0
(3) Others	<u>3,560</u>	<u>599</u>	<u>—</u>
Total	<u>15,777</u>	<u>5,476</u>	<u>309</u>

4. Impairment loss on securities

Impairment loss on available-for-sale securities of ¥648 million was recorded during the year 2010.

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009 (unaudited)**1. Trading instruments**

Valuation gains of ¥7 million were included in operating results for the six months ended 30 September 2009 (unaudited), while the carrying amount of trading instruments as at 30 September 2009 was ¥322 million.

2. Available-for-sale securities sold during the period

Proceed from sales (millions of Yen)	Gains on sales (millions of Yen)	Losses on sales (millions of Yen)
10,487	2,268	128

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010**1. Trading instruments**

Valuation gains of ¥2,790 million were included in operating results for the six months ended 30 September 2010.

2. Available-for-sale securities with fair value

	Type	Balance in consolidated balance sheets (millions of Yen)	Acquisition costs (millions of Yen)	Difference (millions of Yen)
Carrying amount exceeds acquisition costs	(1) Equity securities	6,018	4,233	1,784
	(2) Debt securities			
	Corporate bonds	53	50	3
	(3) Others	13,099	6,366	6,733
	Sub total	19,171	10,650	8,521
Carrying amount does not exceed acquisition costs	(1) Equity securities	91,818	92,651	(833)
	(2) Debt securities			
	Corporate bonds	3,074	3,076	(2)
	(3) Others	13,602	14,505	(903)
	Sub-total	108,495	110,234	(1,739)
	Total	127,666	120,884	6,782

3. Available-for-sale securities sold during the period

Securities	Selling price (millions of Yen)	Gains on sales (millions of Yen)	Losses on sales (millions of Yen)
(1) Equity securities	3,133	1,488	303
(2) Debt securities			
Corporate bonds	6	1	—
Others	—	—	—
(3) Others	—	—	—
Total	3,139	1,489	303

4. Securities whose holding purpose have been changed

Available-for-sale securities of ¥8,233 million have been reclassified into “Investments in subsidiaries and affiliates” which is included in the “Investment securities” during the six months ended 30 September 2010 because certain companies whose stocks became equity-method affiliates.

5. Impairment loss on securities

Impairment loss on available-for-sale securities of ¥1,013 million was recorded for the six months ended 30 September 2010.

XII. DERIVATIVE CONTRACTS**FOR THE YEARS ENDED 31 MARCH 2008 AND 2009****1. Transaction details****(a) Transaction**

The Group used derivative contracts, including foreign currency forward contracts, interest rate swaps, index futures, commodity futures, bond futures.

(b) Group policy and purpose of derivative contracts

The Group entered into (i) foreign currency forward contracts and (ii) interest swap transactions primarily to hedge foreign exchange risk associated with receivables, payables and securities denominated in foreign currencies and to manage its interest rate exposures on borrowings and loans respectively. Index futures, commodity futures, bond futures and part of foreign currency forward contracts were entered into for trading purpose. Foreign currency spot contracts were entered into on a back to back basis in relation to customer driven foreign currency transactions. Each transaction was conducted with individual counterparties based on the Group's "Position Management Rule."

(c) Risks related to derivative contracts

Foreign currency forward contracts were subject to foreign currency risk, whereas interest rate swaps and bond futures are subject to interest rate risk. On the other hand, index futures were subject to equity price risk and commodity futures were subject to commodity price risk and foreign currency risk. The Group believes the credit risks for foreign currency forward contracts and interest rate swaps were minimal because the counterparties were creditworthy Japanese financial institutions. In addition, the Group also believed that the risks for commodity futures, bond futures, and index futures were low because those transactions were transacted in public market.

Foreign currency brokerage transactions were subject to credit risks for customers and counterparties.

(d) Risk management for derivative contracts

Foreign currency forward contracts and interest rate swaps utilized for hedging purpose will only be entered into by the proposal of the Company's Control Division with relevant director's approval. The Control Division monitored the balances of derivative contracts and reported it to the responsible director periodically. The Group has internal management rules which regulate the appropriateness of the derivative transactions, including the limitation of transaction volumes and the use of necessary risk management systems. Each respective control division monitored the transactions regularly in accordance with the rules.

Foreign currency spot contracts were managed by setting acceptable risk amounts and maximum risk limits by different risk categories in accordance with related internal risk management rules. As for the credit risk of customers, the Group adopted 'stop loss-rule' in order to limit the risk exposure from these transactions.

The following amounts were the fair value of the Group's derivative contracts that were not accounted for under hedge accounting as at 31 March 2008 and 2009:

	Assets		Liabilities	
	Contractual Amounts (millions of Yen)	Fair value (millions of Yen)	Contractual amounts (millions of Yen)	Fair value (millions of Yen)
As at 31 March 2008				
Foreign currency forward contracts	4	0	232	1
Nikkei index futures transactions	81	6	11	0
Interest rate swaps	—	—	200	3
Total	<u>85</u>	<u>6</u>	<u>443</u>	<u>5</u>

	Assets		Liabilities	
	Contractual Amounts (millions of Yen)	Fair value (millions of Yen)	Contractual amounts (millions of Yen)	Fair value (millions of Yen)
As at 31 March 2009				
Foreign currency forward contracts	27	0	30	0
Nikkei index futures transactions	39	3	—	—
Interest rate swaps	—	—	200	1
Foreign exchange brokerage transactions				
Customers				
Short	—	—	42,585	1,370
Long	—	—	44,088	(1,246)
Other counterparties				
Short	22,466	(0)	—	—
Long	20,529	568	—	—
Sub-total	—	567	—	124
Total	<u>—</u>	<u>571</u>	<u>—</u>	<u>125</u>

Estimated gains or losses on ultimate settlements were recorded in "Fair value" above. The fair values of foreign currency forward contracts, Nikkei index futures transactions and foreign currency spot contracts were calculated based on forward exchange rate, average future rate and foreign exchange spot rate, respectively, at balance sheet date. Interest rate swap transactions were calculated based on the price provided by financial institutions at balance sheet date. Derivative liabilities for trading purposes are included in other current liabilities in consolidated balance sheets.

Six months ended 30 September 2009 (unaudited)	Transaction	Valuation gains(losses) (millions of Yen)
Transactions outside market	Foreign currency forward contract	
	Short	(0)
	Long	(0)
	Foreign currency spot contracts	
	Short	1,923
	Long	87
Total		<u>2,010</u>

The fair values of foreign currency forward contract and foreign currency spot contracts were calculated based on forward exchange rate and foreign exchange spot rate, respectively, at balance sheet date.

FOR THE YEAR ENDED 31 MARCH 2010 AND SIX MONTHS ENDED 30 SEPTEMBER 2010

The Group applied the revised accounting standard — ASBJ Statement No. 10 "Accounting Standard for Financial Instruments", which was issued on 10 March 2008, and the new guidance — ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures" which was issued on 10 March 2008, after 31 March 2009. Thus, the following information was disclosed for the year ended 31 March 2010 and six months ended September 2010 only.

1. Derivatives not subject to hedge accounting policy

		As at 31 March 2010			
	Transaction	Contractual amounts (millions of Yen)	Over 1 year (millions of Yen)	Fair value (millions of Yen)	Valuation gains(losses) (millions of Yen)
Transactions outside market	Foreign currency forward contracts				
	Short	27	—	(0)	(0)
	Long	28	—	0	0
	Foreign currency spot contracts				
	Short	112,660	—	(1,752)	(1,752)
	Long	112,078	—	2,486	2,486
Total		<u>—</u>	<u>—</u>	<u>733</u>	<u>733</u>
Market transactions	Index futures Long	62	—	1	1
		As at 30 September 2010			
Type	Transaction	Contractual amounts (millions of Yen)	Over 1 year (millions of Yen)	Fair value (millions of Yen)	Valuation gains(losses) (millions of Yen)
Transactions outside market	Foreign currency forward contracts				
	Short	64	—	(0)	(0)
	Long	264	—	(7)	(7)
	Foreign currency spot contracts				
	Short	225,196	—	5,904	5,904
	Long	216,455	—	2,821	2,821
Total		<u>—</u>	<u>—</u>	<u>8,718</u>	<u>8,718</u>

Fair value of foreign currency forward contract was stated on foreign exchange rate at balance sheet date, whereas fair value of foreign currency spot contracts was based on foreign exchange rate at the balance sheet date. Fair value of index futures was based on market closing price at the balance sheet date in each stock market.

2. Derivatives subject to hedge accounting

			As at 31 March 2010		
Hedge accounting method	Transaction	Hedged balance	Contract amounts (millions of Yen)	Over 1 year (millions of Yen)	Fair value (millions of Yen)
Interest rate swap	Interest rate swaps				
	Variable receipt fixed payment	Long-term loans payable	3,650	1,730	(Note)
			As at 30 September 2010		
Hedge accounting method	Transaction	Hedged balance	Contract amounts (millions of Yen)	Over 1 year (millions of Yen)	Fair value (millions of Yen)
Deferred method of interest rate swap	Interest rate swaps				
	Variable receipt fixed payment	Long-term loans payable	4,095	2,065	(Note)

Note: For certain loans payable for which interest rate swaps were used to hedge the interest-rate fluctuations, the fair values of derivative financial instruments were included in the fair value of loans payable as hedged items.

XIII. RETIREMENT BENEFITS

The Group has a contributory funded defined benefit pension plan and a defined contribution pension plan. Certain of the Group's domestic consolidated subsidiaries have tax-qualified plan, non-contributory funded defined pension plan and either a contributory funded defined benefit pension plan or a defined contribution pension plan for the employee's retirement plan. During the year ended 31 March 2009, certain consolidated subsidiaries adopted the advance payment system which integrated the retirement benefit systems. Certain foreign subsidiaries that adopted a segregated allowance plan was excluded from the consolidation scope.

1. Detail of the multi-employer plans for which the required contribution amounts were expensed as incurred

(a) Total pension funding status:

	(As at 31 March 2007)			(As at 31 March 2008)		(As at 31 March 2009)		(As at 31 March 2010)	
	Kanto IT Software Health Insurance Society (millions of yen)	Association of Welfare Pension Fund in the Commodity Futures Industry (millions of Yen)	Tokyo Media Industry Pension Fund (million of yens)	Kanto IT Software Health Insurance Society (millions of Yen)	Association of Welfare Pension Fund in the Commodity Futures Industry (millions of Yen)	Kanto IT Software Health Insurance Society (millions of Yen)	Association of Welfare Pension Fund in the Commodity Futures Industry (millions of Yen)	Kanto IT Software Health Insurance Society (millions of Yen)	Kanto IT Software Health Insurance Society (millions of Yen)
Plan assets . . .	146,083	81,621	92,771	145,958	66,700	127,937	48,150	161,054	161,054
Benefit Obligation . . .	112,700	61,610	93,592	140,968	63,454	155,636	62,965	159,998	159,998
Difference . . .	33,382	20,011	(820)	4,989	3,246	(27,699)	(14,144)	1,055	1,055

(b) The percentage of participants of the Group to above pension plan:

	(As at 31 March 2007)	(As at 31 March 2008)	(As at 31 March 2009)	(As at 31 March 2010)
Kanto IT Software Health Insurance Society	0.71%	0.87%	1.03%	1.11%
Association of Welfare Pension Fund in the Commodity Futures Industry	0.38%	0.48%	0.56%	

(As at 31 March 2008)

Tokyo Media Industry Pension Fund	0.63%
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2. Liability for employees' retirement benefits

The following is related to the defined benefit pension plan and tax qualified pension plan for certain domestic consolidated subsidiaries.

	Year ended 31 March			Six months ended 30 September
	2008	2009	2010	2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)
(a) Projected benefit obligations	(284)	(226)	(108)	(100)
(b) Fair value of plan assets	182	98	56	52
(c) Provision for retirement benefits ((a) + (b))	<u>(102)</u>	<u>(128)</u>	<u>(52)</u>	<u>(47)</u>

3. Retirement benefit expense

	Year ended 31 March			Six months ended 30 September
	2008	2009	2010	2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)
Contribution to pension funds (<i>Note 1</i>)	131	144	138	58
Service cost (<i>Note 2</i>)	61	66	39	8
Contributions to the defined contribution pension plan (<i>Note 3</i>) . . .	<u>228</u>	<u>251</u>	<u>276</u>	<u>146</u>
Total	<u>421</u>	<u>463</u>	<u>454</u>	<u>212</u>

Notes:

- (1) Contribution amounted to multi-employer pension funds.
- (2) Retirement benefit expense of certain domestic consolidated subsidiaries which applied compendium method.
- (3) Contribution to the defined benefit pension plan and prepayment to pension plan.

4. Basis for calculation of retirement benefit obligation

For the year ended 31 March 2008, the Group adopted new accounting pronouncements, "Accounting for retirement benefits" in accordance with Article 14 of accounting standard dated on 15 May 2007.

Certain domestic subsidiaries, which apply either defined benefit pension plan or tax-qualified pension plan, use simplified method for the calculation of retirement obligation.

XIV. STOCK OPTION PLAN

FOR THE YEAR ENDED 31 MARCH 2008

1. Accounts and amounts including stock option expense:

Operating cost: ¥1 million

Selling, general and administrative expenses: ¥74 million

2. Outline of stock option

	The Company FY 2001 Stock option	The Company FY 2002 (1) Stock option	The Company FY 2003 (1) Stock option
Category and number of person granted	118 employees	9 directors 109 employees	2 directors 4 employees 3 subsidiary directors
Class and number of option shares (*Note)	24,120 Common shares	200,025 Common shares	69,975 Common shares
Grant date	1 February 2002	20 December 2002	25 September 2003
Terms and condition for vesting	Directors or employees of the Company	Directors or employees of the Company and subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors or employees of the Company and subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)
Service period required for vesting	1 February 2002 ~ 19 December 2003	20 December 2002 ~ 19 December 2004	25 September 2003 ~ 19 December 2004
Exercise period	20 December 2003 ~ 19 December 2011	20 December 2004 ~ 19 December 2012	20 December 2004 ~ 19 December 2012
	The Company FY 2003 (2) Stock option	The Company FY 2003 (3) Stock option	The Company FY 2005 (1) Stock option
Category and number of person granted	2 directors 110 employees 6 subsidiary directors 86 subsidiary employees	17 Subsidiary directors	7 directors 89 employees 14 subsidiary directors 36 subsidiary employees
Class and number of option shares (*Note)	312,750 Common shares	61,650 Common shares	40,000 Common shares
Grant date	25 September 2003	23 October 2003	28 July 2005
Terms and condition for vesting	Directors or employees of the Company and subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors or employees of the Company and subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors or employees of the Company or subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)
Service period required for vesting	25 September 2003 ~ 23 June 2005	23 October 2003 ~ 23 June 2005	n/a
Exercise period	24 June 2005 ~ 23 June 2013	24 June 2005 ~ 23 June 2013	28 July 2005 ~ 29 June 2013

	The Company former E*TRADE Japan K.K. Stock option	The Company former SBI HOME Planner Co., LTD. FY2003 Stock option	The Company former SBI HOME Planner Co., LTD. FY2004 Stock option
Category and number of person granted	3 directors 20 employees 11 subsidiary directors 64 subsidiary employees	76 employees 1 subsidiary employee	61 employees 2 subsidiary employees
Class and number of option shares (*Note)	172,481.40 Common shares	1,130 Common shares	950 Common shares
Grant date	1 July 2002	15 April 2004	29 September 2004
Terms and condition for vesting	Directors, statutory auditors or employees of the Company or subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors, statutory auditors or employees of the Company or subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors, statutory auditors or employees of the Company or subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)
Service period required for vesting	1 July 2002 ~ 20 June 2004	15 April 2004 ~ 27 June 2005	29 September 2004 ~ 1 October 2006
Exercise period	21 June 2004 ~ 20 June 2012	28 June 2005 ~ 27 June 2013	2 October 2006 ~ 30 September 2010
	The Company former SBI HOME Planner Co., Ltd. FY2004 Stock option	The Company former SBI Partners Co., Inc. FY2005 Stock option	The Company former FINANCE ALL CORPORATION FY2002 Stock option
Category and number of person granted	2 employees	5 directors 23 employees	4 directors 6 employees 5 subsidiary directors 31 subsidiary employees
Class and number of option shares (*Note)	60 Common shares	2,320 Common shares	44,880 Common shares
Grant date	29 October 2004	29 November 2005	25 September 2002
Terms and condition for vesting	Directors, statutory auditors or employees of the Company or subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors, employees or quasi director / employees of the Company or subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors, employees or quasi director / employee of the Company or subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)
Service period required for vesting	29 October 2004 ~ 1 October 2006	29 November 2005 ~ 30 November 2005	25 September 2002 ~ 24 September 2004
Exercise period	2 October 2006 ~ 30 September 2010	1 December 2005 ~ 31 October 2013	25 September 2004 ~ 24 September 2012

	The Company former FINANCE ALL CORPORATION FY2003 Stock option	The Company former SOFTBANK FRONTIER SECURITIES Co., Ltd. FY2002 Stock option	The Company former WORLD NICHIEI Securities Co., Ltd. FY2003 Stock option
Category and number of person granted	4 directors 24 employees 4 subsidiary directors 18 subsidiary employees	4 directors 10 employees	5 directors 6 employees
Class and number of option shares (*Note)	55,040 Common shares	8,216.00 Common shares	4,933.50 Common shares
Grant date	2 August 2003	29 January 2003	15 July 2003
Terms and condition for vesting	Directors/ employees or quasi director/ employees of the Company or subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors, employees of the Company or SBI Securities Co., Ltd. Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors, employees of the Company or SBI Securities Co., Ltd. Those who are approved by board of directors (i.e. termination of employment or retirement)
Service period required for vesting	2 August 2003 ~ 1 August 2005	29 January 2003 ~ 18 June 2004	15 July 2003 ~ 30 June 2005
Exercise period	2 August 2005 ~ 1 August 2013	19 June 2004 ~ 18 June 2008	1 July 2005 ~ 26 June 2013
	The Company former WORLD NICHIEI FRONTIER SECURITIES Co., Ltd. FY2004 Stock option	The Company former WORLD NICHIEI FRONTIER SECURITIES Co., Ltd. FY2004 Stock option	The Company former SBI Securities Co., Ltd FY2005 Stock option
Category and number of person granted	7 directors 350 employees	25 employees	6 directors 340 employees
Class and number of option shares (*Note)	34,105.55 Common shares	143.75 Common shares	39,817.60 Common shares
Grant date	29 June 2004	22 December 2004	4 July 2005
Terms and condition for vesting	Directors, employees of the Company or SBI Securities Co., Ltd. Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors, employees of the Company or SBI Securities Co., Ltd. Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors, employees of the Company or SBI Securities Co., Ltd. Those who are approved by board of directors (i.e. termination of employment or retirement)
Service period required for vesting	29 June 2004 ~ 29 June 2006	22 December 2004 ~ 29 June 2006	4 July 2005 ~ 29 June 2007
Exercise period	30 June 2006 ~ 29 June 2014	30 June 2006 ~ 29 June 2014	30 June 2007 ~ 29 June 2015

	The Company former SOFTBANK INVESTMENT CORPORATION (4) Stock option	The Company former SOFTBANK INVESTMENT CORPORATION (8) Stock option	The Company former SOFTBANK INVESTMENT CORPORATION (9) Stock option
Category and number of person granted	8 directors 19 employees 8 subsidiary directors 6 subsidiary employees	2 directors 42 employees 1 subsidiary director	21 employees
Class and number of option shares (*Note)	62,857.00 Common shares	7,206.78 Common shares	1,220.50 Common shares
Grant date	7 March 2000	4 September 2000	4 September 2000
Terms and condition for vesting	Directors or employees of the Company (Including the case resignee get positions of directors or statutory auditors of the Company, or directors or employees of the subsidiaries) Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors or employees of the Company (Including the case resignee get positions of directors or statutory auditors of the Company, or directors or employees of the subsidiaries) Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors or employees of the Company (Including the case resignee get positions of directors or statutory auditors of the Company, or directors or employees of the subsidiaries) Those who are approved by board of directors (i.e. termination of employment or retirement)
Service period required for vesting	7 March 2000 ~ 31 March 2003	4 September 2000 ~ 31 March 2003	4 September 2000 ~ 30 September 2003
Exercise period	1 April 2003 ~ 31 March 2008	1 April 2003 ~ 31 March 2008	1 October 2003 ~ 30 September 2008
	The Company former E*TRADE Japan K.K. (10)~(12) Stock option	The Company former E*TRADE Japan K.K. (16) Stock option	The Company Former FINANCE ALL CORPORATION (1)~(6) Stock option
Category and number of person granted	5 directors 20 employees 6 subsidiary directors 109 subsidiary employees	1 director 7 employees 1 subsidiary directors 16 subsidiary employees	5 directors 4 employees 9 subsidiary directors 20 subsidiary employees
Class and number of option shares (*Note)	53,511.79 Common shares	4,014.36 Common shares	114,012 Common shares
Grant date	30 March 2000	8 June 2000	28 March 2002
Terms and condition for vesting	Directors or employees of the Company (Including the case resignees get positions of directors, statutory auditors or employees of the Company or subsidiaries) Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors or employees of the Company (Including the case resignees get positions of directors, statutory auditors or employees of the Company or subsidiaries) Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors or employees of the Company or subsidiaries Including the case of transfer due to official orders or involuntary retirement
Service period required for vesting	30 March 2000 ~ 31 March 2003	8 June 2000 ~ 11 June 2003	28 March 2002 ~ 31 March 2002
Exercise period	1 April 2003 ~ 28 March 2008	12 June 2003 ~ 28 March 2008	1 April 2002 ~ 28 March 2009

	SBI Capital Co., Ltd. FY2006(3) Stock option	SBI Planners Co., Ltd. (5) Stock option	SBI Mortgage Co., Ltd. (1) Stock option
Category and number of person granted	3 employees	7 directors 81 employees 1 subsidiary director 1 subsidiary employee	23 employees
Class and number of option shares (*Note)	188 Common shares	4,000,000 Common shares	65 Common shares
Grant date	26 September 2006	30 March 2007	25 May 2005
Terms and condition for vesting	Continue to provide service after the grant date to the end of vesting period (1 October 2008)*	Directors, employees, or quasi directors/employees of the SBI Planners Co., Ltd. or its subsidiaries	Common shares for the SBI Mortgage Co., Ltd. should be listing and directors, employees, or quasi directors/employees of the SBI Mortgage Co., Ltd. or its subsidiaries
Service period required for vesting	Two years * (28 September 2006 ~ 1 October 2008)	30 March 2007 ~ 1 April 2007	25 May 2005 ~ 25 May 2007
Exercise period	1 October 2008 ~ 25 September 2016*	2 April 2007 ~ 31 March 2013	26 May 2007 ~ 25 May 2015

* Terms and condition has changed as follows since year 2008. (1) Holders for stock option can exercise all options after 18 May 2007. (2) New exercisable period from 18 May 2007 to 25 September 2016.

	SBI E*TRADE SECURITIES Co., Ltd. (1) Stock option	SBI E*TRADE SECURITIES Co., Ltd. (2) Stock option	SBI E*TRADE SECURITIES Co., Ltd. (4) Stock option
Category and number of person granted	7 directors 88 employees 6 parent employees	1 director	40 employees
Class and number of option shares (*Note)	116,190 Common shares	4,500 Common shares	5,610 Common shares
Grant date	8 July 2004	21 July 2004	29 November 2005
Terms and condition for vesting	n/a	n/a	n/a
Service period required for vesting	n/a	n/a	n/a
Exercise period	22 December 2004 ~ 21 June 2010	22 December 2004 ~ 21 June 2010	1 January 2006 ~ 23 June 2013

	SBI E*TRADE SECURITIES Co., Ltd. (5) Stock option	E*TRADE Korea Co., Ltd. (1) Stock option	E*TRADE Korea Co., Ltd. (2) Stock option
Category and number of person granted	12 employees	3 directors 63 employees	9 employees
Class and number of option shares (*Note)	750 Common shares	121,500 Common shares	10,500 Common shares
Grant date	30 December 2005	15 September 2000	11 May 2001
Terms and condition for vesting	n/a	Continue to provide service after the grant date to the end of vesting period (15 September 2003)	Continue to provide service after the grant date to the end of vesting period (11 May 2004)
Service period required for vesting	n/a	Three years (16 September 2000 ~ 15 September 2003)	Three years (12 May 2001 ~ 11 May 2004)
Exercise period	1 January 2006 ~ 23 June 2013	16 September 2003 ~ 15 September 2010	12 May 2004 ~ 11 May 2011
	E*TRADE Korea Co., Ltd. (3) Stock option	E*TRADE Korea Co., Ltd. (4) Stock option	TradeWin Tech Co., Ltd. (2) Stock option
Category and number of person granted	5 directors 55 employees	5 directors 10 employees	1 director 3 employees 1 advisor
Class and number of option shares (*Note)	236,500 Common shares	228,000 Common shares	1,000 Common shares
Grant date	5 October 2004	3 March 2006	25 October 2000
Terms and condition for vesting	Continue to provide service after the grant date to the end of vesting period (5 October 2007)	Continue to provide service after the grant date to the end of vesting period (3 March 2008)	No condition for vesting. However the exercise for option should be one and half year after IPO
Service period required for vesting	3 years (6 October 2004 ~ 5 October 2007)	2 years (4 March 2006 ~ 3 March 2008)	n/a
Exercise period	6 October 2007 ~ 5 October 2014	4 March 2008 ~ 3 March 2015	1 January 2001 ~ 16 April 2012

	TradeWin Co., Ltd. (3) Stock option	LIVING Corporation, Inc. (2) Stock option	SBI Biotech Co., Ltd. (1) Stock option
Category and number of person granted	3 directors 5 employees	1 director 18 employees	7 third-party collaborator
Class and number of option shares (*Note)	320 Common shares	700 Common shares	630 Common shares
Grant date	18 April 2002	29 August 2005	15 October 2002
Terms and condition for vesting	No condition for vesting, however the exercise for option should be one year after IPO	Directors, statutory auditors, employees or advisors of Living Corporation, Inc. at the exercising of right Those who are approved by board of directors (i.e. termination of employment or retirement)	Third-party collaborator or advisor of SBI Biotech Co., Ltd. or its collaborate company Those who are approved by board of directors
Service period required for vesting	n/a	29 August 2005 ~ 29 August 2007	n/a
Exercise period	18 April 2002 ~ 16 April 2012	30 August 2007 ~ 29 August 2015	2 years and 6 months after 6 months after IPO
	SBI Biotech Co., Ltd. (2) Stock option	SBI Biotech Co., Ltd. (4) Stock option	SBI Biotech Co., Ltd. (5) Stock option
Category and number of person granted	2 directors 5 employees	1 director	1 third-party collaborator
Class and number of option shares (*Note)	780 Common shares	120 Common shares	90 Common shares
Grant date	15 October 2002	27 April 2005	28 September 2005
Terms and condition for vesting	Directors, statutory auditors or employees of SBI Biotech Co., Ltd. or its subsidiaries when exercising the stock option Those who are approved by board of directors Exercising of right should be after 6 months of IPO	Directors, statutory auditors, employees, or third-party collaborator of SBI Biotech Co., Ltd. or its subsidiaries when exercising the stock option Those who are approved by board of directors Exercising of right should be after IPO	Directors, statutory auditors, employees, or third-party collaborator of SBI Biotech Co., Ltd. or its subsidiaries when exercising the stock option Those who are approved by board of directors Exercising of right should be after IPO
Service period required to be vested	n/a	n/a	n/a
Exercise period	15 October 2004 ~ 31 August 2012	31 March 2007 ~ 30 March 2015	29 September 2005 ~ 30 August 2015

	SBI Futures Co., Ltd. (1) Stock option	SBI Futures Co., Ltd. (2) Stock option	SBI Futures Co., Ltd. (3) Stock option
Category and number of person granted	3 directors 21 employees	3 directors 11 employees	3 directors 21 employees
Class and number of option shares (*Note)	466 Common shares	346 Common shares	471 Common shares
Grant date	15 August 2001	15 August 2001	15 August 2001
Terms and condition for vesting	Directors, employees or quasi directors/employees of SBI Futures Co., Ltd. or its subsidiaries when exercising the stock option Those who are approved by board of directors (i.e. termination of employment or retirement) Exercising of right should be after IPO in Japanese financial market	Directors, employees or quasi directors/employees of SBI Futures Co., Ltd. or its subsidiaries when exercising the stock option Those who are approved by board of directors (i.e. termination of employment or retirement) Exercising of right should be after IPO in Japanese financial market	Directors, employees or quasi directors/employees of SBI Futures Co., Ltd. or its subsidiaries when exercising the stock option Those who are approved by board of directors (i.e. termination of employment or retirement) Exercising of right should be after IPO in Japanese financial market
Service period required to be vested	n/a	n/a	n/a
Exercise period	1 September 2001 ~ 15 August 2007	1 September 2001 ~ 15 August 2008	1 September 2001 ~ 15 August 2009
	SBI Futures Co., Ltd. (4) Stock option	SBI Futures Co., Ltd. (1) Stock option	SBI Futures Co., Ltd. (2) Stock option
Category and number of person granted	3 directors 11 employees	7 directors 14 employees 2 auditors	9 employees
Class and number of option shares (*Note)	347 Common shares	702 Common shares	145 Common shares
Grant date	15 August 2001	9 August 2002	31 March 2003
Terms and condition for vesting	Directors, employees or quasi directors/employees of SBI Futures Co., Ltd. or its subsidiaries when exercising the stock option Those who are approved by board of directors (i.e. termination of employment or retirement) Exercising of right should be after IPO in Japanese financial market	Directors, employees or quasi directors/employees of SBI Futures Co., Ltd. or its subsidiaries when exercising the stock option Those who are approved by board of directors (i.e. termination of employment or retirement) Exercising of right should be after IPO in Japanese financial market	Directors, employees or quasi directors/employees of SBI Futures Co., Ltd. or its subsidiaries when exercising the stock option Those who are approved by board of directors (i.e. termination of employment or retirement) Exercising of right should be after IPO in Japanese financial market
Service period required for vesting	n/a	n/a	n/a
Exercise period	1 September 2001 ~ 15 August 2010	24 July 2004 ~ 23 July 2008	1 April 2005 ~ 23 July 2008

	SBI Futures Co., Ltd. (3) Stock option	SBI VeriTrans Co., Ltd. FY2001 Stock option	SBI VeriTrans Co., Ltd. FY2004 Stock option
Category and number of person granted	3 directors 49 employees	18 directors and employees	20 directors and employees
Class and number of option shares (*Note)	1,158 Common shares	7,608 Common shares	9,462 Common shares
Grant date	6 July 2005	10 October 2001	13 February 2004
Terms and condition for vesting	Directors, employees or quasi directors/employees of SBI Futures Co., Ltd. or its subsidiaries when exercising the stock option Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors, employees or quasi directors/employees of SBI VeriTrans Co., Ltd. when exercising the stock option Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors, employees or quasi directors/employees of SBI VeriTrans Co., Ltd. when exercising the stock option Those who are approved by board of directors (i.e. termination of employment or retirement)
Service period required for vesting	n/a	10 October 2001 ~ 4 October 2004	13 February 2004 ~ 12 February 2006
Exercise period	17 June 2007 ~ 17 June 2011	5 October 2004 ~ 10 October 2008	13 February 2006 ~ 12 February 2014
	Morningstar Japan K.K. FY2001 Stock option	Morningstar Japan K.K. FY2003(1) Stock option	Morningstar Japan K.K. FY2006(2) Stock option
Category and number of person granted	1 director 1 auditor for subsidiary (As at the end of the current year)	6 directors 3 employees 3 directors and 1 auditor for subsidiaries 3 employees for subsidiaries 2 others (As at the end of the current year)	1 director 2 employees (As at the end of the current year)
Class and number of option shares (*Note)	256 Common shares (As at the end of the current year)	2,588 Common shares (As at the end of the current year)	250 Common shares (As at the end of the current year)
Grant date	18 May 2001	5 November 2003	21 April 2006
Terms and condition for vesting	Loss of rights with loss of position of directors except for getting new positions such as directors/employees of subsidiaries Except the transfer to other entities as directors or employees on command or except of involuntary retirement	Directors, statutory auditors, or employees of the Morningstar Japan K.K. or its subsidiaries when exercising the stock option Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors, statutory auditors, or employees of the Morningstar Japan K.K. or its subsidiaries when exercising the stock option Those who are approved by board of directors (i.e. termination of employment or retirement)
Service period required for vesting	n/a	n/a	n/a
Exercise period	16 March 2003 ~ 15 March 2011	20 March 2005 ~ 19 March 2013	24 March 2008 ~ 23 March 2016

	Morningstar Japan K.K. FY2000(5) Stock option	Gomez Consulting Co., Ltd. FY2003 Stock option	Gomez Consulting Co., Ltd. FY2005 Stock option
Category and number of person granted	— (As at the end of the current year)	5 directors 5 employees	3 directors 5 employees
Class and number of option shares (*Note)	— Common shares (As at the end of the current year)	800 Common shares (After stock splits as at 1 May 2007)	440 Common shares (After stock splits as at 1 May 2007)
Grant date	7 March 2000	15 March 2003	15 June 2005
Terms and condition for vesting	n/a	Directors, employees or quasi directors/employees of Gomez Consulting Co., Ltd. or its subsidiaries when exercising the stock option Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors, employees or quasi directors/employees of Gomez Consulting Co., Ltd. or its subsidiaries when exercising the stock option Those who are approved by board of directors (i.e. termination of employment or retirement)
Service period required for vesting	n/a	n/a	n/a
Exercise period	1 April 2003 ~ 31 March 2008	15 March 2005 ~ 14 March 2013	3 June 2007 ~ 2 June 2015
	E*GOLF CORPORATION (2) Stock option	HOMEOSTYLE Inc. (1) Stock Option	HOMEOSTYLE Inc. (2) Stock Option
Category and number of person granted	2 directors 8 employees	8 directors 341 employees	4 directors 105 employees
Class and number of option shares (*Note)	45 Common shares	5,672 Common shares	1,004 Common shares
Grant date	4 October 2001	5 April 2002	24 August 2004
Terms and condition for vesting	n/a	Holding positions of directors/employees when exercising of right of HOMEOSTYLE Inc. Exercising of right should be after 1 year of IPO	Holding positions of directors/employees when exercising of right of HOMEOSTYLE Inc. Exercising of right should be after 1 year of IPO
Service period required for vesting	n/a	n/a	n/a
Exercise period	4 October 2001 ~ 3 October 2007	1 June 2002 ~ 12 March 2012	1 June 2002 ~ 12 March 2012

	HOMEOSTYLE Inc. (former TK International Co., Ltd.) Stock Option	HOMEOSTYLE Inc. (3) Stock Option	HOMEOSTYLE Inc. (4) Stock Option
Category and number of person granted	2 directors 1 director	25 employees	6 directors 246 employees
Class and number of option shares (*Note)	4,081 Common shares	490 Common shares	9,057 Common shares
Grant date	2 July 2004	28 February 2005	31 March 2006
Terms and condition for vesting	Holding positions of directors/employees when exercising of right of HOMEOSTYLE Inc. Exercising of right should be after IPO	Holding positions of directors/employees when exercising of right of HOMEOSTYLE Inc. Exercising of right should be after 1 year of IPO	Holding positions of directors/employees when exercising of right of HOMEOSTYLE Inc. Exercising of right should be after 1 year of IPO
Service period required for vesting	n/a	n/a	n/a
Exercise period	6 July 2006 ~ 30 June 2014	1 March 2007 ~ 24 February 2015	1 April 2008 ~ 25 March 2016
	Autobytel Japan Co., Ltd. (1) Stock option	Autobytel Japan Co., Ltd (2) Stock option	Autobytel Japan Co., Ltd (3) Stock option
Category and number of person granted	4 directors 2 subsidiary directors 16 employees 22 third-party collaborators	1 director 7 employees	5 directors 6 employees 6 third-party collaborators
Class and number of option shares (*Note)	15,365 Common shares	875 Common shares	2,050 Common shares
Grant date	27 December 2002	20 October 2003	29 October 2004
Terms and condition for vesting	Directors or employees of Autobytel Japan Co., Ltd., its subsidiaries or third-party collaborator when exercising right Disallowing exercise of right till the day before IPO	Directors or employees of Autobytel Japan Co., Ltd., its subsidiaries or third-party collaborator when exercising right Disallowing exercise of right till the day before IPO	Directors or employees of Autobytel Japan Co., Ltd., its subsidiaries or third-party collaborator when exercising right Disallowing exercise of right till the day before IPO
Service period required for vesting	n/a	n/a	n/a
Exercise period	1 November 2004 ~ 30 September 2012	1 November 2005 ~ 30 September 2012	1 August 2006 ~ 31 May 2014

	Autobytel Japan Co., Ltd. (4) Stock option	Autobytel Japan Co., Ltd. (5) Stock option	Autobytel Japan Co., Ltd. (6) Stock option
Category and number of person granted	2 third-party collaborators	1 third-party collaborator	9 employees
Class and number of option shares (*Note)	200 Common shares	100 Common shares	250 Common shares
Grant date	25 February 2005	20 April 2005	20 April 2005
Terms and condition for vesting	Directors or employees of Autobytel Japan Co., Ltd., its subsidiaries or third-party collaborator when exercising right Disallowing exercise of right till the day before IPO	Directors or employees of Autobytel Japan Co., Ltd., its subsidiaries or third-party collaborator when exercising right Disallowing exercise of right till the day before IPO	Directors or employees of Autobytel Japan Co., Ltd. its subsidiaries or third-party collaborator when exercising right Disallowing exercise of right till the day before IPO
Service period required for vesting	n/a	n/a	n/a
Exercise period	1 August 2006 ~ 31 May 2014	1 August 2006 ~ 31 May 2014	1 August 2006 ~ 31 May 2014
	Autobytel Japan Co., Ltd. (7) Stock option	Autobytel Japan Co., Ltd. (8) Stock option	C4 Technology, Inc. FY2002 Stock option
Category and number of person granted	4 directors 2 subsidiary directors 17 employees 3 third-party collaborators	11 employees	7 directors 1 auditor 14 employees
Class and number of option shares (*Note)	2,000 Common shares	240 Common shares	1,195 Common shares
Grant date	20 April 2006	28 March 2008	27 June 2002
Terms and condition for vesting	Directors or employees of Autobytel Japan Co., Ltd., its subsidiaries or third-party collaborator when exercising right Disallowing exercise of right till the day before IPO	Directors or employees of Autobytel Japan Co., Ltd., its subsidiaries or third-party collaborator when exercising right Disallowing exercise of right till the day before IPO	Continue to provide service after the grant date to the end of vesting period (28 June 2004)
Service period required for vesting	n/a	n/a	Two years (27 June 2002 ~ 27 June 2004)
Exercise period	28 June 2007 ~ 27 June 2015	29 June 2009 ~ 28 June 2017	28 June 2004 ~ 27 June 2012

Note: Conversion into the number of stocks.

3. Size and change of stock option

The table below represents the summary of outstanding stock option as at 31 March 2008. The numbers stated below are numbers of shares would be converted when the options are exercised.

(a) Number of stock option

	The Company FY2001 Stock option	The Company FY2002(1) Stock option	The Company FY2003(1) Stock option	The Company FY2003(2) Stock option	The Company FY2003(3) Stock option
Number of non-vested stock option					
Beginning balance of period.....	—	—	—	—	—
Granted.....	—	—	—	—	—
Forfeited.....	—	—	—	—	—
Vested.....	—	—	—	—	—
Non-vested balance.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Number of vested stock option					
Beginning balance of period.....	11,782	17,028	19,476	76,914	21,024
Vested.....	—	—	—	—	—
Exercised.....	(388)	(1,998)	(108)	(14,292)	(1,350)
Forfeited.....	—	—	—	(1,242)	(2,340)
Unexercised balance.....	<u>11,394</u>	<u>15,030</u>	<u>19,368</u>	<u>61,380</u>	<u>17,334</u>

	The Company FY 2005(1) Stock option	The Company former E*TRADE Japan K.K. Stock option	The Company Former SBI HOME Planner Co., LTD. FY2003 Stock option	The Company Former SBI HOME Planner Co., LTD. FY2004 Stock option	The Company Former SBI HOME Planner Co., LTD. FY2004 Stock option
Number of non-vested stock option					
Beginning balance of period.....	—	—	—	—	—
Granted.....	—	—	—	—	—
Forfeited.....	—	—	—	—	—
Vested.....	—	—	—	—	—
Non-vested balance.....	—	—	—	—	—
Number of vested stock option					
Beginning balance of period.....	28,818	68,527.62	512	724	60
Vested.....	—	—	—	—	—
Exercised.....	(552)	(4,558.68)	(36)	(16)	—
Forfeited.....	(2,067)	—	(2)	(12)	—
Unexercised balance.....	26,199	63,968.94	474	696	60
				The Company former SOFTBANK FRONTIER SECURITIES CO., LTD FY2002 Stock option	The Company former WORLD NICHIEI Securities Co., Ltd. FY2003 Stock option
	The Company former SBI Partners Co., Inc. FY 2005 Stock option	The Company former FINANCE ALL CORPORATION FY 2002 Stock option	The Company former FINANCE ALL CORPORATION FY 2003 Stock option		
Number of non-vested stock option					
Beginning balance of period.....	—	—	—	—	—
Granted.....	—	—	—	—	—
Forfeited.....	—	—	—	—	—
Vested.....	—	—	—	—	—
Non-vested balance.....	—	—	—	—	—
Number of vested stock option					
Beginning balance of period.....	550	5,040	21,320	404.48	1,414.50
Vested.....	—	—	—	—	—
Exercised.....	—	(400)	(9,240)	(404.48)	(1,069.50)
Forfeited.....	—	—	—	—	—
Unexercised balance.....	550	4,640	12,080	—	345.00

	The Company former WORLD NICHIEI FRONTIER Securities Co., Ltd. FY2004 Stock option	The Company former WORLD NICHIEI FRONTIER Securities Co., Ltd. FY2004 Stock option	The Company former SBI Securities Co., Ltd. FY2005 Stock option	The Company former SOFTBANK INVESTMENT CORPORATION (4) Stock option	The Company former SOFTBANK INVESTMENT CORPORATION (8) Stock option
Number of non-vested stock option Beginning balance of period.....	—	—	32,605.95	—	—
Granted.....	—	—	—	—	—
Forfeited.....	—	—	(112.70)	—	—
Vested.....	—	—	(32,493.25)	—	—
Non-vested balance.....	—	—	—	—	—
Number of vested stock option Beginning balance of period.....	28,753.45	46.00	—	18,792.25	3,952.02
Vested.....	—	—	32,493.25	—	—
Exercised.....	—	—	—	—	(1,162.38)
Forfeited.....	(7,356.55)	(5.75)	(9,229.90)	(18,792.25)	(2,789.64)
Unexercised balance.....	21,396.90	40.25	23,263.35	—	—
	The Company former SOFTBANK INVESTMENT CORPORATION (9) Stock option	The Company former E*TRADE Japan K.K. (10)-(12) Stock option	The Company former E*TRADE Japan K.K. (16) Stock option	The Company former FINANCE ALL CORPORATION (1)-(6) Stock option	SBI CAPITAL Co., Ltd. FY06 (3) Stock option
Number of non-vested stock option Beginning balance of period.....	—	—	—	—	188
Granted.....	—	—	—	—	—
Forfeited.....	—	—	—	—	—
Vested.....	—	—	—	—	(188)
Non-vested balance.....	—	—	—	—	—
Number of vested stock option Beginning balance of period.....	581.10	10,953.82	2,959.74	6,331	—
Vested.....	—	—	—	—	188
Exercised.....	—	—	—	(548)	(188)
Forfeited.....	—	(10,953.82)	(2,959.74)	—	—
Unexercised balance.....	581.10	—	—	5,783	—

	SBI Planners Co., Ltd. (5) Stock option	SBI Mortgage Co., Ltd. (1) Stock option	SBI E*TRADE SECURITIES Co., Ltd. (1) Stock option	SBI E*TRADE SECURITIES (2) Stock option	SBI E*TRADE SECURITIES (4) Stock option
Number of non-vested stock option					
Beginning balance of period.....	4,000,000	49	—	—	—
Granted.....	—	—	—	—	—
Forfeited.....	—	(2)	—	—	—
Vested.....	—	—	—	—	—
Non-vested balance.....	<u>4,000,000</u>	<u>47</u>	<u>—</u>	<u>—</u>	<u>—</u>
Number of vested stock option					
Beginning balance of period.....	—	—	17,991	2,250	4,047
Vested.....	—	—	—	—	—
Exercised.....	—	—	(2,565)	—	—
Forfeited.....	—	—	—	—	(150)
Unexercised balance.....	<u>—</u>	<u>—</u>	<u>15,426</u>	<u>2,250</u>	<u>3,897</u>
	SBI E*TRADE SECURITIES Co., Ltd. (5) Stock option	E*TRADE Korea Co., Ltd. (1) Stock option	E*TRADE Korea Co., Ltd. (2) Stock option	E*TRADE Korea Co., Ltd. (3) Stock option	E*TRADE Korea Co., Ltd. (4) Stock option
Number of non-vested stock option					
Beginning balance of period.....	—	—	—	157,000	225,000
Granted.....	—	—	—	—	—
Forfeited.....	—	—	—	(7,500)	—
Vested.....	—	—	—	(149,500)	(225,000)
Non-vested balance.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Number of vested stock option					
Beginning balance of period.....	699	42,500	2,000	—	—
Vested.....	—	—	—	149,500	225,000
Exercised.....	—	(42,500)	(2,000)	(147,500)	(225,000)
Forfeited.....	(45)	—	—	(2,000)	—
Unexercised balance.....	<u>654</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

	TradeWin Co., Ltd. (2) Stock option	TradeWin Co., Ltd. (3) Stock option	LIVING Corporation, Inc., (2) Stock option	SBI Biotech Co., Ltd. (1) Stock option	SBI Biotech Co., Ltd. (2) Stock option
Number of non-vested stock option					
Beginning balance of period.....	1,000	320	696	630	626
Granted.....	—	—	—	—	—
Forfeited.....	—	—	(5)	—	(90)
Vested.....	—	—	(691)	—	—
Non-vested balance.....	<u>1,000</u>	<u>320</u>	<u>—</u>	<u>630</u>	<u>536</u>
Number of vested stock option					
Beginning balance of period.....	—	—	—	—	—
Vested.....	—	—	691	—	—
Exercised.....	—	—	(632)	—	—
Forfeited.....	—	—	(25)	—	—
Unexercised balance.....	<u>—</u>	<u>—</u>	<u>34</u>	<u>—</u>	<u>—</u>
	SBI Biotech Co., Ltd. (4) Stock option	SBI Biotech Co., Ltd. (5) Stock option	SBI Futures Co., Ltd. (1) Stock option	SBI Futures Co., Ltd. (2) Stock option	SBI Futures Co., Ltd. (3) Stock option
Number of non-vested stock option					
Beginning balance of period.....	120	90	—	—	—
Granted.....	—	—	—	—	—
Forfeited.....	—	—	—	—	—
Vested.....	—	—	—	—	—
Non-vested balance.....	<u>120</u>	<u>90</u>	<u>—</u>	<u>—</u>	<u>—</u>
Number of vested stock option					
Beginning balance of period.....	—	—	158	78	336
Vested.....	—	—	—	—	—
Exercised.....	—	—	(149)	—	(10)
Forfeited.....	—	—	(9)	—	(10)
Unexercised balance.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>78</u>	<u>316</u>

	SBI Futures Co., Ltd. (4) Stock option	SBI Futures Co., Ltd. (1) Stock option	SBI Futures Co., Ltd. (2) Stock option	SBI Futures Co., Ltd. (3) Stock option	SBI VeriTrans Co., Ltd. FY2001 Stock option
Number of non-vested stock option					
Beginning balance of period.....	—	—	14	986	1,346
Granted.....	—	—	—	—	—
Forfeited.....	—	—	—	13	—
Vested.....	—	—	14	500	1,346
Non-vested balance.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>473</u>	<u>—</u>
Number of vested stock option					
Beginning balance of period.....	115	261	26	—	1,047
Vested.....	—	—	14	500	1,346
Exercised.....	—	—	—	—	750
Forfeited.....	—	—	—	9	—
Unexercised balance.....	<u>115</u>	<u>261</u>	<u>40</u>	<u>491</u>	<u>1,643</u>
	SBI VeriTrans Co., Ltd. FY2004 Stock option	Morningstar Japan K.K. FY2001 Stock option	Morningstar Japan K.K. FY2003(1) Stock option	Morningstar Japan K.K. FY2006 (2) Stock option	Morningstar Japan K.K. FY2000 (5) Stock option
Number of non-vested stock option					
Beginning balance of period.....	4,008	—	—	510	—
Granted.....	—	—	—	—	—
Forfeited.....	—	—	—	260	—
Vested.....	1,944	—	—	250	—
Non-vested balance.....	<u>2,064</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Number of vested stock option					
Beginning balance of period.....	1,932	256	2,908	—	512
Vested.....	1,944	—	—	250	—
Exercised.....	1,788	—	68	—	—
Forfeited.....	—	—	252	—	512
Unexercised balance.....	<u>2,088</u>	<u>256</u>	<u>2,588</u>	<u>250</u>	<u>—</u>

	Gomez Consulting Co., Ltd. FY2003 Stock option *	Gomez Consulting Co., Ltd. FY2005 Stock option *	E*GOLF CORPORATION (2) Stock option	HOMEOSTYLE Inc. (1) Stock option	HOMEOSTYLE Inc. (2) Stock option
Number of non-vested stock option					
Beginning balance of period.....	—	380	12	5,154	1,029
Granted.....	—	—	—	—	—
Forfeited.....	—	—	(12)	(140)	(33)
Vested.....	—	(380)	—	—	—
Non-vested balance.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,014</u>	<u>996</u>
Number of vested stock option					
Beginning balance of period.....	660	—	—	—	—
Vested.....	—	380	—	—	—
Exercised.....	(120)	(6)	—	—	—
Forfeited.....	(40)	—	—	—	—
Unexercised balance.....	<u>500</u>	<u>374</u>	<u>—</u>	<u>—</u>	<u>—</u>

* The number represents the number of stock after the stock splits in 1 May 2007.

	HOMEOSTYLE Inc former TK International Co., Ltd. Stock option	HOMEOSTYLE Inc. (3) Stock option	HOMEOSTYLE Inc. (4) Stock option	Auto-bytel Japan Co., Ltd. (1) Stock option	Auto-bytel Japan Co., Ltd. (2) Stock option
Number of non-vested stock option					
Beginning balance of period.....	4,081	434	8,868	6,400	450
Granted.....	—	—	—	—	—
Forfeited.....	—	—	(218)	(100)	—
Vested.....	—	—	—	—	—
Non-vested balance.....	<u>4,081</u>	<u>434</u>	<u>8,650</u>	<u>6,300</u>	<u>450</u>
Number of vested stock option					
Beginning balance of period.....	—	—	—	—	—
Vested.....	—	—	—	—	—
Exercised.....	—	—	—	—	—
Forfeited.....	—	—	—	—	—
Unexercised balance.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

	Auto-bytel Japan Co., Ltd. (3) <u>Stock option</u>	Auto-bytel Japan Co., Ltd. (4) <u>Stock option</u>	Auto-bytel Japan Co., Ltd. (5) <u>Stock option</u>	Auto-bytel Japan Co., Ltd. (6) <u>Stock option</u>	Auto-bytel Japan Co., Ltd. (7) <u>Stock option</u>
Number of non-vested stock option					
Beginning balance of period	1,850	200	100	180	1,970
Granted	—	—	—	—	—
Forfeited	(50)	—	—	(20)	(310)
Vested	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Non-vested balance	<u>1,800</u>	<u>200</u>	<u>100</u>	<u>160</u>	<u>1,660</u>
Number of vested stock option					
Beginning balance of period	—	—	—	—	—
Vested	—	—	—	—	—
Exercised	—	—	—	—	—
Forfeited	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Unexercised balance	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
				<u>Auto-bytel Japan Co., Ltd. (8) Stock option</u>	<u>C4 Technology Inc. FY2002 Stock option</u>
Number of non-vested stock option					
Beginning balance of period				—	—
Granted				240	—
Forfeited				—	—
Vested				<u>—</u>	<u>—</u>
Non-vested balance				<u>240</u>	<u>—</u>
Number of vested stock option					
Beginning balance of period				—	645
Vested				—	—
Exercised				—	—
Forfeited				<u>—</u>	<u>(125)</u>
Unexercised balance				<u>—</u>	<u>520</u>

(b) Unit price information

	The Company FY2001 Stock option	The Company FY2002(1) Stock option	The Company FY2003(1) Stock option	The Company FY2003(2) Stock option	The Company FY2003(3) Stock option
Exercise price (Yen)	20,796	5,984	17,879	17,879	27,655
Average price of stocks upon exercise (Yen)	30,550	29,640	25,610	31,142	37,116
Fair value of option at grant date per option (Yen)	—	—	—	—	—
	The Company FY 2005(1) Stock option	The Company former E*TRADE Japan K.K. Stock option	The Company Former SBI HOME Planner Co., LTD. FY2003 Stock option	The Company Former SBI HOME Planner Co., LTD. FY2004 Stock option	The Company Former SBI HOME Planner Co., LTD. FY2004 Stock option
Exercise price (Yen)	35,078	12,079	23,200	25,600	25,600
Average price of stocks upon exercise (Yen)	38,667	33,039	38,856	37,166	—
Fair value of option at grant date per option (Yen)	—	—	—	—	—
	The Company former SBI Partners Co., Inc. FY 2005 Stock option	The Company former FINANCE ALL CORPORATION FY 2002 Stock option	The Company former FINANCE ALL CORPORATION FY 2003 Stock option	The Company former SOFTBANK FRONTIER SECURITIES CO., LTD. FY2002 Stock option	The Company former WORLD NICHIEI Securities Co., LTD. FY2003 Stock option
Exercise price (Yen)	37,060	4,465	4,465	7,740	17,392
Average price of stocks upon exercise (Yen)	—	23,230	29,216	33,215	34,250
Fair value of option at grant date per option (Yen)	—	—	—	—	—

	The Company former WORLD NICHIEI FRONTIER Securities Co., LTD. FY2004 Stock option	The Company former WORLD NICHIEI FRONTIER Securities Co., LTD. FY2004 Stock option	The Company former SBI Securities Co., Ltd. FY 2005 Stock option	The Company former SOFTBANK INVESTMENT CORPORATION (4) Stock option	The Company former SOFTBANK INVESTMENT CORPORATION (8) Stock option
Exercise price (Yen) .	50,174	31,914	46,957	2,083.30	25,464.90
Average price of stocks upon exercise (Yen)	—	—	—	—	24,440
Fair value of option at grant date per option (Yen)	—	—	—	—	—
	The Company former SOFTBANK INVESTMENT CORPORATION (9) Stock option	The Company former E*TRADE Japan K.K. (10)-(12) Stock option	The Company former E*TRADE Japan K.K. (16) Stock option	The Company former FINANCE ALL CORPORATION (1)-(6) Stock option	SBI CAPITAL Co., Ltd. FY 2006 (3) Stock option
Exercise price (Yen) .	25,464.90	1,910.70	2,116.40	4,464	67,000
Average price of stocks upon exercise (Yen)	—	—	—	23,230	—
Fair value of option at grant date per option (Yen)	—	—	—	—	20,360
	SBI Planners Co., Ltd. (5) Stock option	SBI Mortgage Co., Ltd. (1) Stock option	SBI E*TRADE SECURITIES Co., Ltd. (1) Stock option	SBI E*TRADE SECURITIES Co., Ltd. (2) Stock option	SBI E*TRADE SECURITIES Co., Ltd. (4) Stock option
Exercise price (Yen) .	65	750,000	44,290	44,290	171,417
Average price of stocks upon exercise (Yen)	—	—	128,814	—	—
Fair value of option at grant date per option (Yen)	—	—	—	—	—

APPENDIX I

ACCOUNTANTS' REPORT

	SBI E*TRADE SECURITIES Co., Ltd. (5) Stock option	E*TRADE Korea Co., Ltd. (1) Stock option	E*TRADE Korea Co., Ltd. (2) Stock option	E*TRADE Korea Co., Ltd. (3) Stock option	E*TRADE Korea Co., Ltd. (4) Stock option
Exercise price (Yen) (KRW)	200,638	5,000	5,000	5,000	7,000
Average price of stocks upon exercise (Yen) (KRW)	—	15,531	16,100	11,847	18,950
Fair value of option at grant date per option (Yen) (KRW)	—	—	—	—	—
	TradeWin Co., Ltd. (2) Stock option	TradeWin Co., Ltd. (3) Stock option	LIVING Corporation, Inc., (2) Stock option	SBI Biotech Co., Ltd. (1) Stock option	SBI Biotech Co., Ltd. (2) Stock option
Exercise price (Yen) .	50,000	460,000	100,000	5,000	5,000
Average price of stocks upon exercise (Yen)	—	—	158,233	—	—
Fair value of option at grant date per option (Yen)	—	—	—	—	—
	SBI Biotech Co., Ltd. (4) Stock option	SBI Biotech Co., Ltd. (5) Stock option	SBI Futures Co., Ltd. (1) Stock option	SBI Futures Co., Ltd. (2) Stock option	SBI Futures Co., Ltd. (3) Stock option
Exercise price (Yen) .	175,000	175,000	64,516	64,516	64,516
Average price of stocks upon exercise (Yen)	—	—	71,816	—	84,000
Fair value of option at grant date per option (Yen)	—	—	—	—	—
	SBI Futures Co., Ltd. (4) Stock option	SBI Futures Co., Ltd. (1) Stock option	SBI Futures Co., Ltd. (2) Stock option	SBI Futures Co., Ltd. (3) Stock option	SBI VeriTrans Co., Ltd. FY2001 Stock option
Exercise price (Yen) .	64,516	67,952	69,641	98,598	5,580.1
Average price of stocks upon exercise (Yen)	—	—	—	—	50,901
Fair value of option at grant date per option (Yen)	—	—	—	—	—

	SBI VeriTrans Co., Ltd. FY2004 Stock option	Morningstar Japan K.K. FY2001 Stock option	Morningstar Japan K.K. FY2003 (1) Stock option	Morningstar Japan K.K. FY2006 (2) Stock option	Morningstar Japan K.K. FY2000 (5) Stock option
Exercise price (Yen)	5,741	320,375	57,500	133,500	6,250
Average price of stocks upon exercise (Yen)	53,360	—	96,457	—	—
Fair value of option at grant date per option (Yen)	—	—	—	—	—
	Gomez Consulting Co., Ltd. FY2003 Stock option	Gomez Consulting Co., Ltd. FY2005 Stock option	E*GOLF CORPORATION (2) Stock option	HOMEOSTYLE Inc. (1) Stock option	HOMEOSTYLE Inc. (2) Stock option
Exercise price (Yen)	44,250	100,000	100,000	9,636	9,636
Average price of stocks upon exercise (Yen)	222,917	218,000	—	—	—
Fair value of option at grant date per option (Yen)	—	—	—	—	—
	HOMEOSTYLE Inc. former TK International Co., Ltd. Stock option	HOMEOSTYLE Inc. (3) Stock option	HOMEOSTYLE Inc. (4) Stock option	Auto-bytel Japan Co., Ltd. (1) Stock option	Auto-bytel Japan Co., Ltd. (2) Stock option
Exercise price (Yen)	11,903	16,000	19,000	10,000	10,000
Average price of stocks upon exercise (Yen)	—	—	—	—	—
Fair value of option at grant date per option (Yen)	—	—	—	—	—
	Auto-bytel Japan Co., Ltd. (3) Stock option	Auto-bytel Japan Co., Ltd. (4) Stock option	Auto-bytel Japan Co., Ltd. (5) Stock option	Auto-bytel Japan Co., Ltd. (6) Stock option	Auto-bytel Japan Co., Ltd. (7) Stock option
Exercise price (Yen)	50,000	50,000	50,000	50,000	50,000
Average price of stocks upon exercise (Yen)	—	—	—	—	—
Fair value of option at grant date per option (Yen)	—	—	—	—	—

	Auto-bytel Japan Co., Ltd. (8) Stock option	C4 Technology Inc. FY2002 Stock option
Exercise price (Yen)	60,000	60,000
Average price of stocks upon exercise (Yen)	—	—
Fair value of option at grant date per option (Yen)	—	—

4. Valuation method for stock option

The valuation method for the stock option (8) issued for the consolidated year by Autobytel Japan Co., Ltd. was the intrinsic value method as opposed to fair value method because this subsidiary is an unlisted company.

- (a) Valuation method for the stock option: Discounted cash flow method
- (b) Total Intrinsic value at the end of the current consolidated year:
¥ — million
- (c) Total intrinsic value of the exercised stock option at the exercise date for the current consolidated year: n/a

Terms and conditions of the stock option issued by SBI CAPITAL Co., Ltd. were modified during the year 2006. However, the fair value per stock option was not adjusted because the fair value per share at the date of modification was less than the value at the date of grant.

FOR THE YEAR ENDED 31 MARCH 2009

1. Accounts and amounts including stock option expense

Selling, general and administrative expenses: ¥8 million

2. Outline of stock option

	The Company FY 2001 Stock option	The Company FY 2002 (1) Stock option	The Company FY 2003 (1) Stock option
Category and number of person granted	118 employees	9 directors 109 employees	2 directors 4 employees 3 subsidiary directors
Class and number of option shares (*Note)	24,120 Common shares	200,025 Common shares	69,975 Common shares
Grant date	1 February 2002	20 December 2002	25 September 2003
Terms and condition for vesting	Directors or employees of the Company	Directors or employees of the Company and subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors or employees of the Company and subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)
Service period required for vesting	1 February 2002 ~ 19 December 2003	20 December 2002 ~ 19 December 2004	25 September 2003 ~ 19 December 2004
Exercise period	20 December 2003 ~ 19 December 2011	20 December 2004 ~ 19 December 2012	20 December 2004 ~ 19 December 2012

	The Company FY 2003 (2) Stock option	The Company FY 2003 (3) Stock option	The Company FY 2005 (1) Stock option
Category and number of person granted	2 directors 110 employees 6 subsidiary directors 86 subsidiary employees	17 Subsidiary directors	7 directors 89 employees 14 subsidiary directors 36 subsidiary employees
Class and number of option shares (*Note)	312,750 Common shares	61,650 Common shares	40,000 Common shares
Grant date	25 September 2003	23 October 2003	28 July 2005
Terms and condition for vesting	Directors or employees of the Company and subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors or employees of the Company and subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors or employees of the Company or subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)
Service period required for vesting	25 September 2003 ~ 23 June 2005	23 October 2003 ~ 23 June 2005	n/a
Exercise period	24 June 2005 ~ 23 June 2013	24 June 2005 ~ 23 June 2013	28 July 2005 ~ 29 June 2013
	The Company former E*TRADE Japan K.K. Stock option	The Company former SBI HOME Planner Co., LTD. FY2003 Stock option	The Company former SBI HOME Planner Co., LTD. FY2004 Stock option
Category and number of person granted	3 directors 20 employees 11 subsidiary directors 64 subsidiary employees	76 employees 1 subsidiary employee	61 employees 2 subsidiary employees
Class and number of option shares (*Note)	172,481.40 Common shares	1,130 Common shares	950 Common shares
Grant date	1 July 2002	15 April 2004	29 September 2004
Terms and condition for vesting	Directors, statutory auditors or employees of the Company or subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors, statutory auditors or employees of the Company or subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors, statutory auditors or employees of the Company or subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)
Service period required for vesting	1 July 2002 ~ 20 June 2004	15 April 2004 ~ 27 June 2005	29 September 2004 ~ 1 October 2006
Exercise period	21 June 2004 ~ 20 June 2012	28 June 2005 ~ 27 June 2013	2 October 2006 ~ 30 September 2010

	The Company former SBI HOME Planner Co., LTD. FY2004 Stock option	The Company former SBI Partners Co., Inc. FY2005 Stock option	The Company former FINANCE ALL CORPORATION FY2002 Stock option
Category and number of person granted	2 employees	5 directors 23 employees	4 directors 6 employees 5 subsidiary directors 31 subsidiary employees
Class and number of option shares (*Note)	60 Common shares	2,320 Common shares	44,880 Common shares
Grant date	29 October 2004	29 November 2005	25 September 2002
Terms and condition for vesting	Directors, statutory auditors or employees of the Company or subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors/ statutory auditors or employees or quasi director/ employees of the Company or subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors/ statutory auditors or employees or quasi director/ employees of the Company or subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)
Service period required for vesting	29 October 2004 ~ 1 October 2006	29 November 2005 ~ 30 November 2005	25 September 2002 ~ 24 September 2004
Exercise period	2 October 2006 ~ 30 September 2010	1 December 2005 ~ 31 October 2013	25 September 2004 ~ 24 September 2012
	The Company former FINANCE ALL CORPORATION FY2003 Stock option	The Company former WORLD NICHIEI Securities Co., Ltd. FY2003 Stock option	The Company former WORLD NICHIEI FRONTIER Securities Co., Ltd. FY2004 Stock option
Category and number of person granted	4 directors 24 employees 4 subsidiary directors 18 subsidiary employees	5 directors 6 employees	7 directors 350 employees
Class and number of option shares (*Note)	55,040 Common shares	4,933.50 Common shares	34,105.55 Common shares
Grant date	2 August 2003	15 July 2003	29 June 2004
Terms and condition for vesting	Directors/ statutory auditors or employees or quasi director/ employees of the Company or subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors or employees of the Company or SBI Securities Co., Ltd. Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors, statutory auditors or employees of the Company or SBI Securities Co., Ltd. Those who are approved by board of directors (i.e. termination of employment or retirement)
Service period required for vesting	2 August 2003 ~ 1 August 2005	15 July 2003 ~ 30 June 2005	29 June 2004 ~ 29 June 2006
Exercise period	2 August 2005 ~ 1 August 2013	1 July 2005 ~ 26 June 2013	30 June 2006 ~ 29 June 2014

	The Company former WORLD NICHIEI FRONTIER Securities Co., Ltd. FY2004 Stock option	The Company former SBI Securities Co., Ltd. FY2005 Stock option	The Company (1) Stock option
Category and number of person granted	25 employees	6 directors 340 employees	2 directors and 31 employees for SBI SECURITIES Co., Ltd. 4 employees for the Company
Class and number of option shares (*Note)	143.75 Common shares	39,817.60 Common shares	52,046.55 Common shares
Grant date	22 December 2004	4 July 2005	1 August 2008 (Allocation with share exchange)
Terms and condition for vesting	Directors, statutory auditors or employees of the Company or SBI Securities Co., Ltd. Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors, statutory auditors or employees of the Company or SBI Securities Co., Ltd. Those who are approved by board of directors (i.e. termination of employment or retirement)	n/a
Service period required to be vested	22 December 2004 ~ 29 June 2006	4 July 2005 ~ 29 June 2007	n/a
Exercise period	30 June 2006 ~ 29 June 2014	30 June 2007 ~ 29 June 2015	1 August 2008 ~ 21 June 2010
	The Company (2) Stock option	The Company (3) Stock option	The Company (4) Stock option
Category and number of person granted	1 employee	1 director and 27 employees for SBI SECURITIES Co., Ltd. 2 employees for the Company	9 employees for SBI SECURITIES Co., Ltd. 2 employees for the Company
Class and number of option shares (*Note)	7,987.50 Common shares	13,568.10 Common shares	2,321.70 Common shares
Grant date	1 August 2008 (Allocation with share exchange)	1 August 2008 (Allocation with share exchange)	1 August 2008 (Allocation with share exchange)
Terms and condition for vesting	n/a	n/a	n/a
Service period required for vesting	n/a	n/a	n/a
Exercise period	1 August 2008 ~ 21 June 2010	1 August 2008 ~ 23 June 2013	1 August 2008 ~ 23 June 2013

	The Company former SOFTBANK INVESTMENT CORPORATION (9) Stock option	The Company former FINANCE ALL CORPORATION (1)~(6) Stock option	SBI Planners Co., Ltd. (5) Stock option
Category and number of person granted	21 employees	5 directors 4 employees 9 subsidiary directors 20 subsidiary employees	7 directors 81 employees 1 subsidiary director 1 subsidiary employee
Class and number of option shares (*Note)	1,220.50 Common shares	114,012 Common shares	4,000,000 Common shares
Grant date	4 September 2000	28 March 2002	30 March 2007
Terms and condition for vesting	Directors or employees of the Company Except resignees get positions of directors, statutory auditors or directors or employees of the subsidiaries) Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors or employees of the Company or subsidiaries Except the board approves such as transfer due to official orders or involuntary retirement	Directors employees, or quasi directors / employees of SBI Planners Co., Ltd. or its subsidiaries
Service period required for vesting	4 September 2000 ~ 30 September 2003	28 March 2002 ~ 31 March 2002	30 March 2007 ~ 1 April 2007
Exercise period	1 October 2003 ~ 30 September 2008	1 April 2002 ~ 28 March 2009	2 April 2007 ~ 31 March 2013
	SBI Mortgage Co., Ltd. (1) Stock option	former SBI E*TRADE SECURITIES Co., Ltd. (1) Stock option	former SBI E*TRADE SECURITIES Co., Ltd. (2) Stock option
Category and number of person granted	23 employees	7 directors 88 employees 6 employees for the Company	1 director
Class and number of option shares (*Note)	65 Common shares	116,190 Common shares	4,500 Common shares
Grant date	25 May 2005	8 July 2004	21 July 2004
Terms and condition for vesting	Stocks for the entity should be listing Directors employees, or quasi directors/employees of the Company or subsidiaries	n/a	n/a
Service period required for vesting	25 May 2005 ~ 25 May 2007	n/a	n/a
Exercise period	26 May 2007 ~ 25 May 2015	22 December 2004 ~ 21 June 2010	22 December 2004 ~ 21 June 2010

	Former SBI E*TRADE SECURITIES Co., Ltd. (4) Stock option	Former SBI E*TRADE SECURITIES Co., Ltd. (5) Stock Option	Living Corporation, Inc. (2) Stock Option
Category and number of person granted	40 employees	12 employees	1 director 18 employees
Class and number of option shares (*Note)	5,610 Common shares	750 Common shares	700 Common shares
Grant date	29 November 2005	30 December 2005	29 August 2005
Terms and condition for vesting	n/a	n/a	Continue to provide service from the grant date to the end of the vesting period
Service period required for vesting	n/a	n/a	29 August 2005 ~ 29 August 2007
Exercise period	1 January 2006 ~ 23 June 2013	1 January 2006 ~ 23 June 2013	30 August 2007 ~ 29 August 2015
	Living Corporation, Inc. (3) Stock Option	SBI Biotech Co., Ltd. (1) Stock Option	SBI Biotech Co., Ltd. (2) Stock Option
Category and number of person granted	4 directors and 47 employees for subsidiary 6 directors and 33 employees for the related companies	7 third-party collaborators	2 directors 5 employees
Class and number of option shares (*Note)	960 Common shares	630 Common shares	780 Common shares
Grant date	1 June 2008	15 October 2002	15 October 2002
Terms and condition for vesting	n/a	Holding a position for the collaborator when exercising the stock option Cases the board approves to exercise the stock option	Directors, statutory auditors or employees of SBI Biotech Co., Ltd of its subsidiaries when exercising the stock option Except the board approves to exercise the stock option Exercising of right should be after 6 months of IPO
Service period required for vesting	n/a	n/a	n/a
Exercise period	1 June 2008 ~ 31 March 2013	2 year and 6 months after 6 months after IPO	15 October 2004 ~ 31 August 2012

	SBI Biotech Co., Ltd. (4) Stock Option	SBI Biotech Co., Ltd. (5) Stock Option	SBI Futures Co., Ltd. (2) Stock option
Category and number of person granted	1 director	1 third-party collaborator	3 directors 11 employees
Class and number of option shares (*Note)	120 Common shares	90 Common shares	346 Common shares
Grant date	27 April 2005	28 September 2005	15 August 2001
Terms and condition for vesting	Directors, statutory auditors, employees, or third-party collaborator of SBI Biotech Co., Ltd or its subsidiaries when exercising the stock option Those who are approved by board of directors Exercising of right should be after IPO	Directors, statutory auditors, employees, or third-party collaborator of SBI Biotech Co., Ltd or its subsidiaries when exercising the stock option Those who are approved by board of directors Exercising of right should be after IPO	Directors, employees or quasi directors/employees of SBI Futures Co., Ltd or its subsidiaries when exercising the stock option after IPO in Japanese financial market Those who are approved by board of directors (i.e. termination of employment or retirement)
Service period required for vesting	n/a	n/a	n/a
Exercise period	31 March 2007 ~ 30 March 2015	29 September 2005 ~ 30 August 2015	1 September 2001 ~ 15 August 2008
	SBI Futures Co., Ltd. (3) Stock option	SBI Futures Co., Ltd. (4) Stock option	SBI Futures Co., Ltd. (1) Stock option
Category and number of person granted	3 directors 21 employees	3 directors 11 employees	7 directors 14 employees 2 auditors
Class and number of option shares (*Note)	471 Common shares	347 Common shares	702 Common shares
Grant date	15 August 2001	15 August 2001	9 August 2002
Terms and condition for vesting	Directors, employees or quasi directors/employees of SBI Futures Co., Ltd or its subsidiaries when exercising the stock option Those who are approved by board of directors (i.e. termination of employment or retirement) Exercising of right should be after IPO in Japanese financial market	Directors, employees or quasi directors/employees of SBI Futures Co., Ltd or its subsidiaries when exercising the stock option Those who are approved by board of directors (i.e. termination of employment or retirement) Exercising of right should be after IPO in Japanese financial market	Directors, employees or quasi directors/employees of SBI Futures Co., Ltd or its subsidiaries when exercising the stock option Those who are approved by board of directors (i.e. termination of employment or retirement)
Service period required for vesting	n/a	n/a	n/a
Exercise period	1 September 2001 ~ 15 August 2009	1 September 2001 ~ 15 August 2010	24 July 2004 ~ 23 July 2008

	SBI Futures Co., Ltd. (2) Stock option	SBI Futures Co., Ltd. (3) Stock option	SBI VeriTrans Co., Ltd. FY2001 Stock option
Category and number of person granted	9 employees	3 directors 49 employees	18 directors and employees
Class and number of option shares (*Note)	145 Common shares	1,158 Common shares	7,608 Common shares
Grant date	31 March 2003	6 July 2005	10 October 2001
Terms and condition for vesting	Directors, employees or quasi directors/employees of SBI Futures Co., Ltd or its subsidiaries when exercising the stock option Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors, employees or quasi directors/employees of SBI Futures Co., Ltd or its subsidiaries when exercising the stock option Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors, employees or quasi directors/employees of SBI VeriTrans Co., Ltd. when exercising the stock option Those who are approved by board of directors (i.e. termination of employment or retirement)
Service period required for vesting	n/a	n/a	10 October 2001 ~ 4 October 2004
Exercise period	1 April 2005 ~ 23 July 2008	17 June 2007 ~ 17 June 2011	5 October 2004 ~ 10 October 2008
	SBI VeriTrans Co., Ltd. FY2004 Stock option	Morningstar Japan K.K. FY2001 Stock option	Morningstar Japan K.K. FY2003(1) Stock option
Category and number of person granted	20 directors and employees	1 director 1 auditor for subsidiary (As at the end of the current year)	6 director 3 employees 2 directors and 1 auditor for subsidiaries 3 employees for subsidiaries 2 others (As at the end of the current year)
Class and number of option shares (*Note)	9,462 Common shares	256 Common shares (As at the end of the current year)	2,448 Common shares (As at the end of the current year)
Grant date	13 February 2004	18 May 2001	5 November 2003
Terms and condition for vesting	Directors, employees or quasi directors/employees of SBI VeriTrans Co., Ltd. when exercising the stock option Those who are approved by board of directors (i.e. termination of employment or retirement)	Loss of rights as a result of losing the position of director except for getting new positions such as directors/employees of subsidiaries. Case the transfer to other entities as directors or employees on command or case of involuntary retirement	Directors, auditors, or employees of Morningstar Japan K.K. or its subsidiaries when exercising the stock option Those who are approved by board of directors (i.e. termination of employment or retirement)
Service period required for vesting	13 February 2004 ~ 12 February 2006	n/a	n/a
Exercise period	13 February 2006 ~ 12 February 2014	16 March 2003 ~ 15 March 2011	20 March 2005 ~ 19 March 2013

	Morningstar Japan K.K. FY2006(2) Stock option	Gomez Consulting Co., Ltd. FY2003 Stock option	Gomez Consulting Co., Ltd. FY2005 Stock option
Category and number of person granted	1 director 2 employees (As at the end of the current year)	5 directors 5 employees	3 directors 5 employees
Class and number of option shares (*Note)	250 Common shares (As at the end of the year 2009)	800 Common shares (After stock splits as at 1 May 2007)	440 Common shares (After stock splits as at 1 May 2007)
Grant date	21 April 2006	15 March 2003	15 June 2005
Terms and condition for vesting	Directors, statutory auditors, or employees of Morningstar Japan K.K. or its subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors, employees or quasi directors/employees of Gomez Consulting Co., Ltd or its subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors, employees or quasi directors/employees of Gomez Consulting Co., Ltd or its subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)
Service period required for vesting	n/a	n/a	n/a
Exercise period	24 March 2008 ~ 23 March 2016	15 March 2005 ~ 14 March 2013	3 June 2007 ~ 2 June 2015
	HOMEOSTYLE Inc. (1) Stock Option	HOMEOSTYLE Inc. (2) Stock Option	HOMEOSTYLE Inc. former TK International Co., Ltd. Stock Option
Category and number of person granted	8 directors 341 employees	4 directors 105 employees	2 directors 1 subsidiary employee
Class and number of option shares (*Note)	5,672 Common shares	1,004 Common shares	4,081 Common shares
Grant date	5 April 2002	24 August 2004	2 July 2004
Terms and condition for vesting	Holding positions of employees of HOMEOSTYLE Inc. Exercising the right should be after 1 year of IPO	Holding positions of employees of HOMEOSTYLE Inc. Exercising the right should be after 1 year of IPO	Holding positions of employees of HOMEOSTYLE Inc. Exercising the right should be after IPO
Service period required for vesting	n/a	n/a	n/a
Exercise period	1 June 2002 ~ 12 March 2012	1 June 2002 ~ 12 March 2012	6 July 2006 ~ 30 June 2014

	HOMEOSTYLE Inc. (3) Stock Option	HOMEOSTYLE Inc. (4) Stock Option	Autoc one K.K. (former Autobytel Japan Co., Ltd.) (1) Stock option
Category and number of person granted	25 employees	6 directors 246 employees	4 directors 2 subsidiary directors 16 employees 22 third-party collaborators
Class and number of option shares (*Note)	490 Common shares	9,057 Common shares	15,365 Common shares
Grant date	28 February 2005	31 March 2006	27 December 2002
Terms and condition for vesting	Holding positions of employees of HOMEOSTYLE Inc. Exercising the right should be after 1 year of IPO	Holding positions of employees of HOMEOSTYLE Inc. Exercising the right should be after 1 year of IPO	Directors or employees of Autoc one K.K., its subsidiaries or third-party collaborator when exercising the right Disallowing the exercise of right till the day before IPO
Service period required for vesting	n/a	n/a	n/a
Exercise period	1 March 2007 ~ 24 February 2015	1 April 2008 ~ 25 March 2016	1 November 2004 ~ 30 September 2012
	Autoc one K.K. (former Autobytel Japan Co., Ltd.) (2) Stock option	Autoc one K.K. (former Autobytel Japan Co., Ltd.) (3) Stock option	Autoc one K.K. (former Autobytel Japan Co., Ltd.) (4) Stock option
Category and number of person granted	1 director 7 employees	5 directors 6 employees 6 third-party collaborator	2 third-party collaborators
Class and number of option shares (*Note)	875 Common shares	2,050 Common shares	200 Common shares
Grant date	20 October 2003	29 October 2004	25 February 2005
Terms and condition for vesting	Directors or employees of Autoc one K.K., its subsidiaries or third-party collaborator when exercising the right Disallowing exercise of right till the day before IPO	Directors or employees of Autoc one K.K., its subsidiaries or third-party collaborator when exercising the right Disallowing exercise of right till the day before IPO	Directors or employees of Autoc one K.K., its subsidiaries or third-party collaborator when exercising the right Disallowing exercise of right till the day before IPO
Service period required for vesting	n/a	n/a	n/a
Exercise period	1 November 2005 ~ 30 September 2012	1 August 2006 ~ 31 May 2014	1 August 2006 ~ 31 May 2014

	Autoc one K.K. (former Autobytel Japan Co., Ltd.) (5) Stock option	Autoc one K.K. (former Autobytel Japan Co., Ltd.) (6) Stock option	Autoc one K.K. (former Autobytel Japan Co., Ltd.) (7) Stock option
Category and number of person granted	1 third-party collaborator	9 employees	4 directors 2 subsidiary directors 17 employees 3 third-party collaborators
Class and number of objective stocks (*Note)	100 Common shares	250 Common shares	2,000 Common shares
Grant date	20 April 2005	20 April 2005	20 April 2006
Terms and condition for vesting	Directors or employees of Autoc one K.K., its subsidiaries or third-party collaborator when exercising the right Disallowing exercise of right till the day before IPO	Directors or employees of Autoc one K.K., its subsidiaries or third-party collaborator when exercising the right Disallowing exercise of right till the day before IPO	Directors or employees of Autoc one K.K., its subsidiaries or third-party collaborator when exercising the right Disallowing exercise of right till the day before IPO
Service period required for vesting	n/a	n/a	n/a
Exercise period	1 August 2006 ~ 31 May 2014	1 August 2006 ~ 31 May 2014	28 June 2007 ~ 27 June 2015
	Autoc one K.K. (former Autobytel Japan Co., Ltd.) (8) Stock option	SBI Net Systems Co., Ltd. (former C4 Technology, Inc.) FY2002 Stock option	TradeWin Co., Ltd. (2) Stock option
Category and number of person granted	11 employees	7 directors 1 auditors 14 employees	1 director 3 employees 1 advisor
Class and number of objective stocks (*Note)	240 Common shares	1,195 Common shares	1,000 Common shares
Grant date	28 March 2008	27 June 2002	20 October 2000
Terms and condition for vesting	Directors or employees of Autoc one K.K., its subsidiaries or third-party collaborator when exercising the right Disallowing exercise of right till the day before IPO	Continuing to provide service from the grant date to the end of the vesting period (28 June 2004)	n/a
Service period required for vesting	n/a	2 years (27 June 2002 ~ 27 June 2004)	n/a
Exercise period	29 June 2009 ~ 28 June 2017	28 June 2004 ~ 27 June 2012	1 January 2001 ~ 16 April 2012

	TradeWin Co., Ltd. (3) Stock option
Category and number of person granted	4 directors 4 employees
Class and number of option shares (*Note)	320 Common Stocks
Grant date	17 April 2002
Terms and condition for vesting	n/a
Service period required for vesting	n/a
Exercise period	18 April 2002 ~ 16 April 2012

Note: Conversion into the number of stocks.

3. Size and change of stock option

The following table represents the summary of the outstanding stock options as at 31 March 2009. The numbers stated below are numbers of shares would be converted when the options are exercised.

(a) Number of stock option

	The Company FY2001 Stock option	The Company FY2002(1) Stock option	The Company FY2003(1) Stock option	The Company FY2003(2) Stock option	The Company FY2003(3) Stock option
Number of non-vested stock option					
Beginning balance of period	—	—	—	—	—
Granted	—	—	—	—	—
Forfeited	—	—	—	—	—
Vested	—	—	—	—	—
Non-vested balance	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Number of vested stock option					
Beginning balance of period	11,394	15,030	19,368	61,380	17,334
Vested	—	—	—	—	—
Exercised	—	1,998	—	2,205	—
Forfeited	—	—	—	2,169	1,521
Unexercised balance	<u>11,394</u>	<u>13,032</u>	<u>19,368</u>	<u>57,006</u>	<u>15,813</u>

	The Company FY 2005(1) Stock option	The Company former E*TRADE Japan K.K. Stock option	The Company Former SBI HOME Planner Co., LTD. FY2003 Stock option	The Company Former SBI HOME Planner Co., LTD. FY2004 Stock option	The Company Former SBI HOME Planner Co., LTD. FY2004 Stock option
Number of non-vested stock option					
Beginning balance of period.....	—	—	—	—	—
Granted	—	—	—	—	—
Forfeited	—	—	—	—	—
Vested	—	—	—	—	—
Non-vested balance.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Number of vested stock option					
Beginning balance of period.....	26,199	63,968.94	474	696	60
Vested	—	—	—	—	—
Exercised.....	—	2,313.36	—	—	—
Forfeited	<u>1,354</u>	<u>2,143.26</u>	—	—	—
Unexercised balance.....	<u>24,845</u>	<u>59,512.32</u>	<u>474</u>	<u>696</u>	<u>60</u>
	The Company	The Company	The Company	The Company	The Company
	former SBI Partners Co., Inc. FY 2005 Stock option	former FINANCE ALL CORPORATION FY 2002 Stock option	former FINANCE ALL CORPORATION FY 2003 Stock option	former WORLD NICHIEI Securities Co., LTD. FY2003 Stock option	former WORLD NICHIEI FRONTIER Securities Co., LTD. FY2004 Stock option
Number of non-vested stock option					
Beginning balance of period.....	—	—	—	—	—
Granted	—	—	—	—	—
Forfeited	—	—	—	—	—
Vested	—	—	—	—	—
Non-vested balance.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Number of vested stock option					
Beginning balance of period.....	550	4,640	12,080	345.00	21,396.90
Vested	—	—	—	—	—
Exercised.....	—	800	3,000	—	129.95
Forfeited	—	—	—	<u>172.50</u>	<u>1,338.60</u>
Unexercised balance.....	<u>550</u>	<u>3,840</u>	<u>9,080</u>	<u>172.50</u>	<u>19,928.35</u>

	The Company former WORLD NICHIEI FRONTIER Securities Co., LTD. FY2004	The Company former SBI Securities Co., Ltd. FY2005	The Company (1) Stock option(*1)	The Company (2) Stock option(*1)	The Company (3) Stock option(*1)
	Stock option	Stock option	Stock option(*1)	Stock option(*1)	Stock option(*1)
Number of non-vested stock option					
Beginning balance of period	—	—	—	—	—
Granted	—	—	52,046.55	7,987.50	13,568.10
Forfeited	—	—	—	—	—
Vested	—	—	<u>52,046.55</u>	<u>7,987.50</u>	<u>13,568.10</u>
Non-vested balance	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Number of vested stock option					
Beginning balance of period	40.25	23,263.35	—	—	—
Vested	—	—	52,046.55	7,987.50	13,568.10
Exercised	—	178.25	—	—	—
Forfeited	—	<u>3,052.10</u>	<u>958.50</u>	—	<u>426.00</u>
Unexercised balance	<u>40.25</u>	<u>20,033.00</u>	<u>51,088.05</u>	<u>7,987.50</u>	<u>13,142.10</u>

* 1 Stock options are in exchange for the stock option of SBI SECURITIES Co., Ltd.

	The Company	The Company former SOFTBANK INVESTMENT CORPORATION	The Company former FINANCE ALL CORPORATION	SBI Planners Co., Ltd.	SBI Mortgage Co., Ltd
	(4)	(9)	(1)-(6)	(5)	(1)
	Stock option(*1)	Stock option	Stock option	Stock option	Stock option(*2)
Number of non-vested stock option					
Beginning balance of period	—	—	—	4,000,000	4,700
Granted	2,321.70	—	—	—	—
Forfeited	—	—	—	4,000,000	—
Vested	<u>2,321.70</u>	—	—	—	—
Non-vested balance	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,700</u>
Number of vested stock option					
Beginning balance of period	—	581.10	5,783	—	—
Vested	2,321.70	—	—	—	—
Exercised	—	—	3,925	—	—
Forfeited	—	<u>581.10</u>	<u>1,858</u>	—	—
Unexercised balance	<u>2,321.70</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

*1. Stock options are in exchange for the stock option of SBI SECURITIES Co., Ltd..

*2. Number of stock option represents the balance after the stock split on 27 August 2008.

	Former SBI E*TRADE SECURITIES Co., Ltd. (1) Stock option	Former SBI E*TRADE SECURITIES Co., Ltd. (2) Stock option	Former SBI E*TRADE SECURITIES Co., Ltd. (4) Stock option	Former SBI E*TRADE SECURITIES Co., Ltd. (5) Stock option	LIVING Corporation, Inc. (2) Stock option
Number of non-vested stock option					
Beginning balance of period.....	—	—	—	—	—
Granted	—	—	—	—	—
Forfeited	—	—	—	—	—
Vested	—	—	—	—	—
Non-vested balance.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Number of vested stock option					
Beginning balance of period.....	15,426	2,250	3,897	654	34
Vested	—	—	—	—	—
Exercised.....	765	—	—	—	—
Forfeited	<u>14,661</u>	<u>2,250</u>	<u>3,897</u>	<u>654</u>	<u>15</u>
Unexercised balance.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>19</u>
	LIVING Corporation, Inc. (3) Stock option	SBI Biotech Co., Ltd. (1) Stock option	SBI Biotech Co., Ltd. (2) Stock option	SBI Biotech Co., Ltd. (4) Stock option	SBI Biotech Co., Ltd. (5) Stock option
Number of non-vested stock option					
Beginning balance of period.....	—	630	536	120	90
Granted	960	—	—	—	—
Forfeited	—	10	—	120	—
Vested	<u>960</u>	—	—	—	—
Non-vested balance.....	<u>—</u>	<u>620</u>	<u>536</u>	<u>—</u>	<u>90</u>
Number of vested stock option					
Beginning balance of period.....	—	—	—	—	—
Vested	960	—	—	—	—
Exercised.....	—	—	—	—	—
Forfeited	—	—	—	—	—
Unexercised balance.....	<u>960</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

	SBI Futures Co., Ltd. (2) Stock option	SBI Futures Co., Ltd. (3) Stock option	SBI Futures Co., Ltd. (4) Stock option	SBI Futures Co., Ltd. (1) Stock option	SBI Futures Co., Ltd. (2) Stock option
Number of non-vested stock option					
Beginning balance of period.....	—	—	—	—	—
Granted.....	—	—	—	—	—
Forfeited.....	—	—	—	—	—
Vested.....	—	—	—	—	—
Non-vested balance.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Number of vested stock option					
Beginning balance of period.....	78	316	115	261	40
Vested.....	—	—	—	—	—
Exercised.....	—	—	—	—	—
Forfeited.....	<u>78</u>	<u>27</u>	<u>50</u>	<u>261</u>	<u>40</u>
Unexercised balance.....	<u>—</u>	<u>289</u>	<u>65</u>	<u>—</u>	<u>—</u>
	SBI Futures Co., Ltd. (3) Stock option	SBI VeriTrans Co., Ltd. FY2001 Stock option	SBI VeriTrans Co., Ltd. FY2004 Stock option	Morningstar Japan K.K. FY2001 Stock option	Morningstar Japan K.K. FY2003(1) Stock option
Number of non-vested stock option					
Beginning balance of period.....	473	—	2,064	—	—
Granted.....	—	—	—	—	—
Forfeited.....	86	—	—	—	—
Vested.....	<u>204</u>	<u>—</u>	<u>2,064</u>	<u>—</u>	<u>—</u>
Non-vested balance.....	<u>183</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Number of vested stock option					
Beginning balance of period.....	491	1,643	2,088	256	2,588
Vested.....	204	—	2,064	—	—
Exercised.....	—	1,643	2,520	—	—
Forfeited.....	<u>99</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>140</u>
Unexercised balance.....	<u>596</u>	<u>—</u>	<u>1,632</u>	<u>256</u>	<u>2,448</u>

APPENDIX I

ACCOUNTANTS' REPORT

	Morningstar Japan K.K. FY2006(2) Stock option	Gomez Consulting Co., Ltd. FY2003 Stock option	Gomez Consulting Co., Ltd. FY2005 Stock option	HOMEOSTYLE Inc. (1) Stock option	HOMEOSTYLE Inc. (2) Stock option
Number of non-vested stock option					
Beginning balance of period.....	—	—	—	5,014	996
Granted	—	—	—	—	—
Forfeited	—	—	—	24	17
Vested	—	—	—	—	—
Non-vested balance.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,990</u>	<u>979</u>
Number of vested stock option					
Beginning balance of period.....	250	500	374	—	—
Vested	—	—	—	—	—
Exercised.....	—	—	—	—	—
Forfeited	—	90	80	—	—
Unexercised balance.....	<u>250</u>	<u>410</u>	<u>294</u>	<u>—</u>	<u>—</u>
	HOMEOSTYLE Inc. former TK International Co., Ltd. Stock option	HOMEOSTYLE Inc. (3) Stock option	HOMEOSTYLE Inc. (4) Stock option	Autoc one K.K. former Autobytel Japan Co., Ltd. (1) Stock option	Autoc one K.K. former Autobytel Japan Co., Ltd. (2) Stock option
Number of non-vested stock option					
Beginning balance of period.....	4,081	434	8,650	6,300	450
Granted	—	—	—	—	—
Forfeited	—	8	227	—	400
Vested	—	—	—	—	—
Non-vested balance.....	<u>4,081</u>	<u>426</u>	<u>8,423</u>	<u>6,300</u>	<u>50</u>
Number of vested stock option					
Beginning balance of period.....	—	—	—	—	—
Vested	—	—	—	—	—
Exercised.....	—	—	—	—	—
Forfeited	—	—	—	—	—
Unexercised balance.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

	Autoc one K.K.(former Autobytel Japan Co., Ltd.) (3) <u>Stock option</u>	Autoc one K.K.(former Autobytel Japan co., Ltd.) (4) <u>Stock option</u>	Autoc one K.K.(former Autobytel Japan Co., Ltd.) (5) <u>Stock option</u>	Autoc one K.K.(former Autobytel Japan Co., Ltd.) (6) <u>Stock option</u>	Autoc one K.K.(former Autobytel Japan Co., Ltd.) (7) <u>Stock option</u>
Number of non-vested stock option					
Beginning balance of period.....	1,800	200	100	160	1,660
Granted.....	—	—	—	—	—
Forfeited.....	300	—	—	60	330
Vested.....	—	—	—	—	—
Non-vested balance.....	<u>1,500</u>	<u>200</u>	<u>100</u>	<u>100</u>	<u>1,330</u>
Number of vested stock option					
Beginning balance of period.....	—	—	—	—	—
Vested.....	—	—	—	—	—
Exercised.....	—	—	—	—	—
Forfeited.....	—	—	—	—	—
Unexercised balance.....	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
		Autoc one K.K.(former Autobytel Japan Co., Ltd.) (8) <u>Stock option</u>	SBI Net Systems Co., Ltd. (former C4 Technology Co., Ltd.) FY2002 <u>Stock option</u>	TradeWin Co., Ltd. (2) <u>Stock option</u>	TradeWin Co., Ltd. (3) <u>Stock option</u>
Number of non-vested stock option					
Beginning balance of period.....		240	—	1,000	320
Granted.....		—	—	—	—
Forfeited.....		60	—	—	—
Vested.....		—	—	—	—
Non-vested balance.....		<u>180</u>	<u>—</u>	<u>1,000</u>	<u>320</u>
Number of vested stock option					
Beginning balance of period.....		—	520	—	—
Vested.....		—	—	—	—
Exercised.....		—	—	—	—
Forfeited.....		—	65	—	—
Unexercised balance.....		<u>—</u>	<u>455</u>	<u>—</u>	<u>—</u>

(b) Unit price information

	<u>The Company FY2001 Stock option</u>	<u>The Company FY2002(1) Stock option</u>	<u>The Company FY2003(1) Stock option</u>	<u>The Company FY2003(2) Stock option</u>	<u>The Company FY2003(3) Stock option</u>
Exercise price (Yen)	20,796	5,984	17,879	17,879	27,655
Average price of stocks upon exercise (Yen)	—	12,475	—	29,255	—
Fair value of option at grant date per option (Yen)	—	—	—	—	—
	<u>The Company FY 2005(1) Stock option</u>	<u>The Company former E*TRADE Japan K.K. Stock option</u>	<u>The Company former SBI HOME Planner Co., LTD. FY2003 Stock option</u>	<u>The Company former SBI HOME Planner Co., LTD. FY2004 Stock option</u>	<u>The Company former SBI HOME Planner Co., LTD. FY2004 Stock option</u>
Exercise price (Yen)	35,078	12,079	23,200	25,600	25,600
Average price of stocks upon exercise (Yen)	—	25,844	—	—	—
Fair value of option at grant date per option (Yen)	—	—	—	—	—
	<u>The Company former SBI Partners Co., Inc. FY 2005 Stock option</u>	<u>The Company former FINANCE ALL CORPORATION FY 2002 Stock option</u>	<u>The Company former FINANCE ALL CORPORATION FY 2003 Stock option</u>	<u>The Company former WORLD NICHIEI Securities Co., LTD. FY2003 Stock option</u>	<u>The Company former WORLD NICHIEI FRONTIER Securities Co., LTD. FY2004 Stock option</u>
Exercise price (Yen)	37,060	4,465	4,465	17,392	50,174
Average price of stocks upon exercise (Yen)	—	16,406	17,455	—	9,040
Fair value of option at grant date per option (Yen)	—	—	—	—	—

	The Company former WORLD NICHIEI FRONTIER Securities Co., LTD. FY2004 Stock option	The Company former SBI Securities Co., Ltd. FY2005 Stock option	The Company (1) Stock option	The Company (2) Stock option	The Company (3) Stock option
Exercise price (Yen) .	31,914	46,957	12,477	12,477	48,287
Average price of stocks upon exercise (Yen)	—	9,040	—	—	—
Fair value of option at grant date per option (Yen)	—	—	—	—	—
	The Company (4) Stock option	The Company former SOFTBANK INVESTMENT CORPORATION (9) Stock option	The Company former FINANCE ALL CORPORATION (1)-(6) Stock option	SBI Planners Co., Ltd. (5) Stock option	SBI Mortgage Co., Ltd. (1) Stock option
Exercise price (Yen) .	56,518	25,464.90	4,464	65	7,500
Average price of stocks upon exercise (Yen)	—	—	11,533	—	—
Fair value of option at grant date per option (Yen)	—	—	—	—	—
	Former SBI E*TRADE SECURITIES Co., Ltd. (1) Stock option	Former SBI E*TRADE SECURITIES Co., Ltd. (2) Stock option	Former SBI E*TRADE SECURITIES Co., Ltd. (4) Stock option	Former SBI E*TRADE SECURITIES Co., Ltd. (5) Stock option	LIVING Corporation, Inc. (2) Stock option
Exercise price (Yen) .	44,290	44,290	171,417	200,638	100,000
Average price of stocks upon exercise (Yen)	100,729	—	—	—	—
Fair value of option at grant date per option (Yen)	—	—	—	—	—

	LIVING Corporation, Inc. (3) Stock option	SBI Biotech Co., Ltd. (1) Stock option	SBI Biotech Co., Ltd. (2) Stock option	SBI Biotech Co., Ltd. (4) Stock option	SBI Biotech Co., Ltd. (5) Stock option
Exercise price (Yen) .	270,834	5,000	5,000	175,000	175,000
Average price of stocks upon exercise (Yen)	—	—	—	—	—
Fair value of option at grant date per option (Yen)	2,082	—	—	—	—
	SBI Futures Co., Ltd. (2) Stock option	SBI Futures Co., Ltd. (3) Stock option	SBI Futures Co., Ltd. (4) Stock option	SBI Futures Co., Ltd. (1) Stock option	SBI Futures Co., Ltd. (2) Stock option
Exercise price (Yen) .	64,516	64,516	64,516	67,952	69,641
Average price of stocks upon exercise (Yen)	—	—	—	—	—
Fair value of option at grant date per option (Yen)	—	—	—	—	—
	SBI Futures Co., Ltd. (3) Stock option	SBI VeriTrans Co., Ltd. FY2001 Stock option	SBI VeriTrans Co., Ltd. FY2004 Stock option	Morningstar Japan K.K. FY2001 Stock option	Morningstar Japan K.K. FY2003(1) Stock option
Exercise price (Yen) .	98,598	5,580.1	5,741	320,375	57,500
Average price of stocks upon exercise (Yen)	—	39,112	38,049	—	—
Fair value of option at grant date per option (Yen)	—	—	—	—	—
	Morningstar Japan K.K. FY2006(2) Stock option	Gomez Consulting Co., Ltd. FY2003 Stock option	Gomez Consulting Co., Ltd. FY2005 Stock option	HOMEOSTYLE, Inc (1) Stock option	HOMEOSTYLE, Inc (2) Stock option
Exercise price (Yen) .	133,500	44,250	100,000	9,636	9,636
Average price of stocks upon exercise (Yen)	—	—	—	—	—
Fair value of option at grant date per option (Yen)	—	—	—	—	—

	HOMEOSTYLE Inc. former TK International Co., Ltd. Stock option	HOMEOSTYLE Inc. (3) Stock option	HOMEOSTYLE Inc. (4) Stock option	Autoc one K.K. (former Autobytel Japan Co., Ltd.) (1) Stock option	Autoc one K.K. (former Autobytel Japan Co., Ltd.) (2) Stock option
Exercise price (Yen)	11,903	16,000	19,000	10,000	10,000
Average price of stocks upon exercise (Yen)	—	—	—	—	—
Fair value of option at grant date per option (Yen)	—	—	—	—	—
	Autoc one K.K. (former Autobytel Japan Co., Ltd.) (3) Stock option	Autoc one K.K. (former Autobytel Japan Co., Ltd.) (4) Stock option	Autoc one K.K. (former Autobytel Japan Co., Ltd.) (5) Stock option	Autoc one K.K. (former Autobytel Japan Co., Ltd.) (6) Stock option	Autoc one K.K. (former Autobytel Japan Co., Ltd.) (7) Stock option
Exercise price (Yen)	50,000	50,000	50,000	50,000	50,000
Average price of stocks upon exercise (Yen)	—	—	—	—	—
Fair value of option at grant date per option (Yen)	—	—	—	—	—
		Autoc one K.K. (former Autobytel Japan Co., Ltd.) (8) Stock option	SBI Net Systems Co., Ltd. (former C4 Technology Co., Ltd.) FY2002 Stock option	TradeWin Co., Ltd. (2) Stock option	Trade Win Co., Ltd. (3) Stock option
Exercise price (Yen)		60,000	60,000	50,000	460,000
Average price of stocks upon exercise (Yen)		—	—	—	—
Fair value of option at grant date per option (Yen)		—	—	—	—

4. Valuation method for stock option

Method and factors used to estimate the fair value of “stock option (3)” granted by LIVING Corporation, Inc. (a subsidiary of the Company) during the year are as follows:

- (a) Valuation method used: Black-Scholes Model
- (b) Factors and basis of estimation:

	LIVING Corporation, Inc. Stock option (3)
Price Volatility (*1)	59%
Estimated remaining exercisable period (*2)	2 years
Estimated dividend (*3)	—
Risk free rate (*4)	0.95%

Notes:

- *1. Based on the actual stock prices for 2 years (from June 2006 to May 2008).
- *2. It is difficult to estimate a reasonable period due to insufficient information. Accordingly, it is assumed that the right would be exercised in the middle of the vesting period.
- *3. No dividend during for the year ending in December 2007.
- *4. Based on the yield rate of a government bond with estimated remaining exercisable period.

5. Estimating the number of stock option that will vest

It reflects the actual forfeited options because it is difficult to make an estimate of the future forfeited options.

FOR THE YEAR ENDED 31 MARCH 2010

1. Outline of stock option

	The Company FY 2001 Stock option	The Company FY 2002 (1) Stock option	The Company FY 2003 (1) Stock option
Category and number of person granted	118 employees	9 directors 109 employee	2 directors 4 employees 3 subsidiary directors
Class and number of option shares (*Note)	24,120 Common shares	200,025 Common shares	69,975 Common shares
Grant date	1 February 2002	20 December 2002	25 September 2003
Terms and condition for vesting	Directors or employees of the Company	Directors or employees of the Company and subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors or employees of the Company and subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)
Service period required for vesting	1 February 2002 ~ 19 December 2003	20 December 2002 ~ 19 December 2004	25 September 2003 ~ 19 December 2004
Exercise period	20 December 2003 ~ 19 December 2011	20 December 2004 ~ 19 December 2012	20 December 2004 ~ 19 December 2012

	The Company FY 2003 (2) Stock option	The Company FY 2003 (3) Stock option	The Company FY 2005 (1) Stock option
Category and number of person granted	2 directors 110 employees 6 subsidiary directors 86 subsidiary employees	17 Subsidiary directors	7 directors 89 employees 14 subsidiary directors 36 subsidiary employees
Class and number of option shares (*Note)	312,750 Common shares	61,650 Common shares	40,000 Common shares
Grant date	25 September 2003	23 October 2003	28 July 2005
Terms and condition for vesting	Directors or employees of the Company and subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors or employees of the Company and subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors or employees of the Company or subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)
Service period required for vesting	25 September 2003 ~ 23 June 2005	23 October 2003 ~ 23 June 2005	n/a
Exercise period	24 June 2005 ~ 23 June 2013	24 June 2005 ~ 23 June 2013	28 July 2005 ~ 29 June 2013

	The Company former E*TRADE Co., Ltd. Stock option	The Company former SBI HOME Planner Co., LTD. FY2003 Stock option	The Company former SBI HOME Planner Co., LTD. FY2004 Stock option
Category and number of person granted	3 directors 20 employees 11 subsidiary directors 64 subsidiary employees	76 employees 1 subsidiary employees	61 employees 2 subsidiary employees
Class and number of option shares (*Note)	172,481.40 Common shares	1,130 Common shares	950 Common shares
Grant date	1 July 2002	15 April 2004	29 September 2004
Terms and condition for vesting	Directors, statutory auditors or employees of the Company or subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors, statutory auditors or employees of the Company or subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors, statutory auditors or employees of the Company or subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)
Service period required for vesting	1 July 2002 ~ 20 June 2004	15 April 2004 ~ 27 June 2005	29 September 2004 ~ 1 October 2006
Exercise period	21 June 2004 ~ 20 June 2012	28 June 2005 ~ 27 June 2013	2 October 2006 ~ 30 September 2010

	The Company former SBI HOME Planner Co., LTD FY2004 Stock option	The Company former SBI Partners Co., Inc. FY2005 Stock option	The Company former FINANCE ALL CORPORATION FY2002 Stock option
Category and number of person granted	2 employees	5 directors 23 employees	4 directors 6 employees 5 subsidiary directors 31 subsidiary employees
Class and number of option shares (*Note)	60 Common shares	2,320 Common shares	44,880 Common shares
Grant date	29 October 2004	29 November 2005	25 September 2002
Terms and condition for vesting	Directors, statutory auditors or employees of the Company or subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors/ employees or quasi director/ employees of the Company or subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors/ employees or quasi director/ employees of the Company or subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)
Service period required for vesting	29 October 2004 ~ 1 October 2006	29 November 2005 ~ 30 November 2005	25 September 2002 ~ 24 September 2004
Exercise period	2 October 2006 ~ 30 September 2010	1 December 2005 ~ 31 October 2013	25 September 2004 ~ 24 September 2012
	The Company former FINANCE ALL CORPORATION FY2003 Stock option	The Company former WORLD NICHIEI Securities Co., Ltd. FY2003 Stock option	The Company former WORLD NICHIEI FRONTIER Securities Co., Ltd. FY2004 Stock option
Category and number of person granted	4 directors 24 employees 4 subsidiary directors 18 subsidiary employees	5 directors 6 employees	7 directors 350 employees
Class and number of option shares (*Note)	55,040 Common shares	4,933.50 Common shares	34,105.55 Common shares
Grant date	2 August 2003	15 July 2003	29 June 2004
Terms and condition for vesting	Directors/ employees or quasi director/ employees of the Company or subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors or employees of the Company or SBI Securities Co., Ltd. Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors, auditors or employees of the Company or SBI Securities Co., Ltd. Those who are approved by board of directors (i.e. termination of employment or retirement)
Service period required for vesting	2 August 2003 ~ 1 August 2005	15 July 2003 ~ 30 June 2005	29 June 2004 ~ 29 June 2006
Exercise period	2 August 2005 ~ 1 August 2013	1 July 2005 ~ 26 June 2013	30 June 2006 ~ 29 June 2014

	The Company former WORLD NICHIEI FRONTIER Securities Co., Ltd. FY2004 Stock option	The Company former SBI SECURITIES Co., Ltd. FY2005 Stock option	The Company (1) Stock option
Category and number of person granted	25 employees	6 directors 340 employees	2 directors and 31 employees for SBI SECURITIES Co., Ltd 4 employees for the Company
Class and number of option shares (*Note)	143.75 Common shares	39,817.60 Common shares	52,046.55 Common shares
Grant date	22 December 2004	4 July 2005	1 August 2008 (Allocation with share exchange)
Terms and condition for vesting	Directors, statutory auditors or employees of the Company or SBI Securities Co., Ltd. Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors, statutory auditors or employees of the Company or SBI Securities Co., Ltd. Those who are approved by board of directors (i.e. termination of employment or retirement)	n/a
Service period required to be vested	22 December 2004 ~ 29 June 2006	4 July 2005 ~ 29 June 2007	n/a
Exercise period	30 June 2006 ~ 29 June 2014	30 June 2007 ~ 29 June 2015	1 August 2008 ~ 21 June 2010
	The Company (2) Stock option	The Company (3) Stock option	The Company (4) Stock option
Category and number of person granted	1 employee	1 director and 27 employees for SBI SECURITIES Co., Ltd. 2 employees for the parent	9 employees for SBI SECURITIES Co., Ltd. 2 employees for the parent
Class and number of option shares (*Note)	7,987.50 Common shares	13,568.10 Common shares	2,321.70 Common shares
Grant date	1 August 2008 (Allocation with share exchange)	1 August 2008 (Allocation with share exchange)	1 August 2008 (Allocation with share exchange)
Terms and condition for vesting	n/a	n/a	n/a
Service period required for vesting	n/a	n/a	n/a
Exercise period	1 August 2008 ~ 21 June 2010	1 August 2008 ~ 23 June 2013	1 August 2008 ~ 23 June 2013

	SBI Life Living Co., Ltd. (former Living Corporation, Inc.)		
	SBI Mortgage Co., Ltd. (1) Stock option	(2) Stock Option	
Category and number of person granted	23 employees	1 director 18 employees	
Class and number of option shares (*Note)	6,500 Common shares (After stock split on 27 August 2008)	700 Common shares	
Grant date	25 May 2005	29 August 2005	
Terms and condition for vesting	Common shares for the entity should be listing Directors employees, or quasi directors/employees of the SBI Mortgage Co., Ltd. or its subsidiaries	Continuous service from grant date to the end of vesting period	
Service period required for vesting	25 May 2005 ~ 25 May 2007	29 August 2005 ~ 29 August 2007	
Exercise period	26 May 2007 ~ 25 May 2015	30 August 2007 ~ 29 August 2015	
	SBI Life Living Co., Ltd. (former Living Corporation, Inc.) (3) Stock Option	SBI Biotech Co., Ltd. (1) Stock Option	SBI Biotech Co., Ltd. (2) Stock Option
Category and number of person granted	4 directors and 47 employees for subsidiary 6 directors and 33 employees for the related companies	7 third-party collaborators	2 directors 5 employees
Class and number of option shares (*Note)	960 Common shares	630 Common shares	780 Common shares
Grant date	1 June 2008	15 October 2002	15 October 2002
Terms and condition for vesting	n/a	Holding positions for the collaborator when exercising the stock option Those who are approved by board of directors	Directors, statutory auditors or employees of the SBI Biotech Co., Ltd. or its subsidiaries when exercising the stock option Those who are approved by board of directors Exercising of right should be after 6 months of IPO
Service period required for vesting	n/a	n/a	n/a
Exercise period	1 June 2008 ~ 31 March 2013	6 months to 2 year and 6 months after IPO	15 October 2004 ~ 31 August 2012

	SBI Biotech Co., Ltd. (5) Stock Option	
Category and number of person granted	1 third-party collaborator	
Class and number of option shares (*Note)	90 Common shares	
Grant date	28 September 2005	
Terms and condition for vesting	Directors, statutory auditors, employees, or third-party collaborator of SBI Biotech Co., Ltd. or its subsidiaries when exercising the stock option Those who are approved by board of directors Exercising of right should be after IPO	
Service period required for vesting	n/a	
Exercise period	29 September 2005 ~ 30 August 2015	
	SBI Futures Co., Ltd. (3) Stock option	SBI Futures Co., Ltd. (4) Stock option
Category and number of person granted	3 directors 21 employees	3 directors 11 employees
Class and number of option shares (*Note)	471 Common shares	347 Common shares
Grant date	15 August 2001	15 August 2001
Terms and condition for vesting	Directors, employees or quasi directors/employees of SBI Futures Co., Ltd or its subsidiaries when exercising the stock option Those who are approved by board of directors (i.e. termination of employment or retirement) Exercising of right should be after IPO in Japanese financial market	Directors, employees or quasi directors/employees of SBI Futures Co., Ltd or its subsidiaries when exercising the stock option Those who are approved by board of directors (i.e. termination of employment or retirement) Exercising of right should be after IPO in Japanese financial market
Service period required for vesting	n/a	n/a
Exercise period	1 September 2001 ~ 15 August 2009	1 September 2001 ~ 15 August 2010

	SBI Futures Co., Ltd. (3) Stock option		
Category and number of person granted	3 directors 49 employees		
Class and number of option shares (*Note)	1,158 Common shares		
Grant date	6 July 2005		
Terms and condition for vesting	Directors, employees or quasi directors/employees of SBI Futures Co., Ltd or its subsidiaries when exercising the stock option Those who are approved by board of directors (i.e. termination of employment or retirement)		
Service period required for vesting	n/a		
Exercise period	17 June 2007 ~ 17 June 2011		
	SBI VeriTrans Co., Ltd. FY2004 Stock option	Morningstar Japan K.K. FY2001 Stock option	Morningstar Japan K.K. FY2003(1) Stock option
Category and number of person granted	20 directors and employees	1 director 1 auditor for subsidiary (As at the end of the current year)	6 directors 3 employees 2 directors and 1 auditor for subsidiaries 3 employees for subsidiaries 2 others (As at the end of the current year)
Class and number of option shares (*Note)	9,462 Common shares	256 Common shares (As at the end of the current year)	2,448 Common shares (As at the end of the current year)
Grant date	13 February 2004	18 May 2001	5 November 2003
Terms and condition for vesting	Directors, employees or quasi directors/employees of SBI VeriTrans Co., Ltd. when exercising the stock option Those who are approved by board of directors (i.e. termination of employment or retirement)	Loss of rights as a result of losing the position of director except for getting new positions such as directors/employees of subsidiaries Except the transfer to other companies as directors or employees on command or case of involuntary retirement	Directors, statutory auditors, or employees of the Morningstar Japan K.K. or its subsidiaries when exercising the stock option Those who are approved by board of directors (i.e. termination of employment or retirement)
Service period required for vesting	13 February 2004 ~ 12 February 2006	n/a	n/a
Exercise period	13 February 2006 ~ 12 February 2014	16 March 2003 ~ 15 March 2011	20 March 2005 ~ 19 March 2013

	Morningstar Japan K.K. FY2006(2) Stock option	Gomez Consulting Co., Ltd. FY2003 Stock option	Gomez Consulting Co., Ltd. FY2005 Stock option
Category and number of person granted	1 director 2 employees (As at the end of the current year)	5 directors 5 employees	3 directors 5 employees
Class and number of option shares (*Note)	250 Common shares (As at the end of the current year)	800 Common shares	440 Common shares
Grant date	21 April 2006	15 March 2003	15 June 2005
Terms and condition for vesting	Directors, statutory auditors, or employees of Morningstar Japan K.K. or its subsidiaries when exercising the stock option Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors, employees or quasi directors/employees of Gomez Consulting Co., Ltd or its subsidiaries when exercising the stock option Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors, employees or quasi directors/employees of Gomez Consulting Co., Ltd or its subsidiaries when exercising the stock option Those who are approved by board of directors (i.e. termination of employment or retirement)
Service period required for vesting	n/a	n/a	n/a
Exercise period	24 March 2008 ~ 23 March 2016	15 March 2005 ~ 14 March 2013	3 June 2007 ~ 2 June 2015
	HOMEOSTYLE Inc. (1) Stock Option	HOMEOSTYLE Inc. (2) Stock Option	HOMEOSTYLE Inc. former TK International Co., Ltd. Stock Option
Category and number of person granted	8 directors 341 employees	4 directors 105 employees	2 directors 1 employee for subsidiary
Class and number of option shares (*Note)	5,672 Common shares	1,004 Common shares	4,081 Common shares
Grant date	5 April 2002	24 August 2004	2 July 2004
Terms and condition for vesting	Holding positions of directors/employees when exercising the right of HOMEOSTYLE Inc. Exercising the right should be after 1 year of IPO	Holding positions of directors/employees when exercising the right of HOMEOSTYLE Inc. Exercising the right should be after 1 year of IPO	Exercising the right should be after IPO
Service period required for vesting	n/a	n/a	n/a
Exercise period	1 June 2002 ~ 12 March 2012	1 June 2002 ~ 12 March 2012	6 July 2006 ~ 30 June 2014

	HOMEOSTYLE Inc. (3) Stock Option	HOMEOSTYLE Inc. (4) Stock Option	Autoc one K.K. (1) Stock option
Category and number of person granted	25 employees	6 directors 246 employees	4 directors 2 subsidiary directors 16 employees 22 third-party collaborator
Class and number of option shares (*Note)	490 Common shares	9,057 Common shares	15,365 Common shares
Grant date	28 February 2005	31 March 2006	27 December 2002
Terms and condition for vesting	Holding positions of directors/employees when exercising the right of HOMEOSTYLE Inc. Exercising the right should be after 1 year of IPO	Holding positions of directors/employees when exercising the right of HOMEOSTYLE Inc. Exercising the right should be after 1 year of IPO	Directors or employees of Autoc one K.K., its subsidiaries or third-party collaborator when exercising the right Disallowing the exercise of right till the day before IPO
Service period required for vesting	n/a	n/a	n/a
Exercise period	1 March 2007 ~ 24 February 2015	1 April 2008 ~ 25 March 2016	1 November 2004 ~ 30 September 2012
	Autoc one K.K. (former Autobytel Japan Co., Ltd.) (2) Stock option	Autoc one K.K. (former Autobytel Japan Co., Ltd.) (3) Stock option	Autoc one K.K. (former Autobytel Japan Co., Ltd.) (4) Stock option
Category and number of person granted	1 director 7 employees	5 directors 6 employees 6 third-party collaborators	2 third-party collaborator
Class and number of option shares (*Note)	875 Common shares	2,050 Common shares	200 Common shares
Grant date	20 October 2003	29 October 2004	25 February 2005
Terms and condition for vesting	Directors or employees of Autoc one K.K., its subsidiaries or third-party collaborator when exercising the right Disallowing exercise of right till the day before IPO	Directors or employees of Autoc one K.K., its subsidiaries or third-party collaborator when exercising the right Disallowing exercise of right till the day before IPO	Directors or employees of Autoc one K.K., its subsidiaries or third-party collaborator when exercising the right Disallowing exercise of right till the day before IPO
Service period required for vesting	n/a	n/a	n/a
Exercise period	1 November 2005 ~ 30 September 2012	1 August 2006 ~ 31 May 2014	1 August 2006 ~ 31 May 2014

	Autoc one K.K. (former Autobytel Japan Co., Ltd.) (5) Stock option	Autoc one K.K. (former Autobytel Japan Co., Ltd.) (6) Stock option	Autoc one K.K. (former Autobytel Japan Co., Ltd.) (7) Stock option
Category and number of person granted	1 third-party collaborator	9 employees	4 directors 2 subsidiary directors 17 employees 3 third-party collaborators
Class and number of option shares (*Note)	100 Common shares	250 Common shares	2,000 Common shares
Grant date	20 April 2005	20 April 2005	20 April 2006
Terms and condition for vesting	Directors or employees of Autoc one K.K., its subsidiaries or third-party collaborator when exercising the right Disallowing exercise of right till the day before IPO	Directors or employees of Autoc one K.K., its subsidiaries or third-party collaborator when exercising the right Disallowing exercise of right till the day before IPO	Directors or employees of Autoc one K.K., its subsidiaries or third-party collaborator when exercising the right Disallowing exercise of right till the day before IPO
Service period required for vesting	n/a	n/a	n/a
Exercise period	1 August 2006 ~ 31 May 2014	1 August 2006 ~ 31 May 2014	28 June 2007 ~ 27 June 2015
	Autoc one K.K. (former Autobytel Japan Co., Ltd.) (8) Stock option	SBI Net Systems Co., Ltd. FY2002 Stock option	SBI Trade Win Tech Co., Ltd. (former TradeWin Co., Ltd.) (2) Stock option
Category and number of person granted	11 employees	7 directors 1 auditors 14 employees	1 director 3 employees 1 advisor
Class and number of option shares (*Note)	240 Common shares	1,195 Common shares	1,000 Common shares
Grant date	28 March 2008	27 June 2002	20 October 2000
Terms and condition for vesting	Directors or employees of Autoc one K.K., its subsidiaries or third-party collaborator when exercising the right Disallowing exercise of right till the day before IPO	Continuing to provide service from the grant date to the end of the vesting period (28 June 2004)	n/a
Service period required for vesting	n/a	2 years (27 June 2002 ~ 27 June 2004)	n/a
Exercise period	29 June 2009 ~ 28 June 2017	28 June 2004 ~ 27 June 2012	1 January 2001 ~ 16 April 2012

	SBI Trade Win Tech Co., Ltd. (former TradeWin Co., Ltd.) (3) <u>Stock option</u>
Category and number of person granted	4 directors 4 employees
Class and number of option shares (*Note)	320 Common shares
Grant date	17 April 2002
Terms and condition for vesting	n/a
Service period required for vesting	n/a
Exercise period	18 April 2002 ~ 16 April 2012

Note: Conversion into the number of stocks.

2. Size and change of stock option

The following table represents the summary of outstanding stock option as at 31 March 2010. The numbers stated below are numbers of shares would be converted when the options are exercised.

(a) Number of stock option

	The Company FY2001 <u>Stock option</u>	The Company FY2002(1) <u>Stock option</u>	The Company FY2003(1) <u>Stock option</u>	The Company FY2003(2) <u>Stock option</u>	The Company FY2003(3) <u>Stock option</u>
Number of non-vested stock option					
Beginning balance of period	—	—	—	—	—
Granted	—	—	—	—	—
Forfeited	—	—	—	—	—
Vested	—	—	—	—	—
Non-vested balance .	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Number of vested stock option					
Beginning balance of period	11,394	13,032	19,368	57,006	15,813
Vested	—	—	—	—	—
Exercised	—	1,584	—	666	—
Forfeited	—	—	—	279	—
Unexercised balance	<u>11,394</u>	<u>11,448</u>	<u>19,368</u>	<u>56,061</u>	<u>15,813</u>

	The Company FY 2005(1) Stock option	The Company former E*TRADE Japan K.K. Stock option	The Company former SBI HOME Planner Co., LTD. FY2003 Stock option	The Company former SBI HOME Planner Co., LTD FY2004 Stock option	The Company former SBI HOME Planner Co., LTD FY2004 Stock option
Number of non-vested stock option					
Beginning balance of period	—	—	—	—	—
Granted	—	—	—	—	—
Forfeited	—	—	—	—	—
Vested	—	—	—	—	—
Non-vested balance .	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Number of vested stock option					
Beginning balance of period	24,845	59,512.32	474	696	60
Vested	—	—	—	—	—
Exercised	—	5,670.00	—	—	—
Forfeited	311	759.78	—	—	—
Unexercised balance	<u>24,534</u>	<u>53,082.54</u>	<u>474</u>	<u>696</u>	<u>60</u>
				The Company former WORLD NICHIEI FRONTIER Securities Co., LTD. FY2003 Stock option	The Company former WORLD NICHIEI FRONTIER Securities Co., LTD. FY2004 Stock option
	The Company former SBI Partners Co., Inc. FY 2005 Stock option	The Company former FINANCE ALL CORPORATION FY 2002 Stock option	The Company former FINANCE ALL CORPORATION FY 2003 Stock option		
Number of non-vested stock option					
Beginning balance of period	—	—	—	—	—
Granted	—	—	—	—	—
Forfeited	—	—	—	—	—
Vested	—	—	—	—	—
Non-vested balance .	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Number of vested stock option					
Beginning balance of period	550	3,840	9,080	172.50	19,928.35
Vested	—	—	—	—	—
Exercised	—	—	2,680	—	—
Forfeited	—	—	—	—	584.20
Unexercised balance	<u>550</u>	<u>3,840</u>	<u>6,400</u>	<u>172.50</u>	<u>19,344.15</u>

	The Company former WORLD NICHIEI FRONTIER Securities Co., LTD. FY2004 Stock option	The Company former SBI Securities Co., Ltd. FY2005 Stock option	The Company (1) Stock option	The Company (2) Stock option	The Company (3) Stock option
Number of non-vested stock option					
Beginning balance of period	—	—	—	—	—
Granted	—	—	—	—	—
Forfeited	—	—	—	—	—
Vested	—	—	—	—	—
Non-vested balance	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Number of vested stock option					
Beginning balance of period	40.25	20,033.00	51,088.05	7,987.50	13,142.10
Vested	—	—	—	—	—
Exercised	—	—	2,971.35	—	—
Forfeited	5.75	721.05	—	—	—
Unexercised balance	<u>34.50</u>	<u>19,311.95</u>	<u>48,116.70</u>	<u>7,987.50</u>	<u>13,142.10</u>

	The Company (4) Stock option	SBI Mortgage Co., Ltd. (1) Stock option	SBI Life Living Co., Ltd. (former LIVING Corporation, Inc.) (2) Stock option	SBI Life Living Co., Ltd. (former LIVING Corporation, Inc.) (3) Stock option	SBI Biotech Co., Ltd. (1) Stock option
Number of non-vested stock option					
Beginning balance of period	—	4,700	—	—	620
Granted	—	—	—	—	—
Forfeited	—	—	—	—	—
Vested	—	—	—	—	—
Non-vested balance	<u>—</u>	<u>4,700</u>	<u>—</u>	<u>—</u>	<u>620</u>
Number of vested stock option					
Beginning balance of period	2,321.70	—	19	960	—
Vested	—	—	—	—	—
Exercised	—	—	—	—	—
Forfeited	639.00	—	—	—	—
Unexercised balance	<u>1,682.70</u>	<u>—</u>	<u>19</u>	<u>960</u>	<u>—</u>

	SBI Biotech Co., Ltd. (2) Stock option	SBI Biotech Co., Ltd. (5) Stock option	SBI Futures Co., Ltd. (3) Stock option	SBI Futures Co., Ltd. (4) Stock option	SBI Futures Co., Ltd. (3) Stock option
Number of non-vested stock option					
Beginning balance of period	536	90	—	—	183
Granted	—	—	—	—	—
Forfeited	—	—	—	—	183
Vested	—	—	—	—	—
Non-vested balance .	<u>536</u>	<u>90</u>	<u>—</u>	<u>—</u>	<u>—</u>
Number of vested stock option					
Beginning balance of period	—	—	289	65	596
Vested	—	—	—	—	—
Exercised	—	—	—	—	—
Forfeited	—	—	289	65	596
Unexercised balance	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	SBI VeriTrans Co., Ltd. FY2004 Stock option	Morningstar Japan K.K. FY2001 Stock option	Morningstar Japan K.K. FY2003(1) Stock option	Morningstar Japan K.K. FY2006(2) Stock option	Gomez Consulting Co., Ltd. FY2003 Stock option
Number of non-vested stock option					
Beginning balance of period	—	—	—	—	—
Granted	—	—	—	—	—
Forfeited	—	—	—	—	—
Vested	—	—	—	—	—
Non-vested balance .	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Number of vested stock option					
Beginning balance of period	1,632	256	2,448	250	410
Vested	—	—	—	—	—
Exercised	1,116	—	—	—	—
Forfeited	—	—	—	—	—
Unexercised balance	<u>516</u>	<u>256</u>	<u>2,448</u>	<u>250</u>	<u>410</u>

	Gomez Consulting Co., Ltd. FY2005 Stock option	HOMEOSTYLE Inc. (1) Stock option	HOMEOSTYLE Inc. (2) Stock option	HOMEOSTYLE Inc. former TK International Co., Ltd. Stock option	HOMEOSTYLE Inc. (3) Stock option
Number of non-vested stock option					
Beginning balance of period	—	4,990	979	4,081	426
Granted.	—	—	—	—	—
Forfeited	—	15	—	—	—
Vested.	—	—	—	—	—
Non-vested balance .	<u>—</u>	<u>4,975</u>	<u>979</u>	<u>4,081</u>	<u>426</u>
Number of vested stock option					
Beginning balance of period	294	—	—	—	—
Vested.	—	—	—	—	—
Exercised	—	—	—	—	—
Forfeited	—	—	—	—	—
Unexercised balance	<u>294</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	HOMEOSTYLE Inc. (4) Stock option	Autoc one K.K. (1) Stock option	Autoc one K.K. (2) Stock option	Autoc one K.K. (3) Stock option	Autoc one K.K. (4) Stock option
Number of non-vested stock option					
Beginning balance of period	8,423	6,300	50	1,500	200
Granted.	—	—	—	—	—
Forfeited	20	400	—	200	—
Vested.	—	—	—	—	—
Non-vested balance .	<u>8,403</u>	<u>5,900</u>	<u>50</u>	<u>1,300</u>	<u>200</u>
Number of vested stock option					
Beginning balance of period	—	—	—	—	—
Vested.	—	—	—	—	—
Exercised	—	—	—	—	—
Forfeited	—	—	—	—	—
Unexercised balance	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

	Autoc one K.K. (5) <u>Stock option</u>	Autoc one K.K. (6) <u>Stock option</u>	Autoc one K.K. (7) <u>Stock option</u>	Autoc one K.K. (8) <u>Stock option</u>	SBI Net Systems Co., Ltd. FY2002 <u>Stock option</u>
Number of non-vested stock option					
Beginning balance of period	100	100	1,330	180	—
Granted	—	—	—	—	—
Forfeited	—	50	240	70	—
Vested	—	—	—	—	—
Non-vested balance	<u>100</u>	<u>50</u>	<u>1,090</u>	<u>110</u>	<u>—</u>
Number of vested stock option					
Beginning balance of period	—	—	—	—	455
Vested	—	—	—	—	—
Exercised	—	—	—	—	—
Forfeited	—	—	—	—	455
Unexercised balance	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
				SBI Trade Win Tech Co., Ltd. (former TradeWin Co., Ltd.) (2) <u>Stock option</u>	SBI Trade Win Tech Co., Ltd. (former TradeWin Co., Ltd.) (3) <u>Stock option</u>
Number of non-vested stock option					
Beginning balance of period				1,000	320
Granted				—	—
Forfeited				—	—
Vested				—	—
Non-vested balance				<u>1,000</u>	<u>320</u>
Number of vested stock option					
Beginning balance of period				—	—
Vested				—	—
Exercised				—	—
Forfeited				—	—
Unexercised balance				<u>—</u>	<u>—</u>

(b) Unit price information

	The Company FY2001 Stock option	The Company FY2002(1) Stock option	The Company FY2003(1) Stock option	The Company FY2003(2) Stock option	The Company FY2003(3) Stock option
Exercise price (Yen)	20,796	5,984	17,879	17,879	27,655
Average price of stocks upon exercise (Yen)	—	17,800	—	21,129	—
Fair value of option at grant date per option (Yen)	—	—	—	—	—
	The Company FY 2005(1) Stock option	The Company former E*TRADE Japan K.K. Stock option	The Company Former SBI HOME Planner Co., LTD. FY2003 Stock option	The Company Former SBI HOME Planner Co., LTD. FY2004 Stock option	The Company Former SBI HOME Planner Co., LTD. FY2004 Stock option
Exercise price (Yen)	35,078	12,079	23,200	25,600	25,600
Average price of stocks upon exercise (Yen)	—	18,077	—	—	—
Fair value of option at grant date per option (Yen)	—	—	—	—	—
	The Company former SBI Partners Co., Inc. FY 2005 Stock option	The Company former FINANCE ALL CORPORATION FY 2002 Stock option	The Company former FINANCE ALL CORPORATION FY 2003 Stock option	The Company former WORLD NICHIEI Securities Co., LTD. FY2003 Stock option	The Company former WORLD NICHIEI FRONTIER Securities Co., LTD. FY2004 Stock option
Exercise price (Yen)	37,060	4,465	4,465	17,392	50,174
Average price of stocks upon exercise (Yen)	—	—	15,988	—	—
Fair value of option at grant date per option (Yen)	—	—	—	—	—

	The Company former WORLD NICHIEI FRONTIER Securities Co., LTD. FY2004 Stock option	The Company former SBI Securities Co., Ltd. FY2005 Stock option	The Company (1) Stock option	The Company (2) Stock option	The Company (3) Stock option
Exercise price (Yen) .	31,914	46,957	12,477	12,477	48,287
Average price of stocks upon exercise (Yen)	—	—	16,810	—	—
Fair value of option at grant date per option (Yen)	—	—	—	—	—
	The Company (4) Stock option	SBI Mortgage Co., Ltd. (1) Stock option	SBI Life Living Co., Ltd. (former LIVING Corporation, Inc.) (2) Stock option	SBI Life Living Co., Ltd. (former LIVING Corporation, Inc) (3) Stock option	SBI Biotech Co., Ltd. (1) Stock option
Exercise price (Yen) .	56,518	7,500	100,000	270,834	5,000
Average price of stocks upon exercise (Yen)	—	—	—	—	—
Fair value of option at grant date per option (Yen)	—	—	—	2,082	—
	SBI Biotech Co., Ltd. (2) Stock option	SBI Biotech Co., Ltd. (5) Stock option	SBI Futures Co., Ltd. (3) Stock option	SBI Futures Co., Ltd. (4) Stock option	SBI Futures Co., Ltd. (3) Stock option
Exercise price (Yen) .	5,000	175,000	64,516	64,516	98,598
Average price of stocks upon exercise (Yen)	—	—	—	—	—
Fair value of option at grant date per option (Yen)	—	—	—	—	—

	SBI VeriTrans Co., Ltd. FY2004 Stock option	Morningstar Japan K.K. FY2001 Stock option	Morningstar Japan K.K. FY2003(1) Stock option	Morningstar Japan K.K. FY2006(2) Stock option	Gomez Consulting Co., Ltd. FY2003 Stock option
Exercise price (Yen) .	5,741	320,375	57,500	133,500	44,250
Average price of stocks upon exercise (Yen)	51,504	—	—	—	—
Fair value of option at grant date per option (Yen)	—	—	—	—	—
	Gomez Consulting Co., Ltd. FY2005 Stock option	HOMEOSTYLE Inc. (1) Stock option	HOMEOSTYLE Inc. (2) Stock option	HOMEOSTYLE Inc. former TK International Co., Ltd. Stock option	HOMEOSTYLE Inc. (3) Stock option
Exercise price (Yen) .	100,000	9,636	9,636	11,903	16,000
Average price of stocks upon exercise (Yen)	—	—	—	—	—
Fair value of option at grant date per option (Yen)	—	—	—	—	—
	HOMEOSTYLE Inc. (4) Stock option	Autoc one K.K. (1) Stock option	Autoc one K.K. (2) Stock option	Autoc one K.K. (3) Stock option	Autoc one K.K. (4) Stock option
Exercise price (Yen) .	19,000	10,000	10,000	50,000	50,000
Average price of stocks upon exercise (Yen)	—	—	—	—	—
Fair value of option at grant date per option (Yen)	—	—	—	—	—

	Autoc one K.K. (5) Stock option	Autoc one K.K. (6) Stock option	Autoc one K.K. (7) Stock option	Autoc one K.K. (8) Stock option	SBI Net Systems Co., Ltd. FY2002 Stock option
Exercise price (Yen)	50,000	50,000	50,000	60,000	60,000
Average price of stocks upon exercise (Yen)	—	—	—	—	—
Fair value of option at grant date per option (Yen)	—	—	—	—	—
				SBI Trade Win Tech Co., Ltd. (former TradeWin Co., Ltd.) (2) Stock option	SBI Trade Win Tech Co., Ltd. (former TradeWin Co., Ltd.) (3) Stock option
Exercise price (Yen)				50,000	460,000
Average price of stocks upon exercise (Yen)				—	—
Fair value of option at grant date per option (Yen)				—	—

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

1. Outline of stock option

	The Company FY2001 Stock option	The Company FY2002 (1) Stock option	The Company FY2003 (1) Stock option
Category and number of person granted	118 employees	9 directors 109 employees	2 directors 4 employees 3 subsidiary directors
Class and number of option shares (*Note)	24,120 Common shares	200,025 Common shares	69,975 Common shares
Grant date	1 February 2002	20 December 2002	25 September 2003
Terms and condition for vesting	Directors or employees of the Company.	Directors or employees of the Company and subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors or employees of the Company and subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)
Service period required for vesting	1 February 2002 ~ 19 December 2003	20 December 2002 ~ 19 December 2004	25 September 2003 ~ 19 December 2004
Exercise period	20 December 2003 ~ 19 December 2011	20 December 2004 ~ 19 December 2012	20 December 2004 ~ 19 December 2012

	The Company FY2003 (2) Stock option	The Company FY2003 (3) Stock option	The Company FY2005 (1) Stock option
Category and number of person granted	2 directors 110 employees 6 subsidiary directors 86 subsidiary employees	17 Subsidiary directors	7 directors 89 employees 14 subsidiary directors 36 subsidiary employees
Class and number of option shares (*Note)	312,750 Common shares	61,650 Common shares	40,000 Common shares
Grant date	25 September 2003	23 October 2003	28 July 2005
Terms and condition for vesting	Directors or employees of the Company and subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors or employees of the Company and subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors or employees of the Company or subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)
Service period required for vesting	25 September 2003 ~ 23 June 2005	23 October 2003 ~ 23 June 2005	n/a
Exercise period	24 June 2005 ~ 23 June 2013	24 June 2005 ~ 23 June 2013	28 July 2005 ~ 29 June 2013
	The Company former E*TRADE Co., Ltd. Stock option	The Company former SBI HOME Planner Co., LTD. FY2003 Stock option	The Company former SBI HOME Planner Co., LTD. FY2004 Stock option
Category and number of person granted	3 directors 20 employees 11 subsidiary directors 64 subsidiary employees	76 employees 1 subsidiary employee	61 employees 2 subsidiary employees
Class and number of option shares (*Note)	172,481.40 Common shares	1,130 Common shares	950 Common shares
Grant date	1 July 2002	15 April 2004	29 September 2004
Terms and condition for vesting	Directors, statutory auditors or employees of the Company or subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors, statutory auditors or employees of the Company or subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors, statutory auditors or employees of the Company or subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)
Service period required for vesting	1 July 2002 ~ 20 June 2004	15 April 2004 ~ 27 June 2005	29 September 2004 ~ 1 October 2006
Exercise period	21 June 2004 ~ 20 June 2012	28 June 2005 ~ 27 June 2013	2 October 2006 ~ 30 September 2010

	The Company former SBI HOME Planner Co., LTD. FY2004 Stock option	The Company former SBI Partners Co., Inc. FY2005 Stock option	The Company former FINANCE ALL CORPORATION FY2002 Stock option
Category and number of person granted	2 employees	5 directors 23 employees	4 directors 6 employees 5 subsidiary directors 31 subsidiary employees
Class and number of option shares (*Note)	60 Common shares	2,320 Common shares	44,880 Common shares
Grant date	29 October 2004	29 November 2005	25 September 2002
Terms and condition for vesting	Directors, statutory auditors or employees of the Company or subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors/ employees or quasi director/ employees of the Company or subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors/ employees or quasi director/ employees of the Company or subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)
Service period required for vesting	29 October 2004 ~ 1 October 2006	29 November 2005 ~ 30 November 2005	25 September 2002 ~ 24 September 2004
Exercise period	2 October 2006 ~ 30 September 2010	1 December 2005 ~ 31 October 2013	25 September 2004 ~ 24 September 2012
	The Company former FINANCE ALL CORPORATION FY2003 Stock option	The Company former WORLD NICHIEI Securities Co., Ltd. FY2003 Stock option	The Company former WORLD NICHIEI FRONTIER Securities Co., Ltd. FY2004 Stock option
Category and number of person granted	4 directors 24 employees 4 subsidiary directors 18 subsidiary employees	5 directors 6 employees	7 directors 350 employees
Class and number of option shares (*Note)	55,040 Common shares	4,933.50 Common shares	34,105.55 Common shares
Grant date	2 August 2003	15 July 2003	29 June 2004
Terms and condition for vesting	Directors/ employees or quasi director/ employees of the Company or subsidiaries Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors or employees of the Company or SBI Securities Co., Ltd. Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors, auditors or employees of the Company or SBI Securities Co., Ltd. Those who are approved by board of directors (i.e. termination of employment or retirement)
Service period required for vesting	2 August 2003 ~ 1 August 2005	15 July 2003 ~ 30 June 2005	29 June 2004 ~ 29 June 2006
Exercise period	2 August 2005 ~ 1 August 2013	1 July 2005 ~ 26 June 2013	30 June 2006 ~ 29 June 2014

	The Company former WORLD NICHIEI FRONTIER Securities Co., Ltd. FY2004 Stock option	The Company former SBI SECURITIES Co., Ltd. FY2005 Stock option	The Company (1) Stock option
Category and number of person granted	25 employees	6 directors 340 employees	2 directors and 31 employees for SBI SECURITIES Co., Ltd. 4 employees for the Company
Class and number of option shares (*Note)	143.75 Common shares	39,817.60 Common shares	52,046.55 Common shares
Grant date	22 December 2004	4 July 2005	1 August 2008 (Allocation with share exchange)
Terms and condition for vesting	Directors, statutory auditors or employees of the Company or SBI Securities Co., Ltd. Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors, statutory auditors or employees of the Company or SBI Securities Co., Ltd. Those who are approved by board of directors (i.e. termination of employment or retirement)	n/a
Service period required for vesting	22 December 2004 ~ 29 June 2006	4 July 2005 ~ 29 June 2007	n/a
Exercise period	30 June 2006 ~ 29 June 2014	30 June 2007 ~ 29 June 2015	1 August 2008 ~ 21 June 2010
	The Company (2) Stock option	The Company (3) Stock option	The Company (4) Stock option
Category and number of person granted	1 employee	1 director and 27 employees for SBI SECURITIES Co., Ltd. 2 employees for the Company	9 employees for SBI SECURITIES Co., Ltd. 2 employees for the Company
Class and number of option shares (*Note)	7,987.50 Common shares	13,568.10 Common shares	2,321.70 Common shares
Grant date	1 August 2008 (Allocation with share exchange)	1 August 2008 (Allocation with share exchange)	1 August 2008 (Allocation with share exchange)
Terms and condition for vesting	n/a	n/a	n/a
Service period required for vesting	n/a	n/a	n/a
Exercise period	1 August 2008 ~ 21 June 2010	1 August 2008 ~ 23 June 2013	1 August 2008 ~ 23 June 2013

	SBI MORTGAGE CO., LTD. (1) Stock option	SBI Life Living Co., Ltd. (2) Stock option	SBI Life Living Co., Ltd. (3) Stock option
Category and number of person granted	23 employees	1 director 18 employees	4 directors and 47 employees for subsidiary 6 directors and 33 employees for the related companies
Class and number of option shares (*Note)	6,500 Common shares (After stock split on 27 August 2008)	700 Common shares	960 Common shares
Grant date	25 May 2005	29 August 2005	1 June 2008
Terms and condition for vesting	Common shares for the entity should be listing Directors employees, or quasi directors/employees of the SBI Mortgage Co., Ltd. or its subsidiaries	Continuous service from grant date to the end of vesting period	n/a
Service period required for vesting	25 May 2005 ~ 25 May 2007	29 August 2005 ~ 29 August 2007	n/a
Exercise period	26 May 2007 ~ 25 May 2015	30 August 2007 ~ 29 August 2015	1 June 2008 ~ 31 March 2013
	SBI BIOTECH CO., LTD. (1) Stock option	SBI BIOTECH CO., LTD. (2) Stock option	SBI BIOTECH CO., LTD. (5) Stock option
Category and number of person granted	7 third-party collaborators	2 directors 5 employees	1 third-party collaborator
Class and number of option shares (*Note)	630 Common shares	780 Common shares	90 Common shares
Grant date	15 October 2002	15 October 2002	28 September 2005
Terms and condition for vesting	Holding positions for the collaborator when exercising the stock option Those who are approved by board of directors	Directors, statutory auditors or employees of the SBI Biotech Co., Ltd. or its subsidiaries when exercising the stock option Those who are approved by board of directors Exercising of right should be after 6 months of IPO	Directors, statutory auditors, employees, or third-party collaborator of SBI Biotech Co., Ltd. or its subsidiaries when exercising the stock option Those who are approved by board of directors Exercising of right should be after IPO
Service period required for vesting	n/a	n/a	n/a
Exercise period	6 months after 2 year and 6 months after IPO	15 October 2004 ~ 31 August 2012	29 September 2005 ~ 30 August 2015

	SBI VeriTrans Co., Ltd. FY2004 Stock option	Morningstar Japan K.K. FY2001 Stock option	Morningstar Japan K.K. FY2003 (1) Stock option
Category and number of person granted	20 directors and employees	1 director 1 auditor for subsidiary	6 director 3 employees 2 directors and 1 auditors for subsidiaries 3 employees for subsidiaries 2 others
Class and number of option shares (*Note)	9,462 Common shares	256 Common shares	2,448 Common shares
Grant date	13 February 2004	18 May 2001	5 November 2003
Terms and condition for vesting	Directors, employees or quasi directors/employees of SBI VeriTrans Co., Ltd. when exercising the stock option Those who are approved by board of directors (i.e. termination of employment or retirement)	Loss of rights as a result of losing the position of director except for getting new positions such as directors/employees of subsidiaries Except the transfer to other companies as directors or employees on command or case of involuntary retirement	Directors, statutory auditors, or employees of the Morningstar Japan K.K. or its subsidiaries when exercising the stock option Those who are approved by board of directors (i.e. termination of employment or retirement)
Service period required for vesting	13 February 2004 ~ 12 February 2006	n/a	n/a
Exercise period	13 February 2006 ~ 12 February 2014	16 March 2003 ~ 15 March 2011	20 March 2005 ~ 19 March 2013
	Morningstar Japan K.K. FY2006 (2) Stock option	Gomez Consulting Co., Ltd. FY2003 Stock option	Gomez Consulting Co., Ltd. FY2005 Stock option
Category and number of person granted	1 director 2 employees	5 directors 5 employees	3 directors 5 employees
Class and number of option shares (*Note)	250 Common shares	800 Common shares	440 Common shares
Grant date	21 April 2006	15 March 2003	15 June 2005
Terms and condition for vesting	Directors, statutory auditors, or employees of Morningstar Japan K.K. or its subsidiaries when exercising the stock option Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors, employees or quasi directors/employees of Gomez Consulting Co., Ltd or its subsidiaries when exercising the stock option Those who are approved by board of directors (i.e. termination of employment or retirement)	Directors, employees or quasi directors/employees of Gomez Consulting Co., Ltd or its subsidiaries when exercising the stock option Those who are approved by board of directors (i.e. termination of employment or retirement)
Service period required for vesting	n/a	n/a	n/a
Exercise period	24 March 2008 ~ 23 March 2016	15 March 2005 ~ 14 March 2013	3 June 2007 ~ 2 June 2015

	HOMEOSTYLE Inc. (1) Stock option	HOMEOSTYLE Inc. (2) Stock option	HOMEOSTYLE Inc. former TK International Co., Ltd. Stock option
Category and number of person granted	8 directors 341 employees	4 directors 105 employees	2 directors 1 subsidiary employee
Class and number of option shares (*Note)	5,672 Common shares	1,004 Common shares	4,081 Common shares
Grant date	5 April 2002	24 August 2004	2 July 2004
Terms and condition for vesting	Holding positions of directors/employees when exercising the right of HOMEOSTYLE Inc. Exercising the right should be after 1 year of IPO	Holding positions of directors/employees when exercising the right of HOMEOSTYLE Inc. Exercising the right should be after 1 year of IPO	Holding positions of employees when exercising the right of HOMEOSTYLE Inc. Exercising the right should be after IPO
Service period required for vesting	n/a	n/a	n/a
Exercise period	1 June 2002 ~ 12 March 2012	1 June 2002 ~ 12 March 2012	6 July 2006 ~ 30 June 2014
	HOMEOSTYLE Inc. (3) Stock option	HOMEOSTYLE Inc. (4) Stock option	Autoc one K.K. (1) Stock option
Category and number of person granted	25 employees	6 directors 246 employees	4 directors 2 subsidiary directors 16 employees 22 third-party collaborator
Class and number of option shares (*Note)	490 Common shares	9,057 Common shares	15,365 Common shares
Grant date	28 February 2005	31 March 2006	27 December 2002
Terms and condition for vesting	Holding positions of employees when exercising the right of HOMEOSTYLE Inc. Exercising the right should be after 1 year of IPO	Holding positions of employees when exercising the right of HOMEOSTYLE Inc. Exercising the right should be after 1 year of IPO	Directors or employees of Autoc one K.K., its subsidiaries or third-party collaborator when exercising the right Disallowing the exercise of right till the day before IPO
Service period required for vesting	n/a	n/a	n/a
Exercise period	1 March 2007 ~ 24 February 2015	1 April 2008 ~ 25 March 2016	1 November 2004 ~ 30 September 2012

	Autoc one K.K. (2) Stock option	Autoc one K.K. (3) Stock option	Autoc one K.K. (4) Stock option
Category and number of person granted	1 director 7 employees	5 directors 6 employees 6 third-party collaborator	2 third-party collaborator
Class and number of option shares (*Note)	875 Common shares	2,050 Common shares	200 Common shares
Grant date	20 October 2003	29 October 2004	25 February 2005
Terms and condition for vesting	Directors or employees of Autoc one K.K., its subsidiaries or third-party collaborator when exercising the right Disallowing exercise of right till the day before IPO	Directors or employees of Autoc one K.K., its subsidiaries or third-party collaborator when exercising the right Disallowing exercise of right till the day before IPO	Directors or employees of Autoc one K.K., its subsidiaries or third-party collaborator when exercising the right Disallowing exercise of right till the day before IPO
Service period required for vesting	n/a	n/a	n/a
Exercise period	1 November 2005 ~ 30 September 2012	1 August 2006 ~ 31 May 2014	1 August 2006 ~ 31 May 2014
	Autoc one K.K. (5) Stock option	Autoc one K.K. (6) Stock option	Autoc one K.K. (7) Stock option
Category and number of person granted	1 third-party collaborator	9 employees	4 directors 2 subsidiary directors 17 employees 3 third-party collaborator
Class and number of option shares (*Note)	100 Common shares	250 Common shares	2,000 Common shares
Grant date	20 April 2005	20 April 2005	20 April 2006
Terms and condition for vesting	Directors or employees of Autoc one K.K., its subsidiaries or third-party collaborator when exercising the right Disallowing exercise of right till the day before IPO	Directors or employees of Autoc one K.K., its subsidiaries or third-party collaborator when exercising the right Disallowing exercise of right till the day before IPO	Directors or employees of Autoc one K.K., its subsidiaries or third-party collaborator when exercising the right Disallowing exercise of right till the day before IPO
Service period required for vesting	n/a	n/a	n/a
Exercise period	1 August 2006 ~ 31 May 2014	1 August 2006 ~ 31 May 2014	28 June 2007 ~ 27 June 2015

	Autoc one K.K. (8) Stock option	SBI Trade Win Tech Co., Ltd. (2) Stock option	SBI Trade Win Tech Co., Ltd. (3) Stock option
Category and number of person granted	11 employees	1 director 3 employees 1 advisor	4 directors 4 employees
Class and number of option shares (*Note)	240 Common shares	1,000 Common shares	320 Common shares
Grant date	28 March 2008	20 October 2000	17 April 2002
Terms and condition for vesting	Directors or employees of Autoc one K.K., its subsidiaries or third-party collaborator when exercising the right Disallowing exercise of right till the day before IPO	n/a	n/a
Service period required for vesting	n/a	n/a	n/a
Exercise period	29 June 2009 ~ 28 June 2017	1 January 2001 ~ 16 April 2012	18 April 2002 ~ 16 April 2012

Note: Conversion into the number of stocks.

2. Size and change of stock option

The following table represents the summary of outstanding stock option as at 30 September 2010. The numbers stated below are number of shares would be converted when the options are exercised.

(a) Number of stock option

	The Company FY2001 Stock option	The Company FY2002 (1) Stock option	The Company FY2003 (1) Stock option	The Company FY2003 (2) Stock option	The Company FY2003 (3) Stock option
Number of non-vested stock option					
Beginning balance of period	—	—	—	—	—
Granted	—	—	—	—	—
Forfeited	—	—	—	—	—
Vested	—	—	—	—	—
Non-vested balance .	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Number of vested stock option					
Beginning balance of period	11,394	12,096.72 ⁽ⁱ⁾	20,465.52 ⁽ⁱ⁾	59,237.79 ⁽ⁱ⁾	16,709.07 ⁽ⁱ⁾
Vested	—	—	—	—	—
Exercised	—	—	—	—	—
Forfeited	—	—	—	817.86	—
Unexercised balance	<u>11,394</u>	<u>12,096.72</u>	<u>20,465.52</u>	<u>58,419.93</u>	<u>16,709.07</u>

⁽ⁱ⁾ Due to the new stock issuance through public offering dated 23 June 2010, number of objective stocks were adjusted, therefore, the adjustments were reflected in the number of beginning balance of period.

	The Company FY2005 (1) Stock option	The Company former E*TRADE Co., Ltd. Stock option	The Company former SBI HOME Planner Co., LTD. FY2003 Stock option	The Company former SBI HOME Planner Co., LTD. FY2004 Stock option	The Company former SBI HOME Planner Co., LTD. FY2004 Stock option
Number of non-vested stock option					
Beginning balance of period	—	—	—	—	—
Granted	—	—	—	—	—
Forfeited	—	—	—	—	—
Vested	—	—	—	—	—
Non-vested balance	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Number of vested stock option					
Beginning balance of period	24,534	53,082.54	514.29 ⁽ⁱ⁾	762.12 ⁽ⁱ⁾	65.70 ⁽ⁱ⁾
Vested	—	—	—	—	—
Exercised	—	1,927.80	—	—	—
Forfeited	590	226.80	—	—	—
Unexercised balance	<u>23,944</u>	<u>50,927.94</u>	<u>514.29</u>	<u>762.12</u>	<u>65.70</u>
				The Company former WORLD NICHIEI Securities Co., Ltd. FY2003 Stock option	The Company former WORLD NICHIEI FRONTIER Securities Co., Ltd. FY2004 Stock option
	The Company former SBI Partners Co., Inc. FY2005 Stock option	The Company former FINANCE ALL CORPORATION FY2002 Stock option	The Company former FINANCE ALL CORPORATION FY2003 Stock option		
Number of non-vested stock option					
Beginning balance of period	—	—	—	—	—
Granted	—	—	—	—	—
Forfeited	—	—	—	—	—
Vested	—	—	—	—	—
Non-vested balance	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Number of vested stock option					
Beginning balance of period	580.80 ⁽ⁱ⁾	3,840	6,400	172.50	19,344.15
Vested	—	—	—	—	—
Exercised	—	—	—	—	—
Forfeited	—	—	—	—	132.25
Unexercised balance	<u>580.80</u>	<u>3,840</u>	<u>6,400</u>	<u>172.50</u>	<u>19,211.90</u>

⁽ⁱ⁾ Due to the new stock issuance through public offering dated 23 June 2010, number of objective stocks were adjusted, therefore, the adjustments were reflected in the number of beginning balance of period.

	The Company former WORLD NICHIEI FRONTIER Securities Co., Ltd. FY2004 Stock option	The Company former SBI SECURITIES Co., Ltd. FY2005 Stock option	The Company (1) Stock option	The Company (2) Stock option	The Company (3) Stock option
Number of non-vested stock option					
Beginning balance of period	—	—	—	—	—
Granted	—	—	—	—	—
Forfeited	—	—	—	—	—
Vested	—	—	—	—	—
Non-vested balance .	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Number of vested stock option					
Beginning balance of period	34.50	19,311.95	48,116.70	7,987.50	13,894.84 ⁽ⁱ⁾
Vested	—	—	—	—	—
Exercised	—	—	36,295.20	7,987.50	—
Forfeited	—	209.30	11,821.50	—	—
Unexercised balance	<u>34.50</u>	<u>19,102.65</u>	<u>—</u>	<u>—</u>	<u>13,894.84</u>

⁽ⁱ⁾ Due to the new stock issuance through public offering dated 23 June 2010, number of objective stocks were adjusted, therefore, the adjustments were reflected in the number of beginning balance of period.

	The Company (4) Stock option	SBI MORTGAGE CO., LTD.. (1) Stock option	SBI Life Living Co., Ltd. (former LIVING Corporation, Inc.) (2) Stock option	SBI Life Living Co., Ltd. (former LIVING Corporation, Inc.) (3) Stock option	SBI BIOTECH CO., LTD. (1) Stock option
Number of non-vested stock option					
Beginning balance of period	—	4,700	—	—	620
Granted	—	—	—	—	—
Forfeited	—	—	—	—	—
Vested	—	—	—	—	—
Non-vested balance .	<u>—</u>	<u>4,700</u>	<u>—</u>	<u>—</u>	<u>620</u>
Number of vested stock option					
Beginning balance of period	1,779.08 ⁽ⁱ⁾	—	19	960	—
Vested	—	—	—	—	—
Exercised	—	—	—	—	—
Forfeited	—	—	—	—	—
Unexercised balance	<u>1,779.08</u>	<u>—</u>	<u>19</u>	<u>960</u>	<u>—</u>

⁽ⁱ⁾ Due to the new stock issuance through public offering dated 23 June 2010, number of objective stocks were adjusted, therefore, the adjustments were reflected in the number of beginning balance of period.

	SBI BIOTECH CO., LTD. (2) Stock option	SBI BIOTECH CO., LTD. (5) Stock option	SBI VeriTrans Co., Ltd. FY2004 Stock option	Morningstar Japan K.K. FY2001 Stock option	Morningstar Japan K.K. FY2003 (1) Stock option
Number of non-vested stock option					
Beginning balance of period	536	90	—	—	—
Granted	—	—	—	—	—
Forfeited	—	—	—	—	—
Vested	—	—	—	—	—
Non-vested balance	<u>536</u>	<u>90</u>	<u>—</u>	<u>—</u>	<u>—</u>
Number of vested stock option					
Beginning balance of period	—	—	516	256	2,448
Vested	—	—	—	—	—
Exercised	—	—	—	—	—
Forfeited	—	—	—	128	—
Unexercised balance	<u>—</u>	<u>—</u>	<u>516</u>	<u>128</u>	<u>2,448</u>
	Morningstar Japan K.K. FY2006 (2) Stock option	Gomez Consulting Co., Ltd. FY2003 Stock option	Gomez Consulting Co., Ltd. FY2005 Stock option	HOMEOSTYLE Inc. (1) Stock option	HOMEOSTYLE Inc. (2) Stock option
Number of non-vested stock option					
Beginning balance of period	—	—	—	4,975	979
Granted	—	—	—	—	—
Forfeited	—	—	—	67	—
Vested	—	—	—	—	—
Non-vested balance	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,908</u>	<u>979</u>
Number of vested stock option					
Beginning balance of period	250	410	294	—	—
Vested	—	—	—	—	—
Exercised	—	30	—	—	—
Forfeited	—	—	—	—	—
Unexercised balance	<u>250</u>	<u>380</u>	<u>294</u>	<u>—</u>	<u>—</u>

	HOMEOSTYLE Inc. former TK International Co., Ltd. Stock option	HOMEOSTYLE Inc. (3) Stock option	HOMEOSTYLE Inc. (4) Stock option	Autoc one K.K. (1) Stock option	Autoc one K.K. (2) Stock option
Number of non-vested stock option					
Beginning balance of period	4,081	426	8,403	5,900	50
Granted	—	—	—	—	—
Forfeited	—	141	399	—	—
Vested	—	—	—	—	—
Non-vested balance .	<u>4,081</u>	<u>285</u>	<u>8,004</u>	<u>5,900</u>	<u>50</u>
Number of vested stock option					
Beginning balance of period	—	—	—	—	—
Vested	—	—	—	—	—
Exercised	—	—	—	—	—
Forfeited	—	—	—	—	—
Unexercised balance	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	Autoc one K.K. (3) Stock option	Autoc one K.K. (4) Stock option	Autoc one K.K. (5) Stock option	Autoc one K.K. (6) Stock option	Autoc one K.K. (7) Stock option
Number of non-vested stock option					
Beginning balance of period	1,300	200	100	50	1,090
Granted	—	—	—	—	—
Forfeited	—	—	—	—	—
Vested	—	—	—	—	—
Non-vested balance .	<u>1,300</u>	<u>200</u>	<u>100</u>	<u>50</u>	<u>1,090</u>
Number of vested stock option					
Beginning balance of period	—	—	—	—	—
Vested	—	—	—	—	—
Exercised	—	—	—	—	—
Forfeited	—	—	—	—	—
Unexercised balance	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

	Autoc one K.K. (8) Stock option	SBI Trade Win Tech Co., Ltd. (2) Stock option	SBI Trade Win Tech Co., Ltd. (3) Stock option
Number of non-vested stock option			
Beginning balance of period	110	1,000	320
Granted	—	—	—
Forfeited	40	—	—
Vested	—	—	—
Non-vested balance	<u>70</u>	<u>1,000</u>	<u>320</u>
Number of vested stock option			
Beginning balance of period	—	—	—
Vested	—	—	—
Exercised	—	—	—
Forfeited	—	—	—
Unexercised balance	<u>—</u>	<u>—</u>	<u>—</u>

(b) Unit price information

	The Company FY2001 Stock option	The Company FY2002 (1) Stock option	The Company FY2003 (1) Stock option	The Company FY2003 (2) Stock option	The Company FY2003 (3) Stock option
Exercise price (Yen)	19,666 ⁽ⁱ⁾	5,659 ⁽ⁱ⁾	16,908 ⁽ⁱ⁾	16,908 ⁽ⁱ⁾	26,152 ⁽ⁱ⁾
Average price of stocks upon exercise (Yen)	—	—	—	—	—
Fair value of option at grant date per option (Yen)	—	—	—	—	—
	The Company FY2005 (1) Stock option	The Company former E*TRADE Co., Ltd. Stock option	The Company former SBI HOME Planner Co., LTD. FY2003 Stock option	The Company former SBI HOME Planner Co., LTD. FY2004 Stock option	The Company former SBI HOME Planner Co., LTD. FY2004 Stock option
Exercise price (Yen)	33,172 ⁽ⁱ⁾	11,423 ⁽ⁱ⁾	21,349 ⁽ⁱ⁾	23,374 ⁽ⁱ⁾	23,374 ⁽ⁱ⁾
Average price of stocks upon exercise (Yen)	—	15,715	—	—	—
Fair value of option at grant date per option (Yen)	—	—	—	—	—

⁽ⁱ⁾ Due to the new stock issuance through public offering dated 23 June 2010, the exercise price is adjusted.

	The Company former SBI Partners Co., Inc. FY2005 Stock option	The Company former FINANCE ALL CORPORATION FY2002 Stock option	The Company former FINANCE ALL CORPORATION FY2003 Stock option	The Company former WORLD NICHIEI Securities Co., Ltd. FY2003 Stock option	The Company former WORLD NICHIEI FRONTIER Securities Co., Ltd. FY2004 Stock option
Exercise price (Yen) .	35,050 ⁽ⁱ⁾	4,465	4,465	16,447 ⁽ⁱ⁾	47,447 ⁽ⁱ⁾
Average price of stocks upon exercise (Yen)	—	—	—	—	—
Fair value option at grant date per option (Yen)	—	—	—	—	—
	The Company former WORLD NICHIEI FRONTIER Securities Co., Ltd. FY2004 Stock option	The Company former SBI SECURITIES Co., Ltd. FY2005 Stock option	The Company (1) Stock option	The Company (2) Stock option	The Company (3) Stock option
Exercise price (Yen) .	30,180 ⁽ⁱ⁾	44,405 ⁽ⁱ⁾	12,477	12,477	45,663 ⁽ⁱ⁾
Average price of stocks upon exercise (Yen)	—	—	13,282	12,916	—
Fair value option at grant date per option (Yen)	—	—	—	—	—
	The Company (4) Stock option	SBI MORTGAGE CO., LTD. (1) Stock option	SBI Life Living Co., Ltd.(former LIVING Corporation, Inc.) (2) Stock option	SBI Life Living Co., Ltd. (former LIVING Corporation, Inc.) (3) Stock option	SBI BIOTECH CO., LTD. (1) Stock option
Exercise price (Yen) .	53,447 ⁽ⁱ⁾	7,500	100,000	270,834	5,000
Average price of stocks upon exercise (Yen)	—	—	—	—	—
Fair value option at grant date per option (Yen)	—	—	—	2,082	—

⁽ⁱ⁾ Due to the new stock issuance through public offering dated 23 June 2010, the exercise price is adjusted.

APPENDIX I

ACCOUNTANTS' REPORT

	SBI BIOTECH CO., LTD. (2) Stock option	SBI BIOTECH CO., LTD. (5) Stock option	SBI VeriTrans Co., Ltd. FY2004 Stock option	Morningstar Japan K.K. FY2001 Stock option	Morningstar Japan K.K. FY2003 (1) Stock option
Exercise price (Yen) .	5,000	175,000	5,741	320,375	57,500
Average price of stocks upon exercise (Yen)	—	—	—	—	—
Fair value of option at grant date per option (Yen)	—	—	—	—	—
	Morningstar Japan K.K. FY2006 (2) Stock option	Gomez Consulting Co., Ltd. FY2003 Stock option	Gomez Consulting Co., Ltd. FY2005 Stock option	HOMEOSTYLE Inc. (1) Stock option	HOMEOSTYLE Inc. (2) Stock option
Exercise price (Yen) .	133,500	44,250	100,000	9,636	9,636
Average price of stocks upon exercise (Yen)	—	84,900	—	—	—
Fair value of option at grant date per option (Yen)	—	—	—	—	—
	HOMEOSTYLE Inc. former TK International Co., Ltd. Stock option	HOMEOSTYLE Inc. (3) Stock option	HOMEOSTYLE Inc. (4) Stock option	Autoc one K.K. (1) Stock option	Autoc one K.K. (2) Stock option
Exercise price (Yen) .	11,903	16,000	19,000	10,000	10,000
Average price of stocks upon exercise (Yen)	—	—	—	—	—
Fair value of option at grant date per option (Yen)	—	—	—	—	—
	Autoc one K.K. (3) Stock option	Autoc one K.K. (4) Stock option	Autoc one K.K. (5) Stock option	Autoc one K.K. (6) Stock option	Autoc one K.K. (7) Stock option
Exercise price (Yen) .	50,000	50,000	50,000	50,000	50,000
Average price of stocks upon exercise (Yen)	—	—	—	—	—
Fair value of option at grant date per option (Yen)	—	—	—	—	—

	Autoc one K.K. (8) <u>Stock option</u>	SBI Trade Win Tech Co., Ltd. (2) <u>Stock option</u>	SBI Trade Win Tech Co., Ltd. (3) <u>Stock option</u>
Exercise price (Yen)	60,000	50,000	460,000
Average price of stocks upon exercise (Yen)	—	—	—
Fair value of option at grant date per option (Yen)	—	—	—

XV. NOTES TO INCOME TAXES

1. Major components of the deferred tax assets and liabilities

	Year ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(unaudited) (millions of Yen)	(millions of Yen)
Deferred tax assets - Current					
Losses on valuation of investment securities (current assets)	71	1,530	4,181	1,921	3,922
Provision of allowance for investment losses (current assets)	843	752	1,712	766	1,057
Accrued bonus	117	—	—	—	—
Provision of allowance for doubtful accounts	466	708	1,258	1,028	1,179
Tax loss carried forward	298	1,387	1,312	2,054	1,388
Accrued enterprise taxes	79	256	399	258	451
Unrealized losses on available-for-sale securities	—	990	—	516	—
Others	437	800	1,372	2,025	1,658
Subtotal	2,313	6,425	10,237	8,601	9,656
Valuation allowance	(200)	(510)	(1,099)	(823)	(1,093)
Total deferred tax assets - Current	2,112	5,915	9,137	7,777	8,562
Deferred tax assets (investment and other assets)					
Tax loss carried forward	5,668	13,706	14,229	15,563	19,243
Provision of allowance for doubtful accounts	769	1,563	1,217	1,424	1,562
Losses on valuation of investment securities (non-current assets)	2,821	5,454	4,286	3,970	4,285
Losses of equity method investments	3,063	—	—	—	—
Statutory reserve for financial products transaction liabilities	3,241	2,951	2,942	2,937	2,154
Unrealized losses on available-for-sale securities	1,334	—	—	—	—
Others	898	1,323	2,179	1,826	2,184
Subtotal	17,797	24,998	24,855	25,723	29,430
Valuation allowance	(6,629)	(14,497)	(9,813)	(13,627)	(10,892)
Total deferred tax assets (investment and other assets)	11,168	10,501	15,042	12,095	18,537
Total deferred tax assets	13,280	16,416	24,179	19,873	27,100
Deferred tax liabilities — Current					
Unrealized gains on available-for-sale securities	(8,422)	—	(4,430)	—	(3,309)
Undistributed earnings of subsidiaries	(1,503)	—	—	—	—
Total deferred tax liabilities — Current	(9,926)	—	(4,430)	—	(3,309)
Deferred tax liabilities — Non-current					
Undistributed earnings of subsidiaries	(682)	—	—	—	—
Unrealized gains on available-for-sale securities	—	(277)	(1,197)	(628)	(977)
Others	(190)	(187)	(187)	(187)	(173)
Total deferred tax liabilities — Non-current	(873)	(465)	(1,385)	(816)	(1,150)
Total deferred tax liabilities	(10,799)	(465)	(5,815)	(816)	(4,460)
Net deferred tax assets (liabilities)	2,481	15,950	18,364	19,056	22,640

2. Reconciliation between the normal effective statutory tax rate and the actual effective tax rate

	Year ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
	(unaudited)				
Normal effective tax rate (Reconciliation)	40.69%	40.69%	40.69%	40.69%	40.69%
Permanent differences	1.11%	(1.47%)	20.71%	10.27%	44.64%
Amortization of goodwill.	6.47%	(17.83%)	343.09%	147.31%	1,527.16%
Minority interests in fund, etc	—	—	50.47%	23.42%	461.93%
Income/(losses) of the equity method	6.52%	(6.33%)	4.35%	5.64%	(72.78%)
Difference of normal effective tax rate between the Group and certain consolidated subsidiaries	—	—	—	—	(195.79%)
Consolidated adjustments of loss on sale of consolidated subsidiaries.	—	—	(173.26%)	(103.72%)	(1,577.09%)
Change in valuation allowance.	—	(40.63%)	(219.29%)	33.35%	960.06%
Undistributed earnings of subsidiaries and affiliates	7.44%	—	—	—	—
Others - net	(2.29%)	(12.55%)	13.2%	(32.35%)	33.62%
Actual effective tax rate.	<u>59.94%</u>	<u>(38.12%)</u>	<u>79.96%</u>	<u>124.61%</u>	<u>1,222.44%</u>

XVI. BUSINESS COMBINATIONS

FOR THE YEAR ENDED 31 MARCH 2008

1. Application of purchase method

(a) Acquisition of share of LIVING Corporation, Inc.

- (i) Acquired company's name, its business, reason for business combination, date of acquisition, legal structure of business combination, acquired company's name after the business combination, and percentage of voting shares

Acquired company's name	LIVING Corporation, Inc.
Acquired company's business	<ul style="list-style-type: none"> • Development and sales for real estate • Planning and design construction service for real estate
Reason of business combination	This acquisition was made to advance the strategy of real estate business by sharing technology and information of real estate.
Date of acquisition	10 September 2007
Legal structure of business combination	Bid

Acquired company's name after the business combination	No change	
Percentage of voting shares	54.4%	
(ii) Acquired company's operations were included in the consolidated financial statements from 1 October 2007 to 31 March 2008.		
(iii) Acquisition cost and its details		
Consideration of acquisition	Common shares of LIVING Corporation, Inc.	¥2,784 million
Direct acquisition cost	Commission fees	<u>65 million</u>
Acquisition cost		<u>¥2,849 million</u>
(iv) The amount of goodwill, the transaction background of goodwill recognition and amortization method and period		
Amount of goodwill recognized	¥2,140million	
Reason of occurrence	The difference between acquisition cost and the fair value of the net assets of the acquired company at the acquisition date was recognized as goodwill.	
Amortization method and period	Straight-line method over 20 years	
(v) Amount of the assets acquired and liabilities assumed at the acquisition date:		
Current assets		¥7,054 million
Non-current assets		<u>90 million</u>
Total assets acquired		<u>¥7,145 million</u>
Current liabilities		¥5,795 million
Non-current liabilities		<u>24 million</u>
Total liabilities assumed		<u>¥5,819 million</u>

(b) Acquisition of share of C4 Technology, Inc.

- (i) Acquired company's name, its business, reason of business combination, date of acquisition, legal structure of business combination, acquired company's name after the business combination, and percentage of voting shares

Acquired company's name	C4 Technology, Inc.
Acquired company's business	<ul style="list-style-type: none"> • Developing and licensing property C4 chiper, secret sharing scheme, digital watermarking • Providing information security products • Providing information security solution service

Reason of business combination	Strengthen the software system infrastructure in order to support the financial services that the Group provide through the internet	
Date of acquisition	3 March 2008	
Legal structure of business combination	New shares were issued to a third party	
Acquired company's name after the business combination	No change	
Percentage of voting shares	69.2% (including indirect holdings of share, 13.8%)	
(ii)	The financial statements included only the balance sheet of C4 Technology, Inc. as at 31 March 2008 as the acquisition was made in March 2008.	
(iii)	Acquisition cost and its details	
	Consideration of acquisition . . . Common shares of C4 Technology, Inc.	¥1,709million
	Direct acquisition cost Research cost	<u>4million</u>
	Acquisition cost.	<u>¥1,714million</u>
(iv)	Amount of goodwill recognized, reason of its occurrence and amortization method and period	
	Amount of goodwill recognized	¥1,619 million
	Reason of occurrence	The difference between acquisition cost and the fair value of the net assets of the acquired company at the acquisition date was recognized as goodwill.
	Amortization method and period	Straight-line method over 20 years
(v)	Amounts of the assets acquired and liabilities assumed at the acquisition date:	
	Current assets	¥2,683 million
	Non-current assets	<u>1,217 million</u>
	Total assets acquired	<u>¥3,900 million</u>
	Current liabilities	¥669 million
	Non-current liabilities	<u>3,088 million</u>
	Total liabilities assumed	<u>¥3,757 million</u>

2. Transaction under common control (“acquisition of additional interests in a subsidiary”)

(a) *Merger of SBI E*TRADE SECURITIES Co., Ltd. and SBI Securities Co., Ltd.*

- (i) Combined company's names, its business, legal structure of business combinations, company's name after business combinations and summary of transaction including its purpose

Combined company's names	SBI E*TRADE SECURITIES Co., Ltd. SBI Securities Co., Ltd.
Combined company's business	SBI E*TRADE SECURITIES Co., Ltd.: Financial Instrument Trader SBI Securities Co., Ltd.: Financial Instrument Trader
Legal structure of business combinations	Merger between the Company's subsidiaries: SBI E*TRADE SECURITIES Co., Ltd. is an existing entity and SBI Securities Co., Ltd. is an extinguished entity by absorption.
Company's name after the business combinations	SBI E*TRADE SECURITIES Co., Ltd
Summary of transaction including its purpose	SBI E*TRADE SECURITIES Co., Ltd was the first on-line securities company in Japan and had business advantages such as low cost structure, attracting many customers, and huge transaction volume in the on-line securities business segment. SBI Securities Co., Ltd. also has business advantage such as community-based business type or providing solution business type. Purpose of the merger is to seek for the new sophisticated business model with high quality service and for business expansion as a brokerage firm with comprehensive services based on business advantages of both companies. Accordingly, both companies were merged on 1 October 2007.

- (ii) Summary of accounting treatment

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

FOR THE YEAR ENDED 31 MARCH 2009

1. Transaction under common control (“acquisition of additional interests in a subsidiary”)

(a) Share exchange — SBI SECURITIES Co. Ltd. (former SBI E*TRADE SECURITIES Co., Ltd.)

- (i) Combined company’s name, its business, legal structure of business combination, company’s name after business combination and summary of transaction including its purpose

Combined company’s name	SBI SECURITIES Co., Ltd.
Combined company’s business	Financial instruments trade
Legal structure of business combination	Share exchanges between the Company and minority interest of SBI SECURITIES Co., Ltd.. After share exchange, SBI SECURITIES Co., Ltd. become wholly owned subsidiary of the Company.
Company’s name after business combination	No change
Summary of transaction including its purpose.	SBI SECURITIES Co., Ltd. is one of the core subsidiaries for providing the online financial one stop service. The transaction was conducted to achieve the prompt decision making for business expansion with flexibility, and business resource optimization. The Company fully owned SBI SECURITIES Co., Ltd.’s shares on 1 August 2008 through a shares exchange.

- (ii) Summary of accounting treatment

This share exchange is treated as a transaction under common control transactions with minority shareholders, in accordance with the statement of opinion “Accounting for Business Combinations” issued by the BAC on 31 October 2003, and “Guidance for Accounting Standard for Business Combinations and Business Divestitures” (ASBJ Guidance No. 10 updated on 15 November 2007).

- (iii) Additional acquisition of share of subsidiary

— Acquisition cost and details

Consideration of acquisition	The Group’s common shares	¥152,500 million
Direct acquisition cost	Research cost	25 million
Acquisition cost		<u>¥152,525 million</u>

— Share exchange ratio according to share type, its computation basis, granted shares, and those valuations	
Share exchange ratio	Common shares The Company 1: SBI SECURITIES 3.55
Computation basis	The valuations were conducted by Ernst & Young Transaction Advisory Services Co., Ltd. on the Company's side and conducted by KPMG FAS on SBI SECURITIES Co., Ltd.'s side as independent source for share exchange. Stock exchange ratio was determined based on the valuation reports from both parties.
Exchanged shares	5,428,212 share (Newly issued 4,319,212 shares) and treasury stock issued 1,109,000 stocks.
Fair value of exchanged shares	¥152,500 million
— Amount of goodwill recognized, reason of its occurrence, and amortization method and period	
Amount of goodwill recognized	¥83,851 million
Reason of occurrence	The Company recorded the difference between the acquisition cost for SBI SECURITIES Co., Ltd.'s common shares and the amount of minority interests as a goodwill.
Amortization method and period	Straight-line method for 20 years

FOR THE YEAR ENDED 31 MARCH 2010

1. Transaction under common control (“acquisition of additional interests in a subsidiary”)

(a) Share exchange - SBI Futures Co., Ltd. (“SBI Futures”)

- (i) Combined company's name, its business, legal structure of business combination, company's name after business combination and summary of transaction including its purpose.

Combined company's name	SBI Futures Co., Ltd.
Combined company's business	Futures trader

Legal structure of business combination	Share exchanges between the Company and minority interests of SBI Futures. After share exchange, SBI Futures became wholly owned subsidiary of the Company.
Company's name after business combination	No Change
Summary of transaction including its purpose	Although SBI Futures Co., Ltd. discontinued commodities future business on 31 July 2009, the Company wholly owned it through a share exchange on 1 August 2009 to succeed online foreign exchange business which is anticipated a synergy effect and other business reorganizations smoothly.

(ii) Summary of accounting treatment

"Accounting for business combinations" (ASBJ published as at 31 October 2003) and "Guidance for Accounting Standard for Business Combinations and Business Divestitures" (ASBJ Guidance No.10 published as at 15 November 2007), it is proceeded as trades with minority interests of those with common control.

(iii) Additional acquisition of stocks of subsidiary

— Acquisition cost and details

Consideration of acquisition	The Company's common shares	¥276million
Direct acquisition cost	Research cost	<u>2million</u>
Acquisition cost.		<u>¥278million</u>

— Share exchange ratio according to stock types, its computation basis, granted stocks, and those valuations

Share exchange ratio	Common shares The Company 1: SBI Futures 3
Computation basis	The valuations were conducted by HIBIYA & Co. on the company's side and conducted by TGP Business Solutions Co., Ltd. on SBI Futures Co., Ltd.'s side as independent source for share exchange. Stock exchange ratio was determined based on the valuation reports from both parties.
Exchanged shares	23,040 shares (all allotted treasury stocks the Company owns)
Fair value of exchanged shares	¥276 million

—	Amount of goodwill recognized, reason of its occurrence, and amortization method and period
Amount of goodwill recognized	¥34 million
Reason of occurrence	The Company recorded the difference between the additional acquisition cost of SBI Futures Co., Ltd.'s common shares and decreasing amount of minority interests as a goodwill.
Amortization method and period	One-time amortization in the consolidated year due to the goodwill amount being immaterial.

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

1. Acquisition

(a) Acquisition of share of KTIC Global Investment Advisory Co., Ltd.

- (i) Acquired company's name, its business, reason and date of business combination, legal structure of business Combination, company's name after business combination, ratio of voting rights, and basis of determining the acquiring company

Acquired company's name	KTIC Global Investment Advisory Co., Ltd.
Acquired company's business	Investment consulting business and investment discretion business
Reason of business combination	Utilizing the network of the acquired company to expand the investment business in Asia.
Date of business combination	1 June 2010
Legal structure of business combination	Acquisition of shares by cash as consideration
Company's name after business combination	SBI Global Investment Co., Ltd.
Ratio of voting rights	Ratio of voting rights before business combination: 22.9% Ratio of voting rights through additional acquisition: 17.2% Ratio of voting rights after business combination: 40.1%
Basis of determining the acquiring company	The company's consolidated subsidiary acquired the shares by cash as consideration.

(ii) Acquired company's period included in the consolidated statements of operations:

From 1 July 2010 to 30 September 2010

(iii) Acquisition cost and its details

Consideration of acquisition	Fair value of common shares held before the business combination at the date of business combination	4,055 million Korean Won
	Fair value of common shares additionally acquired at the date of business combination	5,094 million Korean Won
Acquisition cost.		9,150 million Korean Won

(iv) The difference between the fair value of the holding shares and the total acquisition cost of each transaction:

(2,535) million Korean Won

(v) Amount of goodwill recognized, reason of its occurrence and amortization method and period

Goodwill	3,508 million Korean Won
Reason of occurrence	The goodwill arises from the excess earning power expected in the future through business expansion.
Amortization method and period	The goodwill is amortized on a straight-line method over 20 years.

(vi) The approximate amount of impact to the consolidated statements of operations assuming that the business combination has been completed at the beginning of the current period are as follows:

Net Sales (millions of Yen)	174
Ordinary income (millions of Yen).	(43)
Net income (millions of Yen).	15

The above estimated amounts are out of the scope of audit.

XVII. SEGMENT INFORMATION

1. Business Segments

Business segments are determined by reference to categories used for internal management.

Description of each business segment

- Asset Management Business

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

- Brokerage and Investment Banking Business

“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, insurance or commodity futures, financing from the capital markets, securitizations, mergers and acquisitions and structured financing.

- Financial Services Business

“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

“Housing and Real Estate Business” primarily consists of investment, development, financing and information providing services relating to housing and real estate.

- System Solution Business

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

(a) Information about business segments of the Group for the year ended 31 March 2008, 2009 and 2010 and six months ended 30 September 2009 (unaudited) is as follows:

Year ended 31 March 2008	Asset Management Business (millions of Yen)	Brokerage & Investment Banking Business (millions of Yen)	Financial Services Business (millions of Yen)	Housing and Real Estate Business (millions of Yen)	System solution Business (millions of Yen)	Total (millions of Yen)	Eliminations/ Corporate (millions of Yen)	Consolidated (millions of Yen)
I. Net Sales and Operating income								
Net Sales								
(1) Revenue from customers	58,008	67,675	21,600	74,960	322	222,567	—	222,567
(2) Inter-segment revenue	0	855	895	110	—	1,860	(1,860)	—
Total net sales	<u>58,008</u>	<u>68,531</u>	<u>22,495</u>	<u>75,070</u>	<u>322</u>	<u>224,428</u>	<u>(1,860)</u>	<u>222,567</u>
Operating expenses	41,526	48,019	21,645	66,976	796	178,964	995	179,960
Operating income (loss)	<u>16,481</u>	<u>20,511</u>	<u>849</u>	<u>8,093</u>	<u>(473)</u>	<u>45,463</u>	<u>(2,856)</u>	<u>42,606</u>
II. Total Assets, Depreciation and Capital Expenditures								
Total assets	187,334	807,666	82,623	152,156	6,129	1,235,910	(16,663)	1,219,247
Depreciation	358	2,127	3,308	478	150	6,422	(61)	6,361
Capital expenditures	860	2,033	2,108	534	63	5,600	(0)	5,600

(i) Operating expenses incurred mainly in the Company's administrative headquarters could not be allocated based upon the business segments above and, therefore, were included in “Eliminations/corporate” with the aggregate amount of ¥3,730 million for the year ended 31 March 2008.

(ii) Total corporate assets of ¥12,107 million included in “Eliminations/corporate” as at 31 March 2008 mainly consisted of surplus funds (cash and bank deposits).

(iii) Net sales (revenue from customers) of ¥316 million, operating expenses of ¥2,650 million and operating loss of ¥2,334 million from newly consolidated subsidiaries, namely SBI Insurance Co., Ltd, SBI AXA Life insurance Co., Ltd, SBI Card Co., Ltd., and SBI Card Processing Co., Ltd., were included in the amounts of “Financial Services Business” respectively.

(iv) The change in business segments

After the year ended 31 March 2007, the real estate business included in “Asset Management Business” and the housing business included in “Financial Business” were newly merged into “Housing and Real Estate Business” due to the increase of sales and operating income.

Furthermore, “System Solution Business” was added in the segment division after the year ended 31 March 2007 due to the enter of SBI Robo, Corp. to the scope of the consolidated financial statements.

Year ended 31 March 2009	Asset Management Business (millions of Yen)	Brokerage & Investment Banking Business (millions of Yen)	Financial Services Business (millions of Yen)	Housing and Real Estate Business (millions of Yen)	System solution Business (millions of Yen)	Total (millions of Yen)	Eliminations/ Corporate (millions of Yen)	Consolidated (millions of Yen)
I. Net Sales and Operating income								
Net Sales								
(1) Revenue from customers	15,850	47,648	21,871	40,860	4,691	130,922	—	130,922
(2) Inter-segment revenue	131	1,533	745	46	1,662	4,119	(4,119)	—
Total net sales	15,981	49,182	22,617	40,906	6,354	135,042	(4,119)	130,922
Operating expenses	13,387	43,467	21,125	39,982	6,657	124,621	1,897	126,519
Operating income (loss)	2,594	5,714	1,491	923	(303)	10,420	(6,016)	4,403
II. Total Assets, Depreciation and Capital Expenditures								
Total assets	158,956	804,543	93,169	135,398	8,172	1,200,241	(121,007)	1,079,233
Depreciation	449	1,952	992	438	455	4,287	80	4,367
Capital expenditures	656	2,821	1,200	912	481	6,073	9	6,082

(i) Operating expenses incurred mainly in the Company's administrative headquarters could not be allocated based upon the business segments above and, therefore, were included in “Eliminations/corporate” with the aggregate amount of ¥4,715 million for the year ended 31 March 2009.

(ii) Total corporate assets of ¥6,881 million included in “Eliminations/corporate” as at 31 March 2009 mainly consisted of surplus funds (cash and bank deposits)

(iii) The change of the significant accounting policy

The accounting standard for measurement of inventories

Effective on 1 April 2008, the Group applied “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, issued on 5 July 2006) as mentioned in item (3) in the Note III. “CHANGES IN SIGNIFICANT ACCOUNTING POLICIES”. The effect of this change was a decrease in operating income by ¥408 million in Housing and Real Estate Business segment.

- (iv) Net sales (revenue from customers) of ¥1,008 million, operating expenses of ¥2,408 million and operating loss of ¥1,399 million from start-up businesses, namely SBI Insurance Co., Ltd., SBI AXA Life insurance Co., Ltd, SBI Card Co., Ltd. and SBI Card Processing Co., Ltd. were included in the amounts of “Financial Services Business”, respectively.

Year ended 31 March 2010	Asset Management Business (millions of Yen)	Brokerage & Investment Banking Business (millions of Yen)	Financial Services Business (millions of Yen)	Housing and Real Estate Business (millions of Yen)	System solution Business (millions of Yen)	Total (millions of Yen)	Eliminations/ Corporate (millions of Yen)	Consolidated (millions of Yen)
I. Net Sales and Operating income								
Net Sales								
(1) Revenue from customers	20,194	46,986	24,441	29,406	3,512	124,541	—	124,541
(2) Inter-segment revenue	—	3,136	1,164	1	1,117	5,419	(5,419)	—
Total net sales	20,194	50,122	25,605	29,408	4,629	129,961	(5,419)	124,541
Operating expenses	18,331	40,747	25,399	29,444	5,145	119,067	2,042	121,110
Operating income (loss)	1,863	9,374	206	(35)	(515)	10,893	(7,462)	3,431
II. Total Assets, Depreciation and Capital expenditures								
Total assets	203,215	880,834	96,917	118,047	8,404	1,307,419	(77,479)	1,229,939
Depreciation	535	2,324	1,003	429	192	4,485	83	4,568
Capital expenditures	213	6,673	3,675	628	756	11,947	—	11,947

- (i) Operating expenses incurred mainly in the Company's administrative headquarters could not be allocated based upon the business segments above and, therefore, were included in “Eliminations/corporate” of operating expenses with the aggregate amount of ¥4,982 million for the year ended 31 March 2010.
- (ii) Total corporate assets of ¥17,071 million included in “Eliminations/corporate” as at 31 March 2010 mainly consisted of surplus funds (cash and bank deposits).

Six months ended 30 September 2009 (unaudited)	Asset Management Business (millions of Yen)	Brokerage & Investment Banking Business (millions of Yen)	Financial Services Business (millions of Yen)	Housing and Real Estate Business (millions of Yen)	System Solution Business (millions of Yen)	Total (millions of Yen)	Eliminations/ Corporate (millions of Yen)	Consolidated (millions of Yen)
I. Net Sales and Operating income								
Net Sales								
(1) Revenue from customers	12,118	25,136	11,482	12,564	1,851	63,153	—	63,153
(2) Inter-segment revenue	—	1,486	480	0	459	2,427	(2,427)	—
Total net sales	12,118	26,623	11,962	12,565	2,310	65,580	(2,427)	63,153
Operating expenses	9,995	20,637	11,658	13,152	2,662	58,105	1,295	59,401
Operating income (loss)	2,123	5,985	304	(586)	(351)	7,475	(3,723)	3,752
II. Total assets, Depreciation and Capital expenditures								
Total assets	183,049	896,261	100,409	115,845	8,424	1,303,989	(110,464)	1,193,525
Depreciation	251	1,029	511	198	101	2,091	48	2,140
Capital expenditures	91	3,173	2,264	188	367	6,086	7	6,093

- (i) Operating expenses incurred mainly in the Company's administrative headquarters could not be allocated based upon the business segments above and, therefore, were included in "Eliminations/corporate" with the aggregate amount of ¥2,521 million for the six months ended 30 September 2009 (unaudited).
 - (ii) Total corporate assets of ¥10,221 million in "Eliminations/Corporate" as at 30 September 2009 (unaudited) mainly consisted of surplus funds (cash and bank deposits).
- (b) Information about business segments of the Group for the six months ended 30 September 2010 is as follows:

The Group applied ASBJ Statement No.17 "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No.20 "Guidance on Accounting Standard for Segment Information Disclosures" after 31 March 2010.

(i) *Overview of reportable segments*

Separate financial information of the Group's components are available and reviewed regularly by the board of directors for the purposes of allocation of financial resources and performance evaluation.

The Group engages in a wide range of business activities, mainly the financial service business. Based on the similarities or both economic characteristics of business and nature of services, "Asset Management Business", "Brokerage and Investment Banking Business", "Financial Services Business", "Housing and Real Estate Business" are determined as reportable segments.

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

"Brokerage and Investment Banking Business" primarily consists of financial businesses, such as trustee of securities trading, underwriting and offering for sale of IPO shares, offering for subscription or sale of stocks, foreign exchange margin trading, and other financial instrument trading business.

"Financial Services Business" primarily consists of financial-related businesses, such as property and casualty insurance business, credit card business and the provision of information regarding financial products.

"Housing and Real Estate Business" primarily consists of developing and trading of investment property, financing business related to the granting of mortgage loans, operating web sites related to the provision of intermediate service, comparison and real estate appraisal service.

(ii) *Measurement of reportable segment profits or losses and segment assets*

The accounting treatment of reportable business segments is almost the same as stated in the "Significant accounting policy". The segment income is based on operating income. The inter-segment revenue and amounts of transferring to other accounts are based on market price.

(iii) Information about reportable segments

Six months ended 30 September 2010	Reportable segment					Sub-total	Others (Note)	Total
	Asset Management Business	Brokerage & Investment Banking Business	Financial Services Business	Housing and Real Estate Business				
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)			
Net Sales								
Revenue from customers	10,514	22,915	13,525	8,590	55,545	7,402	62,948	
Inter-segment revenue	1	1,301	983	1	2,287	860	3,147	
Total	<u>10,516</u>	<u>24,216</u>	<u>14,508</u>	<u>8,591</u>	<u>57,833</u>	<u>8,262</u>	<u>66,096</u>	
Segment operating-income (loss)	2,679	3,780	435	1,205	8,100	(1,020)	7,079	
Segment assets	200,981	875,965	126,505	109,521	1,312,973	18,211	1,331,185	
Other items								
Depreciation	25	1,280	565	192	2,063	239	2,303	
Amortization of Goodwill	137	2,925	187	368	3,619	254	3,873	
Investment in subsidiaries and affiliates applying equity-method	4,366	2,103	23,472	—	29,942	—	29,942	
Increase of property and equipment, intangible assets	13	1,682	807	363	2,866	307	3,174	

Note: Business segments classified into "Others" are the segments not determined as reportable segments, which consist of system-related business, drug-discovery business and garment business.

(iv) Reconciliation of the difference between the total amount of reportable segments and the total amount recorded in the Financial Information

SIX MONTHS ENDED 30 SEPTEMBER 2010

Net sales	Amount
	millions of Yen
Total of reportable segments	57,833
Nets sales of "Others"	8,262
Elimination among segments	<u>(3,147)</u>
Net sales per Financial Information	<u>62,948</u>
Operating income	Amount
	millions of Yen
Total of reportable segments	8,100
Losses of "Others"	(1,020)
Elimination among segments	(933)
Headquarters expenses(Note)	<u>(2,541)</u>
Operating income per Financial Information	<u>3,605</u>

Note: Corporate head quarter's expenses are general administrative expenses which are not attributable to reportable segments.

Assets	Amount
	millions of Yen
Total of reportable segments	1,312,973
Assets of "Others"	18,211
Elimination among segments	(93,549)
Headquarters assets (Note)	17,250
Assets per Financial Information	<u>1,254,886</u>

Note: Headquarter's assets are principally surplus operating funds (cash and deposits).

Other items	Total of reportable segments	Amount of adjustment	Total per Financial Information
	millions of Yen	millions of Yen	millions of Yen
Depreciation	2,063	434	2,498
Amortization of goodwill	3,619	254	3,873
Investment in subsidiaries and affiliates applying equity-method . .	29,942	—	29,942
Increase of property and equipment, intangible assets	2,866	472	3,339

Impairment losses	Amount
	millions of Yen
Asset Management Business	—
Brokerage & Investment Banking Business	350
Financial Services Business	5
Housing and Real Estate Business	—
Others (Note)	360
Headquarters expenses and elimination among segment . .	—
Total	<u>716</u>

Note: The amount stated in "Others" is all relevant to the Health Care Related Business.

Goodwill	Amount
	millions of Yen
Asset Management Business	4,723
Brokerage & Investment Banking Business	100,804
Financial Services Business	5,726
Housing and Real Estate Business	11,313
Others (Note)	7,255
Headquarters expenses and elimination among segment . .	—
Total	<u>129,823</u>

Note: "Others" consists of system-related business, drug-discovery business and garment business.

2. Geographical information

Net sales of the Company and consolidated domestic subsidiaries were over 90% of the total net sales for the years ended 31 March 2008, 2009 and 2010 and six months ended 30 September 2009 (unaudited) and 2010 in the consolidated statements of operations. Therefore, geographical segment information regarding net sales is not presented herein.

Identifiable assets of the Company and consolidated domestic subsidiaries was over 90% of the total assets for the years ended 31 March 2008, 2009, 2010 and six months ended 30 September 2009 (unaudited). Therefore, geographical segment information regarding identifiable assets is not presented herein.

The Group applied ASBJ Statement No. 17 "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20 "Guidance on Accounting Standard for Segment Information Disclosures" after 31 March 2010. Therefore, geographical segment information regarding identifiable assets after 31 March 2010 is not presented herein.

Property and equipment of the Company and consolidated domestic subsidiaries were over 90% of the total assets as at 30 September 2010 in the consolidated balance sheets. Therefore, geographical segment information is not presented herein.

3. Net sales to foreign customers

FOR THE YEAR ENDED 31 MARCH 2008

	North America	Others	Total
I. Net Sales to foreign customers	22,943	16,978	39,922
II. Consolidated net sales	—	—	222,567
III. The ratio of sales to foreign customers in the consolidated net sales (%)	10.3	7.6	17.9

Notes:

1. Each country and region were divided by geographical distance.
2. Each category was broken down as follows:
 - (a) North America — the United States of America
 - (b) Others — Europe, the People's Republic of China, Hong Kong, Macau and Korea
3. Net sales to foreign customers were the net sales recorded by the Group's subsidiaries to foreign customers outside Japan.

FOR THE YEAR ENDED 31 MARCH 2009

	<u>North America</u>	<u>Others</u>	<u>Total</u>
	millions of Yen	millions of Yen	millions of Yen
I. Net Sales to foreign customers	1,725	11,554	13,279
II. Consolidated net sales	—	—	130,922
III. The ratio of sales to foreign customers in the consolidated net sales (%)	1.3	8.8	10.1

Notes:

- Each country and region were divided by geographical distance.
- Each category was broken down as follows:
 - North America — the United States of America
 - Others — Europe, the People's Republic of China, Hong Kong, Macau and Korea
- Net sales to foreign customers were the net sales recorded by the Group to foreign customers outside Japan.

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009 (unaudited)

	<u>Asia</u>	<u>Others</u>	<u>Total</u>
	millions of Yen	millions of Yen	millions of Yen
I. Net sales to foreign customers	6,385	476	6,862
II. Consolidated net sales	—	—	63,153
III. The ratio of sales to foreign customers in the consolidated net sales (%)	10.1	0.8	10.9

Notes:

- Each country and region were divided by geographical distance.
- Each category was broken down as follows:
 - Asia — the People's Republic of China, Korea, Singapore, Vietnam
 - Others — North America, Europe
- Net sales to foreign customers were the net sales recorded by the Group to foreign customers outside Japan.

Net sales to foreign customers for the year ended 31 March 2010 was under 10% of the consolidated net sales. Therefore, foreign revenue information is not presented herein.

The Group applied ASBJ Statement No. 17 "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20 "Guidance on Accounting Standard for Segment Information Disclosures" after 31 March 2010. Therefore, net sales to foreign customers after 31 March 2010 are not presented herein.

XVIII. RELATED PARTY TRANSACTIONS

“Accounting standard for the disclosure of Related Party Transactions” (ASBJ No.11, 17 October 2006) and Implementation Guidance No. 13, “Guidance on the disclosure of Related Party Transactions” (ASBJ No.13, 17 October 2006) were applied starting from the year ended 31 March 2009.

Accordingly, in addition to disclosures made in previous year, the transactions between consolidated subsidiaries and related party were disclosed after the year ended 31 March 2008.

1. Transactions with the executives and main individual shareholders of the Group FOR THE YEAR ENDED 31 MARCH 2008

Type	Name	Address	Capital (millions of Yen)	Business or position	Ownership (%)	Relationship		Contents	Amounts (millions of Yen)	Account name	Balance (millions of Yen)
						Interlocking of executives (Name)	Factual relationship				
Director	Yoshitaka Kitao	—	—	The Group's Representative and CEO	(Ownership by the related party) Direct 1.8	—	—	Purchase of shares of a subsidiary	350	—	—

Notes: Terms of transactions and policy for the terms

- (1) The sale price was determined based on the share price calculated by independent third party.
- (2) The payment term was cash disbursement at one time.

FOR THE YEAR ENDED 31 MARCH 2009

Type	Name	Address	Capital (millions of Yen)	Business or position	Ownership (%)	Transaction description	Contents	Amounts (millions of Yen)	Account name	Balance (millions of Yen)
Director	Yoshitaka Kitao	—	—	The Company's Representative and CEO	(Ownership by the related party) Direct 1.8	Sales of Investment securities	Sales of operational investment securities	1,001	—	—
						Borrowing	Borrowing	900	—	—
							Repayment of borrowing payable	900	—	—
							Interest expense	5	—	—

Notes: Terms of transactions and policy for the terms

- (1) The sale price was determined based on the share price calculated by independent third party. The payment term was cash disbursement at one time.
- (2) The interest rate was determined based on the market interest rate.

FOR THE YEAR ENDED 31 MARCH 2010

Type	Name	Address	Capital (millions of Yen)	Business or position	Ownership (%)	Transaction description	Contents	Amounts (millions of Yen)	Account name	Balance (millions of Yen)
Director	Yoshitaka Kitao	—	—	The Company's Representative and CEO	(Ownership by the related party) Direct 1.8	Sales of Investment securities	Sales of operational investment securities	2,975	Current assets (Accrued revenue)	2,975

Note: Terms of transactions and policy for the terms

- (1) The sale amount was based on the contract of sales of Investment securities, which occurred in the year ended 31 March 2009. The payment term was cash disbursement at one time.

2. Related party transactions between the consolidated subsidiaries and related parties

Transactions with non-consolidated subsidiaries and affiliates of the Group

Type	Name	Address	Capital (millions of Yen)	Business or position	Ownership (%)	Transaction description	Contents	Amounts (millions of Yen)	Account name	Balance (millions of Yen)
Affiliates	ZPYR	Chuo-ku, Tokyo	13,443	Real estate agency and brokerage	—	Financing aid	Finance	15,000	—	—
							Interest income	143	—	—

Notes:

- (1) ZPYR was not an affiliate after SBI Holdings, Inc sold all shares of ZPYR during the year ended 31 March 2010.
- (2) The amount of capital at the end of June 2008 is presented in the table above.
- (3) Terms of transactions and policy for the terms

The interest rate was determined based on the market interest rate.

3. Significant affiliate information

Summarized financial information of SBI Sumishin Net Bank, Ltd. which was a significant affiliate for the years ended 31 March 2009 and 2010 and six months ended 30 September 2009 (unaudited) and 2010 is as follows:

	As at 31 March		As at 30 September	
	2009	2010	2009	2010
	(millions of Yen)	(millions of Yen)	(unaudited) (millions of Yen)	(millions of Yen)
Total assets	647,874	1,248,640	905,385	1,555,436
Total liabilities	636,303	1,222,011	881,527	1,517,296
Net assets	<u>11,570</u>	<u>26,628</u>	<u>23,857</u>	<u>38,140</u>
Ordinary income (loss)	11,626	20,738	9,758	13,636
Income (loss) before income taxes	(3,692)	2,322	1,290	1,483
Net income (loss)	(3,699)	2,316	1,287	1,480

XIX. NOTES TO PER SHARE INFORMATION

	Year ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
	Yen	Yen	Yen	(unaudited) Yen	Yen
Net assets per share	21,438.08	21,129.47	21,424.02	21,231.75	19,464.06
Net income (loss) per share . . .	376.63	(1,232.48)	140.30	49.12	37.11
Diluted net income per share . .	<u>344.65</u>	<u>—</u>	<u>116.84</u>	<u>21.34</u>	<u>27.23</u>

As the Group was in loss making position for the year ended 31 March 2009, diluted net loss per share information is not disclosed.

Notes:

1. Basis of calculation of the net assets per share

	Year ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(unaudited) (millions of Yen)	(millions of Yen)
Total net assets	387,766	419,338	428,615	426,146	457,530
Details					
- Stock acquisition rights	(4)	(11)	(11)	(11)	(11)
- Minority interest	<u>(146,546)</u>	<u>(65,808)</u>	<u>(69,372)</u>	<u>(70,343)</u>	<u>(69,680)</u>
Total deducted amount from net asset . .	(146,550)	(65,820)	(69,384)	(70,355)	(69,692)
Net assets attributable to common shareholders at the end of the financial year	<u>241,215</u>	<u>353,518</u>	<u>359,230</u>	<u>355,791</u>	<u>387,838</u>
The number of common shares for the calculation	<u>11,251,743</u>	<u>16,731,072</u>	<u>16,767,670</u>	<u>16,757,512</u>	<u>19,925,871</u>

2. Basis of calculation for the net income (loss) and diluted net income per share

	Year ended 31 March			Six months ended 30 September	
	2008 (millions of Yen)	2009 (millions of Yen)	2010 (millions of Yen)	2009 (unaudited) (millions of Yen)	2010 (millions of Yen)
Net income (loss) per share					
Net income (loss) for the year/period	4,228	(18,375)	2,350	822	686
Net income not attributable to common shareholders.	—	—	—	—	—
Net income (loss) attributable to common shareholders	<u>4,228</u>	<u>(18,375)</u>	<u>2,350</u>	<u>822</u>	<u>686</u>
Average number of common shares during the year/period (share)	<u>11,228,402</u>	<u>14,909,151</u>	<u>16,750,591</u>	<u>16,739,544</u>	<u>18,492,606</u>
Diluted net income per share					
Adjustment on net income for the year/period	(303)	—	(387)	(463)	(181)
Effect of dilutive shares issued by consolidated subsidiaries	(303)	—	(387)	(463)	(181)
Increased number of common shares (share)	162,494	—	49,358	52,828	34,935
Increased by exercising acquisition right	<u>(162,494)</u>	<u>—</u>	<u>(49,358)</u>	<u>(52,828)</u>	<u>(34,935)</u>

3. Overview of stocks with potential dilutive effect excluded from the calculation

For the year ended 31 March 2008:	2008 Zero coupon unsecured Japanese Yen convertible bonds with warrants (the number of shares 154,350) 2009 Zero coupon unsecured Japanese Yen convertible bonds with warrants (the number of shares 323,803) Stock acquisition rights by the resolution of ordinary general meeting of shareholders at 29 June 2005 (the number of shares 26,199) Stock acquisition rights by the resolution of ordinary general meeting of shareholders at 22 September 2005 of SBI Partners Co., Inc (the number of shares 550) Stock acquisition rights by the resolution of ordinary general meeting of shareholders and the board meeting at 29 June 2004 of the former WORLD NICHIEI FRONTIER Securities Co., Ltd., currently SBI SECURITIES E*TRADE Co., Ltd. (the number of shares 21,396), Stock acquisition rights by the resolution of ordinary general meeting of shareholders at 29 June 2005 of the former SBI SECURITIES Co., Ltd. (the number of shares 23,263)
For the year ended 31 March 2009:	Stock acquisition right issued by the stock option plan (Potential shares: 109,297 shares)
For the year ended 31 March 2010:	Stock acquisition right issued by the stock option plan (Potential shares: 182,637 shares)
For the six months ended 30 September 2009 (unaudited):	Stock acquisition right issued by the stock option plan (Potential shares: 182,788 shares)
For the six months ended 30 September 2010:	Stock acquisition right issued by the stock option plan (Potential shares: 187,050 shares)

**XX. INFORMATION FOR THE SCOPE OF CONSOLIDATION
FOR THE YEAR ENDED 31 MARCH 2008****(1) Number of consolidated subsidiaries: 74**

As compared with the year ended 31 March 2007, there were 35 additions and 9 exclusions from the scope of consolidation

Additions - 15 entities were newly established or acquired

- LIVING Corporation, Inc.
- C4 Technology, Inc.
- C4 Business Integration, Inc.
- C4 Business Consulting, Inc.
- C4 & Pasona Tech Management Service, Inc.
- TradeWin Co., Ltd.
- KABUSHIKISHINBUN, Inc.
- GolfZannmai Co., Ltd.
- Autobyte Japan Co., Ltd
- PLANET ALLIANCE CO., LTD.
- SBI LIFE SCIENCE TECHNOLOGY NO.2 INVESTMENT LPS
- Momochihama Property SPC
- SBI & TH Venture Capital Enterprise
- MS Investment Services
- Venture Fund No. 1

Additions - 20 entities were newly consolidated due to the Group's ability to exercise control

- SBI Insurance Co., Ltd. (former SBI Insurance Foundation)
- SBI AXA Life Insurance Co., Ltd. (former SBI Life Insurance Foundation)
- SBI Card Co., Ltd.
- SBI Card Processing Co., Ltd.
- SBI Biotech Co., Ltd.
- SBI Incubation advisory Co., Ltd.
- SBI Robo Corp.
- Traders Financial Systems
- SBI Estate Management Co., Ltd
- SBI & TH (Beijing) Venture Capital Management Co., Ltd.
- SBI BROADBAND FUND No1 LIMITED PARTNERSHIP
- SBI BB Mobile Investment LPS
- SBI MEZZANINE FUND NO.1
- SBI MEZZANINE FUND NO.2 LIMITED PARTNERSHIP
- Metropolitan Enterprise Revitalization Fund, Limited Liability Investment Partnership
- SBI Real Incubation No.1 Limited Liability Investment Partnership
- Biovision Life Science Fund No.1
- SBI Bio Life Science Investment LPS
- SBI LIFE SCIENCE TECHNOLOGY INVESTMENT LPS
- SBICDI Corporate Incubation Co., Ltd.

Deconsolidation - 2 entities were deconsolidated as a result of mergers

- SBI Securities Co., Ltd.
- SBI Technology Co., Ltd.

Deconsolidation - 6 entities were deconsolidated due to liquidation

- Softbank Content Fund
- SBI Partners Fund B Silent Partnership
- Davinci Silent Partnership
- Chagall Silent Partnership
- J Rep A Silent Partnership
- J Rep D Silent Partnership

Deconsolidation - 1 entity was deconsolidated due to loss of control

- SBI Nelva Co., Ltd.

(2) Name of major non-consolidated subsidiaries (small size entities):

- SBI Guarantee Co., Ltd.

- SBI Wellness Bank Co., Ltd.

(3) Name and number of entities not classified as subsidiaries despite the ownership of 50 percent or more of the voting power of the investees (venture capital investments):

- NARUMIYA INTERNATIONAL Co., Ltd. and 10 other entities.

FOR THE YEAR ENDED 31 MARCH 2009

(1) Number of consolidated subsidiaries: 82

As compared with the year ended 31 March 2008, there were 17 additions to and 9 exclusions from the scope of consolidation.

Additions - 11 entities were newly established or acquired

- SBI NEO TECHNOLOGY A Investment LPS

- SBI NEO TECHNOLOGY B Investment LPS

- SBI MEZZANINE FUND NO3 LIMITED PARTNERSHIP

- THE VIETNAM JAPAN FUND

- India Japan Fund

- SBI&Capital 22 Management Co. Ltd.

- SBI&Capital 22 Management Inc.

- SBI&Capital 22 JV Fund, L.P.

- SBI Financial Co., Ltd.

- SBI Land design Co., Ltd.

- Klimt Silent Partnership

Additions - 6 entities were newly consolidated due to the Group's ability to exercise control

- SBI Liquidity Market Co., Ltd.

- SBI VEN HOLDINGS PTE.LTD.

- SS Venture Services Limited

- KNOWLEDGE INVESTMENTS (MAURITIUS) LIMITED

- SBI China Branding Co., Ltd.

- Alberich LLC

Deconsolidated - 2 entities were deconsolidated as a result of mergers

- KABUSHIKISHINBUN, Inc.

- C4 Pasona Tech Management Services Inc.

Deconsolidation - 5 entities were deconsolidated due to liquidation

- SOFTBANK INTERNET TECHNOLOGY FUND NO. 1

- SOFTBANK INTERNET TECHNOLOGY FUND NO. 2

- Venture Fund No.1

- J Rep L Silent Partnership

- Klimt Silent Partnership

Deconsolidation - 1 entity was deconsolidated due to loss of control

- SBI Property Advisors Co., Ltd.

Deconsolidation - 1 entity was deconsolidated due to disposal

- E*TRADE Korea Co., Ltd.

(2) Name of major non-consolidated subsidiaries (small size entities):

- SBI Wellness Bank Co., Ltd.

- SBI VEN CAPITAL PTE. LTD.

- (3) Name and number of entities not classified as subsidiaries despite the ownership of 50 percent or more of the voting power of the investees (venture capital investments):

- NARUMIYA INTERNATIONAL Co., Ltd. and 11 other entities.

FOR THE YEAR ENDED 31 MARCH 2010

- (1) Number of consolidated subsidiaries: 103

As compared with the year ended 31 March 2009, there were 33 additions to and 12 exclusion from the scope of consolidation.

Additions - 19 entities were newly established or acquired

- SBI transcience Co., Ltd.
- SBI Selective Target Investment LPS
- SBI Innovation Fund No.1
- Metropolitan Enterprise Revitalization Fund, Limited Liability Investment Partnership No.2
- SBI European Fund
- SBI Zhaoxin L.P. and 13 other entities

Additions - 11 entities were newly consolidated due to the Group's ability to exercise control

- SBI-HIKARI PE Co., Ltd.
- SHENTON STRUCTURED PROJECTS PTE. LTD.
- Elan SBI Capital Partners Fund Management Private Limited Company
- SBI Zhaoxin Advisor Limited
- SBI Servicer Co., Ltd.
- SBI Receipt Co., Ltd.
- SBI Business Support Corp.
- SBI Property Advisors Co., Ltd. and 3 other entities

Deconsolidation - 6 entities were deconsolidated as a result of mergers

- SBI Equal Credit Co., Ltd.
- Partners Investments Co., Ltd.
- SBI Land Design Co., Ltd.
- SBI Tech Co., Ltd. and 2 other entities

Deconsolidated - 1 entity was deconsolidated due to liquidation

- SBI CDI Corporate Incubation

Deconsolidation - 2 entities were deconsolidated due to loss of control

- SBI Global Seguros Holdings Limited and 1 other entity

Deconsolidation - 3 entities were deconsolidated due to disposal

- SBI AXA Life Insurance Co., Ltd.
- SBI Card Processing Co., Ltd.
- SBI Robo Corp.

Additions - 3 entities were reclassified from "Operational investment securities" to non-consolidated subsidiaries and reported as "Investment securities" due to the application of ASBJ Guidance No. 22 issued on 13 May 2008

- (2) Name of major non-consolidated subsidiaries (small size entities):

- SBI ALApromo Co., Ltd.
- SBI VEN CAPITAL PTE. LTD.
- Searchina Co., Ltd.

- (3) Name and number of entities not classified as subsidiaries despite the ownership of 50 percent or more of the voting power of the investees (venture capital investments):
- NARUMIYA INTERNATIONAL Co., Ltd. and 13 other entities.

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009 (unaudited)

- (1) Number of consolidated subsidiaries: 98

Additions - Names of major consolidated subsidiaries:

- SBI Investment Co., Ltd.
- SBI Incubation Co., Ltd.
- SBI CAPITAL Co., Ltd.
- SBI Capital Solutions Co., Ltd.
- SBI Asset Management Co., Ltd.
- SBI VEN HOLDINGS PTE. LTD.
- SBI SECURITIES Co., Ltd.
- SBI Liquidity Market Co., Ltd.
- SBI VeriTrans Co., Ltd.
- Morningstar Japan K.K.
- Gomez Consulting Co., Ltd.
- SBI Lease Co., Ltd.
- SBI Marketing Co, Ltd.
- Autoc one K.K.
- SBI Insurance Co., Ltd.
- SBI AXA Life Insurance Co., Ltd.
- SBI Card Co., Ltd.
- SBI Mortgage Co., Ltd.
- SBI Life Living, Co., Ltd.
- CEM Corporation
- SBI Net Systems Co., Ltd.
- HOMEOSTYLE Inc.

As compared with the year ended 31 March 2009, there were 21 additions to and 5 exclusions from the scope of consolidation

Additions - 11 entities were newly established or acquired

- Metropolitan Enterprise Revitalization Fund, Limited Liability Investment Partnership No.2
- SBI European Fund
- SBI Zhaoxin L.P. and 8 other entities

Additions - 7 entities were newly consolidated due to the Group's ability to exercise control

- SBI-HIKARI PE Co., Ltd
- SHENTON STRUCTURED PROJECTS PTE. LTD.
- Elan SBI Capital Partners Fund Management Private Limited Company
- SBI Zhaoxin Advisor Limited
- SBI Property Advisors Co., Ltd. and 2 other entities

Deconsolidation - 5 entities were deconsolidated as a result of mergers

- Partners Investments Co., Ltd.
- SBI Land Design Co., Ltd.
- SBI Tech Co., Ltd. and 2 other entities

Additions - 3 entities were reclassified from "Operational investment securities" to non-consolidated subsidiaries and reported as "Investment securities" due to the application of ASBJ Guidance No. 22 issued on 13 May 2008

- (2) Name of major non-consolidated subsidiaries (small size entities):
- SBI ALApromo Co., Ltd.
 - SBI VEN CAPITAL PTE. LTD.
- (3) Name and number of entities not classified as subsidiaries despite the ownership of 50 percent or more of the voting power of the investees (venture capital investments):
- NARUMIYA INTERNATIONAL Co., Ltd. and 10 other entities.

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

- (1). Number of consolidated subsidiaries: 101

Names of major consolidated subsidiaries:

- SBI Investment Co., Ltd.
- SBI Incubation Co., Ltd.
- SBI CAPITAL Co., Ltd.
- SBI Capital Solutions Co., Ltd.
- SBI Asset Management Co., Ltd.
- SBI VEN HOLDINGS PTE. LTD.
- SBI SECURITIES Co., Ltd.
- SBI Liquidity Market Co., Ltd.
- SBI VeriTrans Co., Ltd.
- Morningstar Japan K.K.
- Gomez Consulting Co., Ltd.
- SBI Lease Co., Ltd.
- SBI Servicer Co., Ltd.
- SBI Marketing Co, Ltd.
- SBI Business Support Co, Ltd.
- Autoc one K.K.
- SBI Insurance Co., Ltd.
- SBI Card Co., Ltd.
- SBI Mortgage Co., Ltd.
- SBI Life Living, Co., Ltd.
- CEM Corporation
- SBI Net Systems Co., Ltd.
- HOMEOSTYLE Inc.

As compared with the year ended 31 March 2010, there were 3 additions to and 5 exclusions from the scope of consolidation.

Additions - 3 entities were newly established or acquired

- SBI Global Investment Co., Ltd.
- G-One Credit Service Co., Ltd. changed its company name to SBI Credit Co., Ltd. on 1 October 2010 and other entity.

Deconsolidation - 2 entities were deconsolidated as a result of mergers

- SBI Futures Co., Ltd.
- E*GOLF Corporation

Deconsolidation - 2 entities were deconsolidated due to liquidation

- SBI Incubation Advisory Co., Ltd. and 1 other entity

Deconsolidation - 1 entity was deconsolidated from the scope of consolidation due to the adoption of the specific exemption for the small size entities.

- (2) Name of major non-consolidated subsidiaries (small size entities):
- SBI ALApromo Co., Ltd.
 - SBI VEN CAPITAL PTE. LTD.
 - Searchina Co., Ltd.

- (3) Name and number of entities not classified as subsidiaries despite the ownership of 50 percent or more of the voting power of the investees (venture capital investments):
- NARUMIYA INTERNATIONAL Co., Ltd. and 13 other entities.

XXI. INFORMATION FOR THE SCOPE OF EQUITY METHOD APPLICATION

FOR THE YEAR ENDED 31 MARCH 2008

- (1) Number of non-consolidated subsidiaries subject to equity method: 1

Name of the entity:

- SBI Japannext Co., Ltd.

- (2) Number of affiliates accounted for using equity method: 7

Name of major entities:

- SBI Sumishin Net Bank, Ltd. (formerly known as SBI Sumishin Net Bank Research Foundation)
- ZEPHYR CO., LTD.
- SOLXYZ Co., Ltd.

- (3) Name of major non-consolidated subsidiaries and affiliates that are not accounted for using the equity method (small size entities):

- SBI Guarantee Co., Ltd.
- SBI Wellness Bank Co., Ltd.
- NEW HORIZON PARTNERS LTD.

- (4) Name of entities not classified as affiliates despite the ownership of 20 percent or more of the voting power but below 50 percent (venture capital investments):

- Venture Revitalize Investment, Inc. VSN, INC. and 35 other entities

FOR THE YEAR ENDED 31 MARCH 2009

- (1) Number of unconsolidated subsidiaries subject to equity method: 1

Name of the entity:

- SBI Japannext Co., Ltd.

- (2) Number of affiliates accounted for using equity method: 7

Name of major entities:

- SBI Sumishin Net Bank, Ltd.
- SOLXYZ Co., Ltd.
- Broadmedia Corporation

As compared with the year ended 31 March 2008, there were 2 additions to and 2 exclusions from the scope of application of equity method. Broadmedia Corporation was included as it became an affiliate due to additional acquisition of the entity's stocks; whilst the Group sold all its stocks of ZEPHYR CO., LTD., and accordingly, it was no longer an affiliate of the Group.

- (3) Name of major non-consolidated subsidiaries and affiliates that are not accounted for using the equity method (small size entities):

- SBI Wellness Bank Co., Ltd.
- SBI VEN CAPITAL PTE. LTD.
- NEW HORIZON PARTNERS LTD.

- (4) Name of entities not classified as affiliates despite the ownership of 20 percent or more of the voting power but below 50 percent (venture capital investments):
- Venture Revitalize Investment, Inc.
 - VSN, INC. and 38 other entities

FOR THE YEAR ENDED 31 MARCH 2010

- (1) Number of non-consolidated subsidiaries subject to equity method: 1

Name of the entity:

- SBI Japannext Co., Ltd.

- (2) Number of affiliates accounted for using equity method: 5

Name of major entities:

- SBI Sumishin Net Bank, Ltd.
- SOLXYZ Co., Ltd.

As compared with the year ended 31 March 2009, there were 2 exclusions from the scope of application of equity method, such as Broadmedia Corporation which was no longer an affiliate due to the decrease in voting power after selling off its stocks.

- (3) Name of major non-consolidated subsidiaries and affiliates that are not accounted for using equity method (small size entities):

- SBI ALApromo Co., Ltd.
- SBI VEN CAPITAL PTE. LTD.
- NEW HORIZON PARTNERS LTD.

- (4) Name of entities not classified as affiliates despite the ownership of 20 percent or more of the voting power of the investee but below 50 percent (venture capital investment):

- Venture Revitalize Investment, Inc.
- VSN, INC. and 44 other entities

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009 (unaudited)

- (1) Number of unconsolidated subsidiaries subject to equity method: 1

Name of the entity:

- SBI Japannext Co., Ltd.

- (2) Number of affiliates accounted for using equity method: 7

Name of major entities:

- SBI Sumishin Net Bank, Ltd.
- SOLXYZ Co., Ltd.
- Broadmedia Corporation

- (3) Name of major non-consolidated subsidiaries and affiliates that are not accounted for using equity method (small size entities):

- SBI ALApromo Co., Ltd.
- SBI VEN CAPITAL PTE. LTD.
- NEW HORIZON PARTNERS LTD.

(4) Name of entities not classified as affiliates despite the ownership of 20 percent or more of the voting power of the investee but below 50 percent (venture capital investments):

- Venture Revitalize Investment, Inc.
- VSN, INC. and 44 other entities

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

(1) Number of non-consolidated subsidiaries subject to equity method: 1

Name of the entity:

- SBI Japannext Co., Ltd.

(2) Number of affiliates accounted for using equity method: 7

Name of major entities:

- SBI Sumishin Net Bank, Ltd.
- SOLXYZ Co., Ltd.
- TIEN PHONG COMMERCIAL JOINT STOCK BANK
- PHNOM PENH COMMERCIAL BANK
- KOREA TECHNOLOGY INVESTMENT CORPORATION

As compared with the year ended 31 March 2010, there were 3 additions to and 1 exclusion from the scope of affiliates accounted for using equity method.

3 additions due to the increased influence

- TIEN PHONG COMMERCIAL JOINT STOCK BANK
- PHNOM PENH COMMERCIAL BANK
- KOREA TECHNOLOGY INVESTMENT CORPORATION

1 exclusion due to the decrease in voting power after selling off its stocks

- Tozai Asset Management Co., Ltd.

(3) Name of major non-consolidated subsidiaries and affiliates that are not accounted for using equity method (small size entities):

Name of major entities:

- SBI ALApromo Co., Ltd.
- SBI VEN CAPITAL PTE. LTD.
- NEW HORIZON PARTNERS LTD.

(4) Name of entities not classified as affiliates despite the ownership of 20 percent or more of the voting power of the investee but below 50 percent (venture capital investments):

- Venture Revitalize Investment, Inc.
- VSN, INC. and 48 other entities

**XXII INFORMATION FOR DIFFERENT BALANCE SHEET DATE OF CONSOLIDATED
SUBSIDIARIES****FOR THE YEAR ENDED 31 MARCH 2008**

Consolidated subsidiaries whose balance sheet dates differ from that of reporting entity are as follows:

Consolidated subsidiaries whose balance sheet date is 31 December

- SBI Investment Co., Ltd.
- e-Research Inc.
- SBI Incubation Co., Ltd.
- SOFTTREND Capital Corp
- SBI CAPITAL Co., Ltd.
- SBI KOREA HOLDINGS CO., LTD.
- Partners Investments Co., Ltd.
- SBI Fund Management Company S.A.
- SBI MACAU HOLDINGS LIMITED
- SBI HAWAII PROPERTY ONE, INC.
- SBI BB Mobile Limited Liability Investment Partnership
- SBI & TH Venture Capital Enterprise
- SBI & TH (Beijing) Venture Capital Management Co., Ltd.
- SBI Biotech Co., Ltd.
- TradeWin Co., Ltd.
- SBI Card Processing Co., Ltd.
- LIVING Corporation, Inc.

Consolidated subsidiaries whose balance sheet date is 30 November

- SBI Value Up Fund No.1 Limited Partnership
- Biovision Life Science Fund No.1
- SBI Bio Life Science Investment LPS
- SBI LIFE SCIENCE TECHNOLOGY INVESTMENT LPS
- SBI LIFE SCIENCE TECHNOLOGY NO. 2 INVESTMENT LPS

Consolidated subsidiaries whose balance sheet date is 30 September

- Softbank Internet Fund
- Venture Fund No.1
- J Rep L Silent Partnership

Consolidated subsidiaries whose balance sheet date is 31 August

- SBI BROADBAND CAPITAL Co., Ltd.
- SBI Real Incubation No.1 Limited Liability Investment Partnership

Consolidated subsidiaries whose balance sheet date is 30 June

- E*GOLF Corporation
- E-Golf Service Corporation
- Golf Zanmai Co., Ltd. HOMEOSTYLE Inc.
- SOFTBANK INTERNET TECHNOLOGY FUND No.1
- SOFTBANK INTERNET TECHNOLOGY FUND No.2
- SBI BROADBAND FUND No. 1 LIMITED PARTNERSHIP

Consolidated subsidiaries whose balance sheet date is 31 January

- SBI Mezzanine Fund No.1
- SBI Mezzanine Fund No.2 Limited Partnership
- Metropolitan Enterprise Revitalization Fund, Limited Liability Investment Partnership

Consolidated financial statements are prepared using the financial information of these companies prepared for the purpose of consolidation as at the balance sheet date of the Group.

FOR THE YEAR ENDED 31 MARCH 2009

Consolidated subsidiaries whose balance sheet dates differ from that of reporting entity were as follows:

Consolidated subsidiaries whose balance sheet date is 31 December

- SBI Investment Co., Ltd.
- e-Research Inc.
- SBI Incubation Co., Ltd.
- SOFT TREND CAPITAL Corp.
- SBI CAPITAL Co., Ltd.
- SBI KOREA HOLDINGS CO., LTD.
- Partners Investments Co., Ltd.
- SBI Fund Management Company S.A.
- SBI MACAU HOLDINGS LIMITED
- SBI HAWAII PROPERTY ONE, INC.
- SBI BB Mobile Limited Liability Investment Partnership
- SBI & TH Venture Capital Enterprise
- SBI & TH (Beijing) Venture Capital Management Co., Ltd.
- SBI Biotech Co., Ltd.
- TradeWin Co., Ltd.
- SBI NEO TECHNOLOGY A Investment LPS
- SBI NEO TECHNOLOGY B Investment LPS
- SBI VEN HOLDINGS PTE.LTD.
- SBI & Capital 22 Management Co. Ltd.
- SBI & Capital 22 Management Inc.
- SBI & Capital 22 JV Fund, L.P.

Consolidated subsidiaries whose balance sheet date is 30 November

- SBI Value Up Fund No.1 Limited Partnership
- Biovision Life Science Fund No.1
- SBI Bio Life Science Investment LPS.
- SBI LIFE SCIENCE TECHNOLOGY INVESTMENT LPS
- SBI LIFE SCIENCE TECHNOLOGY NO. 2 INVESTMENT LPS

Consolidated subsidiaries whose balance sheet date is 30 September

- Softbank Internet Fund
- J Rep L Silent Partnership
- THE VIETNAM JAPAN FUND
- KNOWLEDGE INVESTMENTS (MAURITIUS) LIMITED

Consolidated subsidiaries whose balance sheet date is 31 August

- SBI BROADBAND CAPITAL Co., Ltd.
- SBI Real Incubation No.1 Limited Liability Investment Partnership

Consolidated subsidiaries whose balance sheet date is 30 June

- E*GOLF Corporation
- E-Golf Service Corporation
- Golf Zanmai Co., Ltd.
- HOMEOSTYLE Inc.
- SBI BROADBAND FUND NO. 1 LIMITED PARTNERSHIP

Consolidated subsidiaries whose balance sheet date is 31 January

- SBI Mezzanine Fund No.1
- SBI Mezzanine Fund No.2 Limited Partnership
- SBI Mezzanine Fund No.3 Limited Partnership
- Metropolitan Enterprise Revitalization Fund, Limited Liability Investment Partnership
- Alberich LLC

Consolidated financial statements are prepared using the financial information of these companies prepared for the purpose of consolidation as at the balance sheet date of the Group.

FOR THE YEAR ENDED 31 MARCH 2010

Consolidated subsidiaries whose balance sheet dates differ from that of reporting entity were as follows:

Consolidated subsidiaries whose balance sheet date is 31 December

- SBI Investment Co., Ltd. and 37 other entities

Consolidated subsidiaries whose balance sheet date is 30 November

- SBI Value Up Fund No.1 Limited Partnership and 4 other entities

Consolidated subsidiaries whose balance sheet date is 30 September

- Softbank Internet Fund and 3 other entities

Consolidated subsidiaries whose balance sheet date is 31 August

- SBI BROADBAND CAPITAL Co., Ltd. and 1 entity

Consolidated subsidiaries whose balance sheet date is 30 June

- E*GOLF Corporation and 2 other entities

Consolidated subsidiaries whose balance sheet date is 31 January

- SBI Mezzanine Fund No.1 and 6 other entities

Consolidated financial statements are prepared using the financial information of these companies prepared for the purpose of consolidation as at the balance sheet date of the Group.

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009 (unaudited)

Consolidated subsidiaries whose interim balance sheet dates differ from that of reporting entity are as follows:

Consolidated subsidiaries whose interim balance sheet date is 30 June

- SBI Investment Co., Ltd. and 35 other entities

Consolidated subsidiaries whose interim balance sheet date is 31 May

- SBI Value Up Fund No.1 Limited Partnership and 4 other entities

Consolidated subsidiaries whose interim balance sheet date is 31 March

- Softbank Internet Fund and 2 other entities

Consolidated subsidiaries whose interim balance sheet date is 28 February

- SBI BROADBAND CAPITAL Co., Ltd. and 1 entity

Consolidated subsidiaries whose interim balance sheet date is 31 December

- E*GOLF Corporation and 2 other entities

Consolidated subsidiaries whose interim balance sheet date is 31 July

- SBI Mezzanine Fund No.1 and 6 other entities

Consolidated financial statements are prepared using the financial information of these companies prepared for the purpose of consolidation as at the balance sheet date of the Group.

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

Consolidated subsidiaries whose interim balance sheet dates differ from that of reporting entity are as follows:

Consolidated subsidiaries whose interim balance sheet date is 30 June

- SBI Investment Co., Ltd. and 38 other entities.

Consolidated subsidiaries whose interim balance sheet date is 31 May

- SBI Value Up Fund No.1 Limited Partnership and 4 other entities

Consolidated subsidiaries whose interim balance sheet date is 31 March

- Softbank Internet Fund and 2 other entities

Consolidated subsidiaries whose interim balance sheet date is 28 February

- SBI BROADBAND CAPITAL Co., Ltd. and 1 entity

Consolidated subsidiaries whose interim balance sheet date is 31 December

- SBI Broadband No.1 Limited Partnership and 1 entity

Consolidated subsidiaries whose interim balance sheet date is 31 July

- SBI Mezzanine Fund No.1 and 5 other entities

Financial Information is prepared using the financial information of these companies prepared for the purpose of consolidation as at the balance sheet date of the Group.

XXIII. CONSOLIDATED SUPPLEMENTARY SCHEDULES

FOR THE YEAR ENDED 31 MARCH 2008

1. Supplementary schedules of bonds

Company name	Description	Issuance date	Balance as at prior year end (millions of Yen)	Balance as at current year end (millions of Yen)	Interest rate (%)	Collateral	Redemption date
SBI Holdings, Inc.	2008 zero coupon unsecured Japanese Yen convertible bonds with warrants	25 November 2003	5,940	5,940	—	None	25 November 2008
SBI Holdings, Inc.	2009 zero coupon unsecured Japanese Yen convertible bonds with warrants	8 April 2004	12,770	12,770	—	None	8 April 2009
SBI Holdings, Inc.	Finance All No. 1 Unsecured bond	29 March 2005	1,400	—	2.00	None	28 March 2008
SBI Holdings, Inc.	SBI Holdings, Inc No. 2 Unsecured bond	11 October 2005	8,000	8,000	1.23	None	29 September 2008
SBI Holdings, Inc.	SBI Holdings, Inc No. 3 Unsecured bond	25 September 2006	30,000	30,000	2.08	None	25 September 2009
SBI Holdings, Inc.	SBI Holdings, Inc No.1 Unsecured bond	13 September 2005	42,000	42,000	1.23	None	29 September 2008
SBI E*TRADE SECURITIES Co., Ltd.	SBI E*TRADE SECURITIES Co., Ltd. No.1 Unsecured bond	10 March 2006	50,000	50,000	1.24	None	10 March 2009
CEM Corporation	CEM Corporation No. 1 bond	10 November 2005	300	300	0.91	Secured	10 November 2008
CEM Corporation	CEM Corporation No. 2 bond	10 July 2007	—	300	1.70	Secured	9 July 2010
C4 Technology, Inc.	C4 Technology No.3 Unsecured bond	10 June 2003	—	20	0.29	None	10 June 2008
C4 Technology, Inc.	C4 Technology No. 4 Unsecured bond	31 July 2003	—	200	0.72	None	31 July 2008
C4 Technology, Inc.	C4 Technology No. 2 Unsecured convertible bonds with warrants	22 September 2005	—	500	—	None	22 September 2009
Total			150,410 (1,400)	150,030 (106,460)			

Notes:

(1) Amounts in brackets represent redemption amount within one year from balance sheet date.

(2) Table below presents details of convertible bonds:

	Japanese Yen Convertible bond (Due; 2008)	Japanese Yen convertible bond with stock acquisition rights (Due; 2009)	C4 Technology No.2 Unsecured convertible bonds with warrants
Stock	Common shares	Same as left	Common shares of C4 technology, Inc.
Issue value (Yen)	No Consideration	Same as left	Same as left
Issue price (Yen)	38,486.10	39,438.50	85,393
Total issuance amount (millions of Yen).	13,000	20,000	500
Value of stock upon exercise (millions of Yen)	7,060	7,230	—
Convertibility (%)	100	100	100
Exercisable period of stock options . .	From 26 November 2003 to 17 November 2008	From 22 April 2004 to 18 March 2009	From 26 September 2005 to 21 September 2009
Term on substantial payment	Upon exercising stock option, the relevant bonds are converted to stock based on issuance price of the bonds	Same as on the left	Upon exercising stock option under former Commercial code article 341-3 (1).7 and 8, it is assumed that the option holders exercise conversion to stock, rather than early redemption

(3) Annual maturities of bonds as at 31 March 2008 for the next five years and thereafter are as follows:

Within 1 year (millions of Yen)	1 to 2 years (millions of Yen)	2 to 3 years (millions of Yen)	3 to 4 years (millions of Yen)	4 to 5 years (millions of Yen)
106,460	43,270	300	—	—

2. Supplementary schedules of loans and others

Description	Balance as at prior year end (millions of Yen)	Balance as at current year end (millions of Yen)	Average interest rate (%)	Repayment date
Short-term borrowing	56,141	53,831	2.66	—
Current portion of long-term borrowings	23,772	6,282	2.44	—
Current portion of lease obligation .	—	—	—	—
Long-term borrowings (excluding current-portion)	10,592	33,578	1.43	From 30 April 2009 to 30 March 2012
Lease obligation (excluding current-portion)	—	—	—	—
Other interest bearing debt				
Borrowings on margin transactions	231,210	81,583	1.10	—
Total	<u>321,717</u>	<u>175,277</u>		

Notes:

- (1) Average interest rates were calculated using the weighted-average interest rate based on year-end borrowing balances.
- (2) Annual maturities of long-term borrowings within 5 years, based on contractual terms, are as follows:

	1 to 2 years (millions of Yen)	2 to 3 years (millions of Yen)	3 to 4 years (millions of Yen)	4 to 5 years (millions of Yen)
Long-term borrowings	21,062	11,946	570	—

FOR THE YEAR ENDED 31 MARCH 2009

1. Supplementary schedules of bonds

Company name	Description	Issuance date	Balance at prior year end (millions of Yen)	Balance at current year end (millions of Yen)	Interest rate (%)	Collateral	Redemption date
SBI Holdings, Inc.	2008 Zero coupon unsecured Japanese yen convertible bonds with warrants	25 November 2003	5,940	—	—	None	25 November 2008
SBI Holdings, Inc.	2009 Zero coupon unsecured Japanese yen convertible bonds with warrants (Note 2)	8 April 2004	12,770	11,480 (11,480)	—	None	8 April 2009
SBI Holdings, Inc.	No.2 Unsecured bond	11 October 2005	8,000	—	1.23	None	29 September 2008
SBI Holdings, Inc.	No.3 Unsecured bond	25 September 2006	30,000	30,000 (30,000)	2.08	None	25 September 2009
SBI Holdings, Inc.	No.1 Unsecured bond	13 September 2005	42,000	—	1.23	None	29 September 2008
SBI SECURITIES Co., Ltd.	No.1 Unsecured bond	10 March 2006	50,000	—	1.24	None	10 March 2009
CEM Corporation	No.1 Straight bond	10 November 2005	300	—	0.91	Secured	10 November 2009
CEM Corporation	No.2 Straight bond	10 July 2007	300	300	1.70	Secured	9 July 2010
SBI Net Systems Co., Ltd.	No.3 Unsecured bond	10 June 2003	20	—	0.29	None	10 June 2008
SBI Net Systems Co., Ltd.	No.4 Unsecured bond	31 July 2003	200	—	0.72	None	31 July 2008
SBI Net Systems Co., Ltd.	No2 unsecured convertible bonds with warrants	22 September 2005	500	—	—	None	—
Total			150,030 (106,460)	41,780 (41,480)			

Notes:

- (1) Amounts in brackets represent redemption amount within one year from balance sheet date.
- (2) The warrants of the 2009 Zero coupon unsecured Japanese Yen convertible bonds with warrants were due on 18 March 2009. All the unexercised warrants expired due to expiration of the term. The balance of the convertible bond was recorded as current-portion of bonds on the consolidated balance sheets.
- (3) Annual maturities of bonds as at 31 March 2009 for the next five years and thereafter were as follows:

Within one year (millions of Yen)	1 to 2 years (millions of Yen)	2 to 3 years (millions of Yen)	3 to 4 years (millions of Yen)	4 to 5 years (millions of Yen)
41,480	300	—	—	—

2. Supplementary schedules of loans and others

Description	Balance as at prior year end (millions of Yen)	Balance as at current year end (millions of Yen)	Average interest rate (%)	Repayment date
Short-term loans payable . . .	53,831	54,658	1.62	—
Current portion of long-term borrowings	6,282	21,553	1.34	—
Current portion of lease obligation	—	1,455	—	—
Long-term loans payable (excluding current-portion)	33,578	13,283	1.33	20 May 2010 to 29 February 2016
Lease obligation (excluding current-portion)	—	7,237	—	1 August 2010 to 30 April 2016
Other interest bearing debt Borrowings on margin transactions	81,583	56,726	0.96	—
Total	<u>175,277</u>	<u>154,914</u>		

Notes:

- (1) Average interest rates were calculated using the weighted-average interest rate based on year-end borrowing balances.
- (2) Average interest rate on lease obligation is not stated since the part of lease obligation on balance sheet includes interest portions of minimum payments of lease terms.
- (3) Annual maturities of long-term loans payable and lease obligation, excluding current-portion, as at 31 March 2009 for the next five years are as follows:

	1 to 2 years (millions of Yen)	2 to 3 years (millions of Yen)	3 to 4 years (millions of Yen)	4 to 5 years (millions of Yen)
Long-term loans payable . . .	12,218	709	139	139
Lease obligation	1,637	1,276	1,163	1,231

FOR THE YEAR ENDED 31 MARCH 2010

1. Supplementary schedules of bonds

Company name	Description	Issuance date	Balance as at prior year end (millions of Yen)	Balance as at current year end (millions of Yen)	Interest rate(%)	Collateral	Redemption date
SBI Holdings, Inc.	2009 Zero coupon unsecured Japanese yen convertible bonds with warrants (Note 2)	8 April 2004	11,480	—	—	None	8 April 2009
SBI Holdings, Inc.	No.3 Unsecured bond	25 September 2006	30,000	—	2.08	None	25 September 2009
SBI Holdings, Inc.	Japanese yen Straight bond (Note 3)	April 2009 to March 2010	—	110,000 (110,000)	1.84 ~1.96	None	April 2010 to March 2011
CEM Corporation	No.2 Straight bond	10 July 2007	300	300 (300)	1.70	Secured	9 July 2010
e-Research Inc.	No. 13 Unsecured straight bond	31 March 2010	—	2,300 (2,300)	2.30	None	30 September 2010
Total			41,780	112,600 (112,600)			

Notes:

- (1) Amounts in brackets represent redemption amount within one year from balance sheet date.
- (2) The warrants of the 2009 Zero coupon unsecured Japanese yen convertible bonds with warrants were due on 18 March 2009. All the unexercised warrants expired due to expiration of the term. The balance of the convertible bond was recorded as current-portion of corporate bond on the consolidated balance sheets as at the year ended 31 March 2009.
- (3) Total amounts of straight bond in Japanese Yen issued based on Euro medium term note program are stated above.
- (4) Annual maturities of long-term loans payable as at 31 March 2010 for the next five years are as follows:

Within one year (millions of Yen)	1 to 2 years (millions of Yen)	2 to 3 years (millions of Yen)	3 to 4 years (millions of Yen)	4 to 5 years (millions of Yen)
112,600	—	—	—	—

2. Supplementary schedules of loans and others

Description	Balance as at prior year end (millions of Yen)	Balance as at current year end (millions of Yen)	Average interest rate (%)	Repayment date
Short-term loans payable . . .	54,658	55,614	1.67	—
Current portion of long-term loans payable	21,553	13,368	1.19	—
Current portion of lease obligation	1,455	2,405	—	—
Long-term loans payable (excluding current-portion)	13,283	27,620	1.42	December 2011 to January 2033
Lease obligation (excluding current-portion)	7,237	8,324	—	May 2011 to April 2016
Other interest bearing debt . .				
Borrowings on margin transactions	56,726	48,813	0.95	—
Total	<u>154,914</u>	<u>156,145</u>		

Notes:

- (1) Average interest rates were calculated using the weighted-average interest rate based on year-end borrowing balances.
- (2) Average interest rate on lease obligation is not stated since the part of lease obligation on balance sheet includes interest portion minimum payments of lease terms.
- (3) Annual maturities of long-term borrowings and lease obligation, excluding current-portion, as at 31 March 2010 for the next five years are as follows:

	1 to 2 years (millions of Yen)	2 to 3 years (millions of Yen)	3 to 4 years (millions of Yen)	4 to 5 years (millions of Yen)
Long-term borrowings	10,066	16,494	100	—
Lease obligation	2,054	1,945	1,929	1,572

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

1. Supplementary schedules of bonds

Company name	Description	Issuance date	Balance as at prior period end (millions of Yen)	Balance as at current period end (millions of Yen)	Interest rate (%)	Collateral	Redemption date
SBI Holdings, Inc.	Japanese yen Straight bond (Note 2)	April 2009~ September 2010	110,000	110,000 (110,000)	1.84~1.96	None	April 2010~ September 2011
CEM Corporation	No.2 Straight bond	10 July 2007	300	—	1.70	Secured	9 July 2010
e-Research Inc.	No. 13 Unsecured straight bond	31 March 2010	2,300	—	2.30	None	30 September 2010
e-Research Inc.	No. 16 Unsecured straight bond	30 September 2010	—	1,500 (1,500)	2.30	None	30 November 2010
Total	—	—	112,600	111,500 (111,500)	—	—	—

Notes:

- Amounts in brackets represent redemption amount within one year from balance sheet date.
- Total amounts of straight bond in Japanese Yen issued based on Euro medium term note program are stated above.
- Annual maturities of bonds as at 30 September 2010 for the next five years are as follows:

Within one year (millions of Yen)	1 to 2 years (millions of Yen)	2 to 3 years (millions of Yen)	3 to 4 years (millions of Yen)	4 to 5 years (millions of Yen)
111,500	—	—	—	—

2. Supplementary schedules of loans and others

Description	Balance as at prior period end (millions of Yen)	Balance as at current period end (millions of Yen)	Average interest rate (%)	Repayment date
Short-term loans payable . . .	55,614	56,057	1.54	—
Current portion of long-term loans payable	13,368	13,885	1.17	—
Current portion of lease obligation	2,405	2,406	—	—
Long-term loans payable (excluding current-portion)	27,620	35,274	1.35	December 2011~January 2033
Lease obligation (excluding current-portion)	8,324	7,401	—	April 2012~ May 2016
Other interest bearing debt				
Borrowings on margin transactions	48,813	52,857	0.95	—
Total	<u>156,145</u>	<u>167,883</u>		

Notes:

1. Average interest rates were calculated using the weighted-average interest rate based on year-end borrowing balances.
2. Average interest rate on lease obligation is not stated since lease obligation on balance sheet excludes total minimum payments of lease terms.
3. Annual maturities of long-term loans payable and lease obligation, excluding current-portion, as at 30 September 2010 for the next five years are as follows:

	1 to 2 years (millions of Yen)	2 to 3 years (millions of Yen)	3 to 4 years (millions of Yen)	4 to 5 years (millions of Yen)
Long-term loans payable	10,720	16,852	483	6,606
Lease obligation	1,991	1,953	1,937	1,230

A.2 FINANCIAL INFORMATION FOR THE COMPANY

(Amounts in millions of Japanese Yen, and are rounded down to the nearest million except for per share information, unless otherwise stated)

BALANCE SHEETS

	Notes	As at 31 March			As at 30 September
		2008	2009	2010	2010
Assets					
Current assets					
Cash and deposits		11,807	6,781	16,649	15,688
Accounts receivable-trade		1,173	1,412	1,109	983
Accounts receivable-others		350	2,455	3,395	373
Real estate for sale		3,858	9,017	6,440	6,302
Real estate for sales in progress		9,734	10,859	6,744	6,276
Operational investment securities	V.2	57,685	38,327	31,177	33,563
Allowance for investment losses		(18)	(88)	(2,865)	(248)
Operational investment securities, net		57,667	38,239	28,312	33,314
Short-term investment securities	V.3	—	74,269	50	11,000
Prepaid expenses		188	74	113	302
Operational loans receivable		997	1,032	3,078	957
Short-term loans receivable	V.3	21,678	24,952	65,105	53,706
Deferred tax assets		—	3,176	3,016	2,265
Others		1,644	5,026	2,443	1,630
Allowances for doubtful accounts		(151)	(1,258)	(1,263)	(1,263)
Total current assets		108,950	176,040	135,195	131,537
Non-current assets					
Property and equipment					
Buildings		377	399	4,172	4,300
Accumulated depreciation		(107)	(150)	(186)	(303)
Buildings, net		270	248	3,985	3,996
Furniture and fixtures		1,062	1,256	1,290	1,362
Accumulated depreciation		(570)	(798)	(980)	(1,045)
Furniture and fixtures, net		492	458	309	316
Vehicles		17	20	20	20
Accumulated depreciation		(5)	(9)	(14)	(15)
Vehicles, net		11	10	5	4
Land		—	—	2,533	2,533
Construction in progress		—	45	69	19
Total property and equipment		774	762	6,903	6,870
Intangible assets					
Patents		11	10	9	8
Trademark		27	28	25	23
Software		936	1,056	819	854
Telephone rights		5	5	5	5
Total intangible assets		980	1,100	859	891

	Notes	As at 31 March			As at 30 September
		2008	2009	2010	2010
Investments and other assets					
Stocks of subsidiaries and affiliates	V.5	124,274	289,785	297,872	308,201
Allowance for investment losses.		(3,316)	(3,616)	(4,116)	(1,464)
Stocks of subsidiaries and affiliates - net.		120,957	286,169	293,755	306,736
Bonds of subsidiaries and affiliates.		2,223	—	—	—
Allowance for investment losses.		(360)	—	—	—
Bonds of subsidiaries and affiliates - net.		1,862	—	—	—
Investments in other securities of subsidiaries and affiliates		39,700	36,447	49,684	49,532
Investment securities.	V.5	7,098	3,986	5,031	4,375
Investments in subsidiaries and affiliates other than equity securities		48	41	41	41
Advances to subsidiaries and affiliates		—	—	450	—
Long-term loans receivable from employees		—	686	—	615
Long-term prepaid expenses		14	18	24	218
Lease and guarantee deposits		1,640	1,644	1,619	1,626
Deferred tax assets, non-current		8,964	6,904	7,010	11,010
Total investments and other assets		180,287	335,898	357,617	374,155
Total non-current assets		182,042	337,761	365,379	381,918
Deferred charges					
Stock issuance cost		0	—	—	186
Bond issuance cost.		62	20	421	343
Total deferred charges.		63	20	421	529
Total assets		291,055	513,822	500,996	513,986
Liabilities					
Current liabilities					
Short-term loans payable.	V.3 & 5	18,500	184,700	103,768	90,768
Current portion of bonds payable		50,000	41,480	110,000	110,000
Current portion of bonds payable with warrants		5,940	—	—	—
Accounts payable		795	2,581	822	554
Accrued expenses.		253	102	416	351
Accrued income taxes.		1,138	—	—	33
Advances received		0	1	—	—
Deposits received		268	422	89	219
Deferred tax liabilities		8,324	—	—	—
Others		0	5	71	7
Total current liabilities		85,221	229,293	215,168	201,934

	Notes	As at 31 March			As at 30 September
		2008	2009	2010	2010
Non-current liabilities					
Bonds payable		30,000	—	—	—
Bonds payable with warrants		12,770	—	—	—
Asset retirement obligation		—	—	—	112
Others		1,666	2,013	3,855	4,313
Total non-current liabilities		<u>44,436</u>	<u>2,013</u>	<u>3,855</u>	<u>4,426</u>
Total liabilities		<u>129,658</u>	<u>231,306</u>	<u>219,023</u>	<u>206,360</u>
Net assets					
Shareholders' equity					
Capital stock		55,157	55,214	55,284	73,226
Capital surplus					
Legal capital surplus		15,313	96,694	96,764	114,706
Other capital surplus		80,414	101,292	101,180	101,179
Total capital surplus		<u>95,727</u>	<u>197,987</u>	<u>197,944</u>	<u>215,886</u>
Retained earnings					
Other retained earnings					
Retained earnings brought forward		50,482	31,578	33,424	25,907
Total retained earnings		<u>50,482</u>	<u>31,578</u>	<u>33,424</u>	<u>25,907</u>
Treasury stock		(50,309)	(636)	(246)	(246)
Total shareholders' equity		<u>151,058</u>	<u>284,144</u>	<u>286,405</u>	<u>314,773</u>
Valuation and translation adjustments					
Unrealized gains (losses) on available-for-sale securities		10,337	(1,627)	(4,433)	(7,147)
Total valuation and translation adjustments .		<u>10,337</u>	<u>(1,627)</u>	<u>(4,433)</u>	<u>(7,147)</u>
Stock acquisition rights					
Stock acquisition rights		0	—	—	—
Total net assets		<u>161,396</u>	<u>282,516</u>	<u>281,972</u>	<u>307,625</u>
Total liabilities and net assets		<u>291,055</u>	<u>513,822</u>	<u>500,996</u>	<u>513,986</u>

STATEMENTS OF OPERATIONS

	Notes	Year ended 31 March			Six months ended 30 September	
		2008	2009	2010	2009	2010
(unaudited)						
Net sales						
Revenue from operational investment securities	VI.3	36,335	8,575	17,929	7,284	1,650
Revenue from real estate business		20,782	3,805	3,187	118	695
Dividend income		10,963	3,840	510	469	270
Others		7,333	7,463	7,479	3,581	3,599
Total net sales		<u>75,414</u>	<u>23,685</u>	<u>29,106</u>	<u>11,453</u>	<u>6,215</u>
Cost of sales						
Cost of operational investment securities	VI.1	24,161	3,445	8,675	4,498	883
(Reversal) provision of allowance for investment losses		(183)	536	2,549	112	438
Cost of real estate business	VI.7	15,185	2,484	3,062	516	621
Other operating costs	VI.2	6,495	7,644	7,907	3,497	3,284
Total cost of sales		<u>45,658</u>	<u>14,110</u>	<u>22,195</u>	<u>8,624</u>	<u>5,229</u>
Gross profit		<u>29,756</u>	<u>9,574</u>	<u>6,910</u>	<u>2,829</u>	<u>985</u>
Selling, general and administrative expenses	VI.4 & 6	5,447	6,087	6,258	3,150	3,190
Operating income (loss)		<u>24,309</u>	<u>3,487</u>	<u>652</u>	<u>(321)</u>	<u>(2,204)</u>
Non-operating income						
Interest income	VI.3	641	1,714	2,790	1,464	954
Dividend income		166	165	51	14	19
Others		52	185	262	142	72
Total non-operating income		<u>860</u>	<u>2,065</u>	<u>3,104</u>	<u>1,620</u>	<u>1,047</u>
Non-operating expenses						
Interest expense	VI.3	1,598	3,355	4,314	2,226	1,945
Amortization of stock issuance costs		89	0	—	—	16
Amortization of bond issuance costs		125	41	275	20	313
Foreign exchange losses		481	80	278	411	434
Others		14	12	15	277	39
Total non-operating expenses		<u>2,309</u>	<u>3,490</u>	<u>4,883</u>	<u>2,936</u>	<u>2,750</u>
Ordinary income (loss)		<u>22,860</u>	<u>2,062</u>	<u>(1,126)</u>	<u>(1,636)</u>	<u>(3,907)</u>

	Notes	Year ended 31 March			Six months ended 30 September	
		2008	2009	2010	2009	2010
						(unaudited)
Extraordinary income						
Gains on disposal of investment in subsidiaries and affiliates	VI.3	6,568	2	3,951	1,219	—
Gains on sales of investment securities		—	—	610	610	—
Reversal of allowance for investment losses		—	360	—	—	—
Reversal on stock acquisition rights		1	0	—	—	—
Gains on transfer of business	VI.3	—	—	1,303	1,303	—
Reversal of allowance for doubtful accounts		0	—	—	—	—
Penalty charge income		—	—	—	—	24
Others		79	9	—	—	1
Total extraordinary income		<u>6,649</u>	<u>372</u>	<u>5,865</u>	<u>3,133</u>	<u>25</u>
Extraordinary expense						
Losses on retirement of non-current assets	VI.5	0	0	38	16	23
Losses on disposal of investment in subsidiaries and affiliates		—	3,080	1,421	0	2,078
Losses on valuation of investment in subsidiaries and affiliates		15,294	4,012	659	—	2,837
Losses on valuation of investment securities		1,332	6,987	20	20	26
Losses on sales of receivables from subsidiaries and affiliates		—	—	1,174	—	—
Provision of allowance for doubtful accounts		—	1,106	—	—	—
Provision of allowance for investment losses		—	300	500	—	—
Loss on transfer of business		—	—	551	—	—
Others	VI.7	472	291	25	0	263
Total extraordinary expense		<u>17,099</u>	<u>15,779</u>	<u>4,392</u>	<u>37</u>	<u>5,229</u>
Income (loss) before income taxes		<u>12,410</u>	<u>(13,344)</u>	<u>346</u>	<u>1,458</u>	<u>(9,111)</u>
Income taxes-current		(6,712)	3	(4)	(2)	(2)
Income taxes-deferred		5,527	1,231	3,177	893	3,273
Total income taxes		<u>(1,185)</u>	<u>1,235</u>	<u>3,172</u>	<u>891</u>	<u>3,271</u>
Net income (loss)		<u>11,225</u>	<u>(12,108)</u>	<u>3,519</u>	<u>2,349</u>	<u>(5,840)</u>

STATEMENTS OF CHANGES IN NET ASSETS

	Year ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
				(unaudited)	
SHAREHOLDERS' EQUITY					
Capital stock					
Balance at the end of previous year/period	54,914	55,157	55,214	55,214	55,284
Changes during the year/period					
Issuance of new stocks.	243	56	69	22	17,942
Total changes during the year/period . .	243	56	69	22	17,942
Balance at the end of current year/period	55,157	55,214	55,284	55,237	73,226
Capital surplus					
Legal capital surplus					
Balance at the end of previous year/period	15,069	15,313	96,694	96,694	96,764
Changes during the year/period					
Issuance of new stocks.	243	57	69	22	17,942
Increase through share exchange	—	81,324	—	—	—
Total changes during the year/period . .	243	81,381	69	22	17,942
Balance at the end of current year/period	15,313	96,694	96,764	96,717	114,706
Other capital surplus					
Balance at the end of previous year/period	80,414	80,414	101,292	101,292	101,180
Changes during the year/period					
Increase (decrease) through shares exchange.	—	20,880	(112)	(112)	—
Disposal of treasury stock.	(0)	(1)	(0)	(0)	(0)
Total changes during the year/period . .	(0)	20,878	(112)	(112)	(0)
Balance at the end of current year/period	80,414	101,292	101,180	101,180	101,179
Total capital surplus					
Balance at the end of previous year/period	95,484	95,727	197,987	197,987	197,944
Changes during the year/period					
Issuance of new stocks.	243	57	69	22	17,942
Increase (decrease) through share exchange.	—	102,204	(112)	(112)	—

	Year ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
				(unaudited)	
Disposal of treasury stock	(0)	(1)	(0)	(0)	(0)
Total changes during the year/period . .	<u>243</u>	<u>102,259</u>	<u>(43)</u>	<u>(90)</u>	<u>17,942</u>
Balance at the end of current year/period	<u>95,727</u>	<u>197,987</u>	<u>197,944</u>	<u>197,897</u>	<u>215,886</u>
Retained earnings					
Other retained earnings					
Retained earnings brought forward					
Balance at the end of previous year/period	52,814	50,482	31,578	31,578	33,424
Changes during the year/period					
Dividends	(13,557)	(6,795)	(1,673)	(1,673)	(1,676)
Net income (loss)	<u>11,225</u>	<u>(12,108)</u>	<u>3,519</u>	<u>2,349</u>	<u>(5,840)</u>
Total changes during the year/period	<u>(2,332)</u>	<u>(18,904)</u>	<u>1,846</u>	<u>676</u>	<u>(7,517)</u>
Balance at the end of current year/period	<u>50,482</u>	<u>31,578</u>	<u>33,424</u>	<u>32,254</u>	<u>25,907</u>
Total retained earnings					
Balance at the end of previous year/period	52,814	50,482	31,578	31,578	33,424
Changes during the year/period					
Dividends	(13,557)	(6,795)	(1,673)	(1,673)	(1,676)
Net income (loss)	<u>11,225</u>	<u>(12,108)</u>	<u>3,519</u>	<u>2,349</u>	<u>(5,840)</u>
Total changes during the year/period	<u>(2,332)</u>	<u>(18,904)</u>	<u>1,846</u>	<u>676</u>	<u>(7,517)</u>
Balance at the end of current year/period	<u>50,482</u>	<u>31,578</u>	<u>33,424</u>	<u>32,254</u>	<u>25,907</u>
Treasury stock					
Balance at the end of previous year/period	(50,307)	(50,309)	(636)	(636)	(246)
Changes during the year/period					
Purchases of treasury stock	(2)	(627)	—	—	—
Disposal of treasury stock	<u>1</u>	<u>50,300</u>	<u>389</u>	<u>389</u>	<u>—</u>
Total changes during the year/period	<u>(1)</u>	<u>49,673</u>	<u>389</u>	<u>389</u>	<u>—</u>
Balance at the end of current year/period	<u>(50,309)</u>	<u>(636)</u>	<u>(246)</u>	<u>(246)</u>	<u>(246)</u>

	Year ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
				(unaudited)	
Total shareholders' equity					
Balance at the end of previous year/period	152,905	151,058	284,144	284,144	286,405
Changes during the year/period					
Issuance of new stocks	487	113	138	45	35,884
Increase (decrease) through shares exchange	—	102,204	(112)	(112)	—
Dividends	(13,557)	(6,795)	(1,673)	(1,673)	(1,676)
Net income (loss)	11,225	(12,108)	3,519	2,349	(5,840)
Purchases of treasury stock	(2)	(627)	—	—	—
Disposal of treasury stock	0	50,298	388	389	(0)
Total changes during the year/period	(1,846)	133,085	2,261	998	28,367
Balance at the end of current year/period	151,058	284,144	286,405	285,142	314,773
Valuation and translation adjustments					
Unrealized gains (losses) on available-for-sale securities					
Balance at the end of previous year/period	3,682	10,337	(1,627)	(1,627)	(4,433)
Changes during the year/period					
Net changes other than shareholders' equity	6,654	(11,965)	(2,805)	712	(2,714)
Total changes during the year/period	6,654	(11,965)	(2,805)	712	(2,714)
Balance at the end of current year/period	10,337	(1,627)	(4,433)	(915)	(7,147)
Total valuation and translation adjustments					
Balance at the end of previous year/period	3,682	10,337	(1,627)	(1,627)	(4,433)
Changes during the year/period					
Net changes other than shareholders' equity	6,654	(11,965)	(2,805)	712	(2,714)
Total changes during the year/period	6,654	(11,965)	(2,805)	712	(2,714)
Balance at the end of current year/period	10,337	(1,627)	(4,433)	(915)	(7,147)

	Year ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
				(unaudited)	
Stock acquisition rights					
Balance at the end of previous year/period.	2	0	—	—	—
Change during the year/period					
Net changes other than shareholders' equity.	(1)	(0)	—	—	—
Total changes during the year/period	(1)	(0)	—	—	—
Balance at the end of current year/period.	0	—	—	—	—
Total net assets					
Balance at the end of previous year/period.	156,590	161,396	282,516	282,516	281,972
Changes during the year/period					
Issuance of new stocks	487	113	138	45	35,884
Increase (decrease) through shares exchange	—	102,204	(112)	(112)	—
Dividends	(13,557)	(6,795)	(1,673)	(1,673)	(1,676)
Net income (loss)	11,225	(12,108)	3,519	2,349	(5,840)
Purchase of treasury stock	(2)	(627)	—	—	—
Disposal of treasury stock	0	50,298	388	389	(0)
Net changes other than shareholders' equity.	6,652	(11,965)	(2,805)	712	(2,714)
Total changes during the year/period	4,805	121,119	(543)	1,710	25,652
Balance at the end of current year/period.	<u>161,396</u>	<u>282,516</u>	<u>281,972</u>	<u>284,227</u>	<u>307,625</u>

I. BASIS OF PRESENTATION

The Financial Information of the Company was prepared in accordance with the JGAAP and was presented by reference to the "Rules Governing Term, Form and Preparation of Financial Statements" (Finance Ministerial Order the 59th, 1963, which is hereinafter referred to as the "Financial Statements Rule"). The Financial Information of the Company has been prepared on the historical cost basis except for certain investments which are stated at fair value, the detail of which are listed below.

II. SIGNIFICANT ACCOUNTING POLICIES**1. Valuation method of significant assets****(a) Stocks of subsidiaries and affiliates**

Stocks of subsidiaries and affiliates are stated at cost determined by the moving-average cost method.

(b) Available-for-sale securities (consist of investment securities and operational investment securities)**(i) Listed securities**

Listed securities are measured at fair value, with fair value gains and losses, net of applicable taxes, reported as "unrealized gains (losses) on available-for-sale securities", a separate component of net assets. The cost of securities sold is determined based on the moving average cost method.

(ii) Unlisted securities

Unlisted securities are stated at cost less impairment, determined by the moving average cost method.

(c) Investments in funds

Investments in funds other than those classified as consolidated subsidiaries are accounted for using the equity method based on the Group's percentage share in the contributed capital. The Group's proportionate share in the equity of the funds are presented in "operational investment securities" or "investment securities".

2. Valuation method of inventories**(a) Merchandise inventories**

Merchandise inventories are stated at cost using the moving average method.

(b) Real estate for sale

Real estate for sale is measured at the lower of cost or net realizable value.

3. Depreciation method of depreciable assets**(a) Property and equipment**

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the declining balance method over the estimated useful lives of assets while the straight-line method is applied to buildings acquired after 1 April 1998. The range of useful lives is principally from 3 to 18 years in 2008 and 2009, from 5 to 50 years in 2010 for buildings, from 2 to 20 years in 2008 and 2009 and 4 to 20 years in 2010 for vehicles, and from 4 to 5 years in 2008 and 2009 and 5 to 6 years in 2010 for furniture and fixtures.

(b) Intangible assets

Intangible assets are amortized using the straight line method. Amortization of software used for internal purposes is computed using the straight line method over the estimated useful life of the software (5 years).

4. Deferred charges

(a) Stock issuance costs

Stock issuance costs are amortized over 3 years by using the straight line method.

(b) Bond issuance costs

Bond issuance costs are amortized over the bond term by using straight line method.

5. Recognition and measurement of significant provisions and allowances

(a) Allowance for investment losses

Allowance for investment losses for operational investment securities and investment securities are provided based on the estimated losses of the investment and the financial condition of the investees.

(b) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on the Company's past credit loss experience and an evaluation of the recoverability of the outstanding receivables including notes and accounts receivable-trade, and operational loans receivable.

6. Translations of significant assets and liabilities denominated in foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese Yen using the exchange rates at the balance sheet date. The resulting translation gain or loss is recognized in income.

7. Recognition for net sales and cost of sales

(a) Revenue and cost of 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. Cost of operational investment securities consists of the cost of operational investment securities and securities held by funds, write down of operational investment securities and securities held by funds, and fees related to securities transactions.

(b) Dividend income

Dividends from subsidiaries and affiliates are recorded as dividend income which is included in net sales in the statement of operations.

8. Accounting for significant lease transactions

Finance leases, other than those that transfer the ownership of the leased assets to the lessees are accounted for as operating lease transactions.

9. Accounting for significant hedging transactions

(a) Accounting for hedges

Foreign currency forward contracts are used to hedge foreign currency exposures in the Company. Receivables, payables and investment securities denominated in foreign currencies are translated at the contracted rates if the forward contracts are qualified for hedge accounting.

(b) Hedging instruments and hedged item

(i) Hedging instruments

Foreign exchange forward contracts

(ii) Hedged item

Foreign currency-denominated receivables and payables and investment securities.

There were no foreign currency forward contracts outstanding at the end of the year/period.

(c) Hedging policy

For foreign currency-denominated transactions, the foreign currency forward contracts are used to hedge foreign currency exposures.

(d) Assessment of effectiveness between the hedging instruments and the hedged items

The Group does not assess the effectiveness of foreign exchange hedges since the hedges are qualified for the deferred method for translating foreign currency receivables and payables.

10. Other significant accounting policies for financial statements

Accounting for consumption taxes

The amounts in the Financial Information are presented without consumption or local consumption taxes.

III. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies as disclosed in note II of Financial Information have been changed and with revised accounting policies be adopted prospectively:

FOR THE YEAR ENDED 31 MARCH 2009

- (1) Accounting for significant lease transactions: Finance leases, other than those that transfer the ownership of the leased assets to the lessees, have previously been accounted for as operating lease transactions. However, ASBJ Statement No.13, "Accounting Standard for Lease Transactions" issued on 17 June 1993 and revised on 30 March 2007, and ASBJ Guidance No.16, "Implementation Guidance on the Accounting Standard for Lease Transactions" issued on 18 January 1994 and revised on 30 March 2007, became applicable to years beginning on or after 1 April 2008, and the Company adopted this accounting standard and practical guideline as at 1 April 2008.

Finance leases other than those that transfer the ownership of the leased assets to the lessees and whose lease inception was before 31 March 2008 are accounted for as operating lease transactions.

The adoption of this guidance did not have an impact on the Company's result of operations.

- (2) Accounting for real estate for sales: Prior to 1 April 2008, assets were stated at cost, determined by the specific identification method. On 5 July 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories."

The Company applied this new accounting standard effective on 1 April 2008. The effect of this change was to decrease operating income and ordinary income by ¥157 million and increase loss before income taxes by ¥327 million.

FOR THE SIX MONTHS PERIOD ENDED 30 SEPTEMBER 2010

Accounting standard for asset retirement obligation: The Company applied the Accounting Standard for Asset Retirement Obligation (ASBJ Statement No.18) and the Guidance on Accounting Standard for Asset Retirement Obligation (ASBJ Guidance No.21) from this period. As a result, the operating loss and ordinary loss increased by ¥4 million and the loss before income taxes increased by ¥75 million for the six months ended 30 September 2010 as a result of the change.

The financial effects of changes in significant accounting policies as if changes were applied are disclosed in the section A.3 of the Financial Information.

IV. CHANGE IN PRESENTATION**Changes in presentation due to adoption of Extensible Business Reporting Language (“XBRL”) for the purpose of filing financial information through Electronic Disclosure for Investors’ Network (“EDINET”):**

Statements of operations:

To improve the comparability of financial statements and in accordance with the adoption of XBRL in EDINET, the “Provision of allowance for investment losses”, which was included in the “Others” line of “Extraordinary expense” section, in the amount of ¥360 million for the year ended 31 March 2008 was presented separately for the years ended 31 March 2009 and 2010 and six months ended 30 September 2010.

V. NOTES TO BALANCE SHEETS**1. Provision for contingent losses****AS AT 31 MARCH 2008**

The Company guaranteed on overdraft agreement with a financial institution for the following affiliate:

SBI Systems Co., Ltd: ¥200 million

AS AT 31 MARCH 2009

SBI Liquidity Market Co., Ltd (“SBILM”), a subsidiary of the Company, entered into banking cover deals to ensure liquidity in the foreign exchange margin trading. The Company guaranteed the current and future obligation relating to this business which SBILM owed to counterparties. As at the end of the year, there was no outstanding obligation as there was no guarantee obligation.

Foreign exchange trading was entered into the currency margin transaction between SBILM and SBI Securities Co., Ltd (“SBISEC”), a subsidiary of the Company. The Company guaranteed all obligations which SBISEC owes to SBILM. As at the end of the year, there was no outstanding obligation as there was no guaranteed obligation.

AS AT 31 MARCH 2010

(1) Guarantees for loans of subsidiaries and affiliates: ¥1,250 million

(2) Others:

SBILM entered into banking cover deals to ensure liquidity in the foreign exchange margin trading. The Company guaranteed the current and future obligation relating to this business which SBILM owed to counterparties. As at the end of the year, there was no outstanding obligation as there was no guaranteed obligation.

Foreign exchange trading was entered into the currency margin transaction between SBILM and SBISEC. The Company guaranteed all obligations which SBISEC owed to SBILM. As at the end of the year, there was no outstanding obligation as there was no guaranteed obligation.

AS AT 30 SEPTEMBER 2010

(1) Guarantees for loans of subsidiaries and affiliates: ¥3,402 million

(2) Others:

SBILM entered into banking cover deals to ensure liquidity in the foreign exchange margin trading. The Company guaranteed the current and future obligation relating to this business which SBILM owed to counterparties. As at the end of the period, the amount of outstanding obligation was ¥837 million.

Foreign exchange trading was entered into the currency margin transaction between SBILM and SBISEC. The Company guaranteed all obligations which SBISEC owed to SBILM. As at the end of the period, the amount of outstanding obligation was ¥695 million.

2. Operational investment securities**AS AT 31 MARCH 2008**

The Company held 20% or more of the voting rights of the 4 companies listed below.

These investments were made with the purpose of fostering the development of venture capital portfolio companies, which was the Company's business activity.

Since the purpose of these investments was not intended to control or to exert influence over the entities, they were not included in subsidiaries or affiliates.

- Digicode K.K.
- Venture Revitalize Investment Inc.
- Kingsway SBF Investment Company Limited
- New Horizon Keensolar investment Co., Ltd.

AS AT 31 MARCH 2009

The Company held 20% or more of the voting rights of the 5 companies listed below.

These investments were made with the purpose of fostering the development of venture capital portfolio companies, which was the Company's business activity.

Since the purpose of these investments was not intended to control or to exert influence over the entities, they were not included in subsidiaries or affiliates.

- DigiCode K.K.
- Venture Revitalize Investment Inc.
- New Horizon Keensolar investment Co., Ltd.
- KTIC Holdings Corporation
- Phnom Penh Commercial Bank Limited

AS AT 31 MARCH 2010

The Company held 20% or more of the voting rights of the 4 companies listed below.

These investments were made with the purpose of fostering the development of venture capital portfolio companies, which was the Company's business activity.

Since the purpose of these investments was not intended to control or to exert influence over the entities, they were not included in subsidiaries or affiliates.

- Venture Revitalize Investment Inc.
- New Horizon Keensolar investment Co., Ltd.
- KTIC Holdings Corporation
- Phnom Penh Commercial Bank Limited

AS AT 30 SEPTEMBER 2010

The Company held 20% or more of the voting rights of the 2 companies listed below.

These investments were made with the purpose of fostering the development of venture capital portfolio companies, which was the Company's business activity.

Since the purpose of these investments was not intended to control or to exert influence over the entities, they were not included in subsidiaries or affiliates.

- Venture Revitalize Investment Inc.
- New Horizon Keensolar investment Co., Ltd.

3. Assets and liabilities of subsidiaries and affiliates

Balance sheet items related to subsidiaries or affiliates which were not separately presented are as follows:

	As at 31 March			As at 30 September
	2008	2009	2010	2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)
Short-term loans receivable	20,941	24,929	64,455	53,706
Short-term loans payable	—	173,200	89,968	88,468
Short-term investment securities	—	74,169	—	—

4. Line of credit from financial institutions

To ensure an efficient operating funds procurement, the Company entered into overdraft facilities with 6, 5, 6 and 7 banks as at 31 March 2008, 2009 and 2010 and 30 September 2010 respectively.

Unused overdraft facilities at the end of the year/period are as follows:

	As at 31 March			As at
				30 September
	2008	2009	2010	2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)
Lines of credit	25,500	18,800	20,800	42,800
Used balance	18,500	11,500	13,800	2,300
Unused portion	7,000	7,300	7,000	40,500

5. Asset pledged as collateral and liabilities related to pledged assets

Asset pledged as collateral are as follows:

	As at 31 March			As at
				30 September
	2008	2009	2010	2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)
Stocks of subsidiaries and affiliates . . .	—	153,462	153,462	154,592
Investment securities pledged	—	3,218	2,364	1,803
Total	—	156,681	155,826	156,395

The assets listed above were pledged for short-term loans payable to subsidiaries amounted to ¥118,500 million, ¥83,900 million and ¥83,900 million as at 31 March 2009, 31 March 2010 and 30 September 2010 respectively. There were no assets pledged for short-term loans payable to subsidiaries as at 31 March 2008.

VI. NOTES TO STATEMENTS OF OPERATIONS

1. Cost of operational investment securities

The cost of operational investment securities included a valuation loss on operational investments securities, including investments in operational investment securities held by funds.

	Year ended 31 March			Six months ended	
				30 September	
	2008	2009	2010	2009	2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(unaudited) (millions of Yen)	(millions of Yen)
Valuation loss on operational investments securities	1,067	1,348	420	223	95

2. Other operating costs

Other operating costs included personnel expenses associated with sales.

3. Transactions with subsidiaries and affiliates

	Year ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(unaudited) (millions of Yen)	(millions of Yen)
Net sales					
Sales of investment securities	—	—	9,220	—	—
Non-operating income					
Interest income	574	1,558	2,702	1,436	931
Non-operating expense					
Interest expense	—	1,266	2,741	1,550	807
Extraordinary income					
Gains on disposal of stocks of affiliates and subsidiaries	—	—	2,399	—	—
Gains on transfer of business	—	—	—	1,303	—

4. Major items and amounts of selling, general and administrative expenses

	Year ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(unaudited) (millions of Yen)	(millions of Yen)
Bank charges	380	554	372	223	199
Salaries	1,002	1,305	1,380	699	745
Taxes and duties	987	419	686	372	283
Commission fees	412	783	873	300	568
Outsourcing fees	332	347	314	174	164
Rent expenses	447	476	556	265	310
Depreciation	297	383	393	190	173
Advertising	—	375	533	363	208

Selling expenses accounted for approximately 3%, 6%, 9%, 12% and 7% of the total selling, general and administrative expenses while general and administrative expenses accounted for 97%, 94%, 91%, 88% and 93% for the years ended 31 March 2008, 2009 and 2010 and the six months ended 30 September 2009 (unaudited) and 2010 respectively.

5. Loss on retirement of non-current assets

	Year ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(unaudited) (millions of Yen)	(millions of Yen)
Furniture and fixtures	0	0	1	1	0
Buildings	—	—	24	4	—
Trademark	—	—	2	—	—
Software	—	—	10	10	23
Total	<u>0</u>	<u>0</u>	<u>38</u>	<u>16</u>	<u>23</u>

6. Selling, general and administrative expenses

Selling, general and administrative expenses included research and development costs of ¥6 million, ¥26 million and ¥7 million for the years ended 31 March 2008, 2009 and 2010 respectively. No research and development costs incurred for the six months ended 30 September 2009 (unaudited) and 2010.

7. Real estate for sale

The balance of real estate for sale included the written down value. The diminution in value for the real estate for sale is as follows:

	Year ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(unaudited) (millions of Yen)	(millions of Yen)
Cost of sales					
Cost of real estate business	—	157	483	516	199
Extraordinary expense					
Others	—	169	—	—	—

VII. NOTES TO STATEMENTS OF CHANGES IN NET ASSETS

Outstanding number of treasury stock

Year ended 31 March 2008	As at 31 March 2007 (share)	Increase (share)	Decrease (share)	As at 31 March 2008 (share)
Treasury stock				
Common shares (Notes 1,2)	<u>1,109,186.96</u>	<u>83.13</u>	<u>26.08</u>	<u>1,109,244.01</u>

Notes:

- The increase of 83.13 common shares in treasury stock was due to the purchase of odd-lot stocks.

2. The decrease of 26.08 common shares in treasury stock was due to the sales of stocks to increase odd-lot shares to a unit.

Year ended 31 March 2009	As at 31 March 2008 (share)	Increase (share)	Decrease (share)	As at 31 March 2009 (share)
Treasury stock				
Common shares (Notes 1,2).	<u>1,109,244.01</u>	<u>37,530.61</u>	<u>1,109,113.62</u>	<u>37,661.00</u>

Notes:

1. The increase of 37,530.61 common shares in treasury stock was due to the purchase of odd-lot shares.
2. The decrease of 1,109,113.62 common shares in treasury stock was due to the sales of 113.62 stocks to increase odd-lot shares to a unit, and reissuance of allotted 1,109,000 stocks to SBI SECURITIES' shareholders in exchange for outstanding stock of SBI SECURITIES' capital stock (which resulted in SBI SECURITIES becoming a wholly owned subsidiary of the Company).

Year ended 31 March 2010	As at 31 March 2009 (share)	Increase (share)	Decrease (share)	As at 31 March 2010 (share)
Treasury stock				
Common shares (Note).	<u>37,661</u>	<u>—</u>	<u>23,040</u>	<u>14,621</u>

Note: The decrease of 23,040 common shares in treasury stock was due to the reissuance of stocks to acquire the remaining share of SBI Futures Co., Ltd. to become a wholly owned subsidiary.

Six months ended 30 September 2009 (unaudited)	As at 31 March 2009 (share)	Increase (share)	Decrease (share)	As at 30 September 2009 (share)
Treasury stock				
Common shares (Note).	<u>37,661</u>	<u>—</u>	<u>23,040</u>	<u>14,621</u>

Note: The decrease of 23,040 common shares in treasury stock was due to the reissuance of stocks to acquire the remaining share of SBI Futures Co. Ltd to become a wholly owned subsidiary.

Six months ended 30 September 2010	As at 31 March 2010 (share)	Increase (share)	Decrease (share)	As at 30 September 2010 (share)
Treasury stock				
Common shares	<u>14,621</u>	<u>—</u>	<u>—</u>	<u>14,621</u>

VIII. NOTES TO LEASE TRANSACTIONS FOR FINANCIAL STATEMENTS

LESSEE

1. Finance lease

Information regarding these leases is as follows:

Furniture and fixture	Year ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(unaudited) (millions of Yen)	(millions of Yen)
(a) Acquisition cost, accumulated depreciation and net carrying amount of lease property at the end of year/period:					
Acquisition costs	7	7	4	4	4
Accumulated depreciation	<u>1</u>	<u>3</u>	<u>3</u>	<u>2</u>	<u>3</u>
Carrying amount at the end of year / period	<u>6</u>	<u>3</u>	<u>1</u>	<u>2</u>	<u>0</u>
(b) Future lease payments at the end of year/period:					
Due within one year . .	2	2	1	1	0
Due after one year . .	<u>4</u>	<u>1</u>	<u>—</u>	<u>0</u>	<u>—</u>
Total	<u>6</u>	<u>4</u>	<u>1</u>	<u>2</u>	<u>0</u>
(c) Lease payments, depreciation and interest expenses:					
Lease payments	7	2	1	0	0
Depreciation	6	2	1	0	0
Interest expense	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(d) Depreciation method					

Leased assets were depreciated by using the straight line method over the lease term with estimated residual value.

(e) Calculation of interest expense

The difference between total lease payments and the acquisition cost was assumed to be interest expense and the interest method was used to allocate interest expense to each year.

2. Operating lease

FOR THE YEAR ENDED 31 MARCH 2008

Future lease payment	Year ended 31 March 2008
	(millions of Yen)
Due within one year	1
Due after one year	<u>3</u>
Total	<u><u>4</u></u>

IX. SECURITIES

AS AT 31 MARCH 2008

Stocks of subsidiaries and affiliates with quoted market price

	Carrying amount as at balance sheet date (millions of Yen)	Quoted market price (millions of Yen)	Difference (millions of Yen)
Stocks of subsidiaries.....	62,416	182,461	120,045
Stocks of affiliates	<u>4,527</u>	<u>4,515</u>	<u>(11)</u>
Total	<u><u>66,943</u></u>	<u><u>186,976</u></u>	<u><u>120,033</u></u>

AS AT 31 MARCH 2009

Stocks of subsidiaries and affiliates with quoted market price

	Carrying amount as at balance sheet date (millions of Yen)	Quoted market price (millions of Yen)	Difference (millions of Yen)
Stocks of subsidiaries.....	13,227	11,664	(1,562)
Stocks of affiliates	<u>3,186</u>	<u>2,893</u>	<u>(293)</u>
Total	<u><u>16,413</u></u>	<u><u>14,557</u></u>	<u><u>(1,856)</u></u>

AS AT 31 MARCH 2010

Stocks of subsidiaries and affiliates with quoted market price

	Carrying amount as at balance sheet date (millions of Yen)	Quoted market price (millions of Yen)	Difference (millions of Yen)
Stocks of subsidiaries	12,035	12,039	3
Stocks of affiliates	<u>1,390</u>	<u>1,136</u>	<u>(254)</u>
Total	<u>13,426</u>	<u>13,175</u>	<u>(250)</u>

Note:

Fair values of stocks of subsidiaries and affiliates were assumed to be extremely difficult to figure out.

AS AT 30 SEPTEMBER 2010

Stocks of subsidiaries and affiliates with quoted market price

	Carrying amount as at balance sheet date (millions of Yen)	Quoted market price (millions of Yen)	Difference (millions of Yen)
Stocks of subsidiaries	12,035	11,992	(42)
Stocks of affiliates	<u>1,390</u>	<u>1,071</u>	<u>(318)</u>
Total	<u>13,426</u>	<u>13,064</u>	<u>(361)</u>

Note:

Fair values of stocks of subsidiaries and affiliates were assumed to be extremely difficult to figure out:

Type	Carrying amounts at balance sheet date (millions of Yen)
Stocks of subsidiaries	267,298
Stocks of affiliates	27,476

Those unlisted equity securities without market value were assumed to be extremely difficult to estimate their fair values and, therefore, not subject to fair value disclosure in the table "Stocks of subsidiaries and affiliates with quoted market price" above.

X. NOTES TO INCOME TAXES

1. Major components of deferred tax assets and deferred tax liabilities are as follows:

	Year ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(unaudited) (millions of Yen)	(millions of Yen)
Deferred tax assets — current					
Losses on valuation of investment securities (current assets)	435	951	1,122	1,053	1,161
Provision of allowance for investment losses (current assets)	368	606	1,653	626	772
Losses on valuation of inventory	—	133	329	343	410
Provision of allowance for doubtful accounts	61	512	514	511	514
Accrued enterprise taxes	94	(186)	66	(181)	70
Tax loss carried forward	—	1,297	790	1,297	790
Unrealized losses on available-for-sale securities	456	3,041	2,587	3,017	1,468
Others	60	15	264	6	521
Sub-total	1,477	6,370	7,329	6,676	5,710
Valuation allowance	—	(450)	(3,038)	(450)	(1,918)
Total deferred tax assets - current	1,477	5,920	4,291	6,225	3,791
Deferred tax assets (investment and other assets)					
Losses on valuation of investment securities (non-current assets)	9,515	9,007	7,226	7,480	8,662
Provision of allowance for investment losses (non-current assets)	1,496	1,471	1,674	1,471	595
Tax loss carried forward	—	4,360	4,588	5,037	8,291
Unrealized losses on available-for-sale securities	2,260	831	469	790	231
Others	80	127	61	61	120
Sub-total	13,353	15,798	14,021	14,842	17,901
Valuation allowance	(4,381)	(8,883)	(6,171)	(7,402)	(6,279)
Total deferred tax assets (investment and other assets)	8,971	6,915	7,849	7,439	11,622
Total deferred tax assets	10,448	12,836	12,140	13,665	15,413
Deferred tax liabilities - current					
Unrealized gains on available-for-sale securities	(9,801)	(2,744)	(1,274)	(2,878)	(1,526)
Total deferred tax liabilities - current	(9,801)	(2,744)	(1,274)	(2,878)	(1,526)
Deferred tax liabilities - non-current					
Unrealized gains on available-for-sale securities	(7)	(11)	(839)	(302)	(611)
Others	(0)	(0)	(0)	(0)	(0)
Total deferred tax liabilities - non-current	(7)	(11)	(839)	(302)	(611)
Total deferred tax liabilities	(9,809)	(2,576)	(2,113)	(3,180)	(2,138)
Net deferred tax assets	639	10,080	10,026	10,485	13,275

Deferred tax assets were netted with deferred tax liabilities in the balance sheets as at 31 March 2008, 31 March 2009, 31 March 2010, six months ended 30 September 2009 (unaudited) and 2010.

2. Reconciliation between the normal effective statutory tax rate and the actual effective tax rate is as follows:

	Year ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
	(unaudited)				
Statutory rate	40.69%	40.69%	40.69%	40.69%	40.69%
(Adjustments)					
Expenses not deductible for income taxes purpose	1.36%	—	4.61%	—	—
Income not taxable for income tax purpose					
(Dividend income, etc)	(33.28%)	6.67%	(44.14%)	—	—
Change in valuation allowance	2.26%	(37.11%)	(917.74%)	(101.50%)	(3.80%)
Others	(1.48%)	(0.99%)	1.21%	(0.29%)	(0.99%)
Actual effective tax rate	<u>9.55%</u>	<u>9.26%</u>	<u>(915.37%)</u>	<u>(61.10%)</u>	<u>35.90%</u>

XI. NOTES TO BUSINESS COMBINATION FOR NON-CONSOLIDATED FINANCIAL STATEMENTS

The notes for three years ended 31 March 2008, 2009 and 2010 and six months ended 30 September 2010 were omitted since the information was disclosed in the Financial Information as disclosure notes.

XII. NOTES TO PER SHARE INFORMATION

	Year ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
	(unaudited)				
	Yen	Yen	Yen	Yen	Yen
Net assets per share	14,250.03	16,885.74	16,816.46	16,961.18	15,438.48
Net income (loss) per share	993.17	(811.19)	210.11	140.38	(315.83)
Diluted net income per share	979.09	—	209.49	139.93	—

As the Company was in loss position for the year ended 31 March 2009 and six months ended 30 September 2010, diluted net loss per share information was not disclosed.

Notes:

1. Basis of calculation of the net assets per share

	Year ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(unaudited) (millions of Yen)	(millions of Yen)
Total Net assets	161,396	282,516	281,972	284,227	307,625
Total deducted amount from net asset	0	—	—	—	—
- Stock acquisition right	(0)	—	—	—	—
Net assets attributable to common shareholders as at the end of the financial year/period	161,396	282,516	281,972	284,227	307,625
The number of common shares as at the end of the financial year/period for the calculation (shares)	11,326,040	16,731,072	16,767,670	16,772,133	19,940,492

2. Basis of calculation for the net income/loss and diluted net income per share

	Year ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(unaudited) (millions of Yen)	(millions of Yen)
Net income (loss) per share					
Net income (loss) for the year/period	11,225	(12,108)	3,519	2,349	(5,840)
Net income not attributed to common shareholders	—	—	—	—	—
Net income (loss) attributable to common shareholders	<u>11,225</u>	<u>(12,108)</u>	<u>3,519</u>	<u>2,349</u>	<u>(5,840)</u>
Average number of common shares during the year/period (shares)	<u>11,302,700</u>	<u>14,927,255</u>	<u>16,750,591</u>	<u>16,769,525</u>	<u>18,507,227</u>
Diluted net income per share					
Adjustment on net income for the year/period (millions of Yen) . .	—	—	—	—	—
Increased number of common shares (shares)	<u>162,494</u>	—	<u>49,358</u>	<u>52,828</u>	—
Increased by exercising acquisition right	<u>(—)</u>	<u>(—)</u>	<u>(49,358)</u>	<u>(52,828)</u>	<u>(—)</u>

3. Overview of potential stocks without dilutive effect excluded from the calculation

For the year ended 31 March 2008:	2008 zero coupon unsecured Japanese Yen convertible bonds with warrants (the number of stocks: 154,350)
	2009 zero coupon unsecured Japanese Yen convertible bonds with warrants (the number of stocks: 323,803)
	Stock acquisition rights by the resolution of ordinary general meeting of shareholders at 29 June 2005 (the number of stocks: 26,199)
	Stock acquisition rights by the resolution of ordinary general meeting of shareholders at 22 September 2005 of the former SBI Partners Co., Inc. (the number of shares: 550)
	Stock acquisition rights by the resolution of ordinary general meeting of shareholders and the board meeting at 29 June 2004 of the former WORLD NICHIEI FRONTIER Securities Co., Ltd., currently SBI SECURITIES E*TRADE Co., Ltd. (the number of shares: 21,396),
	Stock acquisition rights by the resolution of ordinary general meeting of shareholders at 29 June 2005 of the former SBI Securities Co., Ltd., currently SBI SECURITIES E*TRADE Co., Ltd. (the number of shares: 23,263)
For the year ended 31 March 2009:	Stock acquisition rights issued by the stock option incentive plan (Potential shares: 109,297 shares)
For the year ended 31 March 2010:	Stock acquisition rights issued by the stock option incentive plan (Potential shares: 182,637 shares)
For the six months ended 30 September 2009 (unaudited):	Stock acquisition rights issued by the stock option incentive plan (Potential shares: 182,788 shares)
For the six months ended 30 September 2010:	Stock acquisition rights issued by the stock option incentive plan (Potential shares: 187,050 shares)

XIII. SUPPLEMENTARY SCHEDULES FOR FINANCIAL STATEMENTS

SCHEDULE OF SECURITIES

FOR THE YEAR ENDED 31 MARCH 2008

Stock

Issuer			Stocks	Carrying amount as at 31 March 2008 (millions of Yen)
Investment securities - non-current	Available-for-sale securities	The Sumitomo Trust and Banking Co., Ltd.	8,630,000	5,920
		SW Kingsway Capital Holdings Ltd.	102,631,579	257
		NEXUS Co., Ltd	30,500	244
		Corporate Direction, Inc.	188	28
		B.H.B. Planning Co., Ltd.	300	15
		Infostock.com Co., Ltd.	30	1
		Others (2)	2,026	0
		Total		<u>111,294,623</u>

Others

Type and Item			Units	Carrying amount as at 31 March 2008 (millions of Yen)
Investment securities - non-current	Available-for-sale securities	HFRX Global Hedge Fund Index	50,000	478
		New Japan Index Fund	101,844,568	92
		Nippon Commercial Investment Corporation	156	60
		Total		<u>—</u>

FOR THE YEAR ENDED 31 MARCH 2009

Stock

Issuer			Stocks	Carrying amount as at 31 March 2009 (millions of Yen)
Investment securities - non-current	Available-for-sale securities	The Sumitomo Trust and Banking Co., Ltd.	8,630,000	3,218
		PION Co., Ltd.	30,500	155
		SW Kingsway Capital Holdings Ltd.	102,631,579	104
		Corporate Directions, Inc	188	28
		BHB Planning Co., Ltd.	300	15
		Others (2)	40	1
		Total	<u>111,292,607</u>	<u>3,524</u>

Debt securities

Issuer			Face value (millions of Yen)	Carrying amount as at 31 March 2009 (millions of Yen)
Investment securities - current	Available-for-sale securities	SBI Equal Credit Co, Ltd. #1 Unsecured Corporate Bond	14,000	14,000
		e-Research Inc. #1 Unsecured Corporate Bond	14,000	14,000
		e-Research Inc. #5 Unsecured Corporate Bond	11,000	11,000
		e-Research Inc. #4 Unsecured Corporate Bond	9,000	9,000
		Partners Investment Co, Ltd. #1 Subordinated Unsecured Bond	9,000	9,000
		CEM Corporation #3 Unsecured Corporate Bond	8,000	8,000
		e-Research Inc. #2 Unsecured Corporate Bond	5,000	5,000
		Partners Investment Co, Ltd. #2 Subordinated Unsecured Bond	3,000	3,000
		Others (3)	1,169	1,169
		Investment securities - non-current	Available-for-sale securities	HotGrinds, Inc. Convertible Promissory Note
Total			<u>74,193</u>	

Others

Type and Item			Units	Carrying amount as at 31 March 2009 (millions of Yen)
Investment securities - current	Available-for-sale securities	Money Trust (1 type of item)	1	100
Investment securities - non-current	Available-for-sale securities	HFRX Global Hedge Fund Index	50,000	367
		New Japan Index Fund	102,351,167	58
		Nippon Commercial Investment Corporation	156	12
Total			—	538

FOR THE YEAR ENDED 31 MARCH 2010

Stock

Issuer			Stocks	Carrying amount as at 31 March 2010 (millions of Yen)
Investment securities - non-current	Available-for-sale securities	The Sumitomo Trust and Banking Co., Ltd.	4,315,000	2,364
		Broadmedia Corporation	9,564,500	1,568
		PION Co., Ltd.	30,500	281
		SW Kingsway Capital Holdings Ltd.	102,631,579	258
		Corporate Directions, Inc	188	28
		Others (4)	434,298	23
Total			116,976,065	4,525

Debt securities

Issuer			Face value (millions of Yen)	Carrying amount as at 31 March 2010 (millions of Yen)
Investment securities - current	Available-for-sale securities	Kensho TV K.K. #1 Unsecured Convertible Bonds with stock acquisition rights	50	50
Total			—	50

Others

Type and Item			Units	Carrying amount as at 31 March 2010 (millions of Yen)
Investment securities - non-current	Available-for-sale securities	HFRX Global Hedge Fund Index	50,000	409
		SBI TOPIX100 Hedge Fund Index	102,351,167	76
		Nippon Commercial Investment Corporation	156	19
Total			—	505

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

Stock

Issuer			Stocks	Carrying amount as at 30 September 2010 (millions of Yen)
Investment securities - non-current	Available-for-sale securities	The Sumitomo Trust and Banking Co., Ltd.	4,315,000	1,803
		Broadmedia Corporation	9,564,500	1,358
		PION Co., Ltd.	30,500	433
		SW Kingsway Capital Holdings Ltd.	102,631,579	266
		Corporate Directions, Inc.	188	28
		Other (4)	434,298	0
Total			116,976,065	3,890

Debt securities

Issuer			Face value (millions of Yen)	Carrying amount as at 30 September 2010 (millions of Yen)
Investment securities - current	Available-for-sale securities	e-Research Inc. #14 Unsecured Corporate Bond	11,000	11,000
Total			—	11,000

Others

Type and Item			Units	Carrying amount as at 30 September 2010 (millions of Yen)
Investment securities - non-current	Available-for-sale securities	HFRX Global Hedge Fund Index	50,000	406
		SBI TOPIX100 Hedge Fund Index	10,235	64
		Nippon Commercial Investment Corporation	156	14
Total			—	484

SCHEDULE OF PROPERTY AND EQUIPMENT, INTANGIBLE ASSETS, LONG TERM PREPAID EXPENSES AND DEFERRED ASSETS

FOR THE YEAR ENDED 31 MARCH 2008

Type of asset	Balance as at 31 March 2007 (millions of Yen)	Increase (millions of Yen)	Decrease (millions of Yen)	Balance as at 31 March 2008 (millions of Yen)	Accumulated depreciation		Net amount (millions of Yen)
					as at 31 March 2008 (millions of Yen)	Depreciation accounted in the year (millions of Yen)	
Property and equipment							
Buildings	—	—	—	377	107	43	270
Furniture and fixtures	—	—	—	1,062	570	212	492
Vehicles	—	—	—	17	5	3	11
Total property and equipment.	—	—	—	1,457	683	259	774
Intangible assets							
Patent	—	—	—	13	2	1	11
Trademark	—	—	—	38	11	3	27
Software	—	—	—	1,362	425	176	936
Telephone subscription rights	—	—	—	5	—	—	5
Total intangible assets	—	—	—	1,420	439	180	980
Long-term prepaid expenses	84	15	84	15	1	1	14
Deferred charges							
Stock issuance costs	276	—	275	1	1	89	0
Bonds issuance costs	399	—	270	129	66	125	62
Total deferred charges	676	—	546	130	67	215	63

Notes:

- As the amounts of property and equipment as at 31 March 2007 were less than 1% of total assets, the movement of the property and equipment was not disclosed in the table above.
- As the amounts of intangible assets as at 31 March 2007 were less than 1% of total assets, the movement of the intangible assets was not disclosed in the table above.

FOR THE YEAR ENDED 31 MARCH 2009

Type of asset	Balance as at 31 March 2008 (millions of Yen)	Increase (millions of Yen)	Decrease (millions of Yen)	Balance as at 31 March 2009 (millions of Yen)	Accumulated	Depreciation	Net amount (millions of Yen)
					depreciation as at 31 March 2009 (millions of Yen)	accounted during the year (millions of Yen)	
Property and equipment							
Buildings	—	—	—	399	150	43	248
Furniture and fixtures	—	—	—	1,256	798	228	458
Vehicles	—	—	—	20	9	7	10
Construction in Progress	—	—	—	45	—	—	45
Total property and equipment	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,721</u>	<u>958</u>	<u>280</u>	<u>762</u>
Intangible assets							
Patents	—	—	—	13	3	1	10
Trademark	—	—	—	43	15	3	28
Software	—	—	—	1,738	682	256	1,056
Telephone subscription rights	—	—	—	5	—	—	5
Total intangible assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,801</u>	<u>700</u>	<u>261</u>	<u>1,100</u>
Long-term prepaid expenses	15	20	15	21	2	0	18
Deferred charges							
Stock issuance cost	1	—	1	—	—	0	—
Bond issuance cost	129	—	—	129	108	41	20
Total deferred charges	<u>130</u>	<u>—</u>	<u>1</u>	<u>129</u>	<u>108</u>	<u>42</u>	<u>20</u>

Notes:

- As the amounts of property and equipment as at 31 March 2008 were less than 1% of total costs, the movement of the property and equipment was not disclosed in the table above.
- As the amounts of intangible assets as at 31 March 2008 were less than 1% of total assets, the movement of the intangible assets was not disclosed in the table above.

FOR THE YEAR ENDED 31 MARCH 2010

Type of asset	Balance as	Increase	Decrease	Balance as	Accumulated	Depreciation	Net amount
	at 31 March 2009 (millions of Yen)			(millions of Yen)	(millions of Yen)	at 31 March 2010 (millions of Yen)	
Property and equipment							
Buildings	399	3,842	69	4,172	186	71	3,985
Furniture and fixtures	1,256	68	35	1,290	980	205	309
Vehicles	20	—	—	20	14	4	5
Land	—	2,533	—	2,533	—	—	2,533
Construction in Progress	45	23	—	69	—	—	69
Total property and equipment	<u>1,721</u>	<u>6,467</u>	<u>104</u>	<u>8,084</u>	<u>1,181</u>	<u>281</u>	<u>6,903</u>
Intangible assets							
Patents	—	—	—	13	4	1	9
Trademark	—	—	—	42	17	3	25
Software	—	—	—	1,677	857	260	819
Telephone subscription rights	—	—	—	5	—	—	5
Total intangible assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,739</u>	<u>879</u>	<u>265</u>	<u>859</u>
Long-term prepaid expenses	21	25	22	24	—	—	24
Deferred charges							
Bonds issuance cost	129	676	159	645	223	275	421
Total deferred charges	<u>129</u>	<u>676</u>	<u>159</u>	<u>645</u>	<u>223</u>	<u>275</u>	<u>421</u>

Note: As the amounts of the intangible assets as at 31 March 2009 were less than 1% of total assets, the movement of the intangible assets was not disclosed in the table above.

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

Type of asset	Balance as at 31 March 2010 (millions of Yen)	Increase (millions of Yen)	Decrease (millions of Yen)	Balance as at 30 September 2010 (millions of Yen)	Accumulated depreciation as at 30 September 2010 (millions of Yen)	Depreciation accounted during the year (millions of Yen)	Net amount (millions of yen)
Property and equipment							
Buildings	4,172	128	—	4,300	303	117	3,996
Furniture and fixtures	1,290	75	3	1,362	1,045	68	316
Vehicles	20	—	—	20	15	1	4
Land	2,533	—	—	2,533	—	—	2,533
Construction in Progress	69	0	49	19	—	—	19
Total property and equipment	<u>8,084</u>	<u>204</u>	<u>53</u>	<u>8,235</u>	<u>1,365</u>	<u>186</u>	<u>6,870</u>
Intangible assets							
Patents	—	—	—	13	4	0	8
Trademark	—	—	—	43	19	1	23
Software	—	—	—	1,828	973	126	854
Telephone subscription rights	—	—	—	5	—	—	5
Total intangible assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,890</u>	<u>998</u>	<u>128</u>	<u>891</u>
Long-term prepaid expenses	24	200	6	218	—	—	218
Deferred charges							
Stock issuance cost	—	203	—	203	16	16	186
Bonds issuance cost	645	235	123	757	414	313	343
Total deferred charges	<u>645</u>	<u>438</u>	<u>123</u>	<u>960</u>	<u>430</u>	<u>330</u>	<u>529</u>

Note: As the amounts of the intangible assets as at 31 March 2010 were less than 1% of total assets, the movement of the intangible assets were not disclosed in the above table.

SCHEDULE OF ALLOWANCES

FOR THE YEAR ENDED 31 MARCH 2008

Type	Balance as at 31 March 2007 (millions of Yen)	Increase (millions of Yen)	Decrease (millions of Yen)	Decrease (Others) (millions of Yen)	Balance as at 31 March 2008 (millions of Yen)
Allowance for investment losses	3,316	379	—	—	3,695
Allowance for doubtful accounts	151	0	—	—	151

FOR THE YEAR ENDED 31 MARCH 2009

Type	Balance as at 31 March 2008 (millions of Yen)	Increase (millions of Yen)	Decrease (charge-off) (millions of Yen)	Decrease (Others) (millions of Yen)	Balance as at 31 March 2009 (millions of Yen)
Allowance for investment losses	3,695	1,771	1,401	360	3,704
Allowance for doubtful accounts	151	1,106	—	—	1,258

Note: The "Decrease (Others)" in allowance for investment losses represents the reversal of the allowance due to early redemption.

FOR THE YEAR ENDED 31 MARCH 2010

Type	Balance as at 31 March 2009 (millions of Yen)	Increase (millions of Yen)	Decrease (Charge-off) (millions of Yen)	Decrease (Others) (millions of Yen)	Balance as at 31 March 2010 (millions of Yen)
Allowance for investment losses	3,704	3,277	—	—	6,981
Allowance for doubtful accounts	1,258	6	—	1	1,263

Note: The "Decrease (Others)" in allowance for doubtful accounts represents the reversal of the allowance based on the past credit loss experience.

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

Type	Balance as at 31 March 2010 (millions of Yen)	Increase (millions of Yen)	Decrease (Charge-off) (millions of Yen)	Decrease (Others) (millions of Yen)	Balance as at 30 September 2010 (millions of Yen)
Allowance for investment losses	6,981	—	5,268	—	1,713
Allowance for doubtful accounts	1,263	—	—	—	1,263

A.3 SUPPLEMENTARY FINANCIAL INFORMATION

1. Effect of changes in significant accounting policies

Changes in significant accounting policies of the Group and the Company during the Track Record Period are stated in Note III of section A.1. and A.2. of the Financial Information respectively. The theoretical impacts on the JGAAP Financial Information as if the accounting policies applied in preparing the consolidated financial statements for the six month period ended 30 September 2010 were consistently applied throughout the Track Record Period on a retrospective basis are set out below.

- (1) The accounting policy of the Group in respect of the unification of accounting policies of foreign subsidiaries under the revised ASBJ PITF No. 18 became effective during the year ended 31 March 2009. Should the revised policy be applied consistently for the year ended 31 March 2008 on a retrospective basis, the impact on the results and financial position of the Group for the year ended 31 March 2008 is considered to be not material.
- (2) The accounting policy of the Group and the Company in respect of the accounting for lease transactions under and the revised ASBJ Statment No. 13 and ASBJ Guidance No. 16 became effective during the year ended 31 March 2009. Should the revised policy be applied consistently for the year ended 31 March 2008 on a retrospective basis, the impact on the results and financial position of the Group and the Company for the year ended 31 March 2008 is considered to be not material.
- (3) The accounting policy of the Group and the Company in respect of inventories under the ASBJ Statement No. 9, became effective during year ended 31 March 2009. Should the revised policy be applied consistently for the year ended 31 March 2008 on a retrospective basis, the impact on the results and financial position of the Group and the Company for the year ended 31 March 2008 is considered to be not material.
- (4) The accounting policy of the Group in respect of the construction contracts under ASBJ Statement No. 15 and ASBJ Guidance No. 18 became effective during the year ended 31 March 2010. Should the revised policy be applied consistently for the years ended 31 March 2008 and 2009 on a retrospective basis, the impact on the results and financial position of the Group for the years ended 31 March 2008 and 2009 is considered to be not material.
- (5) The accounting policy of the Group in respect of the consolidation scope under ASBJ Guidance No. 22 became effective during year ended 31 March 2010. Should the revised policies be applied consistently for the years ended 31 March 2008 and 2009 on a retrospective basis, the impact on the results and financial position of the Group for the years ended 31 March 2008 and 2009 is considered to be not material.
- (6) The accounting policies of the Group and the Company in respect of asset retirement obligation under ASBJ Statement No. 18 and ASBJ Guidance No. 21 became effective during the six months ended 30 September 2010. Should the revised policies be applied consistently for the years ended 31 March 2008, 2009 and 2010 and six months ended 30 September 2009 (unaudited) on a retrospective basis, the impact on the results and financial position of the Group and the Company for the years ended 31 March 2008, 2009 and 2010 and six months ended 30 September 2009 (unaudited) is considered to be not material.
- (7) ASBJ Statement No. 21, 22 and 23, ASBJ Statement No. 7 and 16 (revised in 2008) and ASBJ Guidance No. 10 (revised in 2008) became effective during the six months ended

30 September 2010 which affect the accounting of business combination and disposal of subsidiaries/business. There are practical difficulties for the Group to ascertain the impact resulting from these changes in accounting policies on a retrospective basis because the Group had a high volume of acquisitions and disposals of portfolio companies.

2. Retrospective changes in presentation

Changes in presentation of the Group and the Company during the Track Record Period are stated in Note IV of section A.1 and A.2 of the Financial Information respectively. The theoretical impacts on the JGAAP Financial information as if the presentation applied in preparing the consolidated financial statements for the six month period ended 30 September 2010 were consistently applied through out the Track Record Period on a retrospective basis are set out below.

Financial Information

I. Changes in presentation due to adoption of XBRL in disclosure through EDINET:

	As at 31 March			As at 30 September
	2008	2009	2010	2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)
Consolidated balance sheets				
(1) Current liabilities				
Other provisions	72	38	155	229
Others	39,419	23,823	25,353	42,132
Non-current liabilities				
Other provisions	248	390	877	733
Others	5,077	14,524	17,924	18,269
(2) Current liabilities				
Guarantee deposits received	311,578	258,068	282,373	277,825
Customers' deposits received for commodity futures transactions	—	—	—	—

	For the years ended 31 March			For the six months ended 30 September	
	2008	2009	2010	2009	2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(unaudited) (millions of Yen)	(millions of Yen)
Consolidated statements of changes in net assets					
(3) Total shareholder's equity					
Adjustments due to change of scope of consolidation	(806)	(103)	217	(58)	—
Decrease due to newly consolidated subsidiary	—	—	—	—	—
Decrease due to deconsolidation of subsidiaries	—	—	—	—	—

Consolidated statements of cash flows

(4) Operating activities					
Decrease in guarantee deposits received for margin transactions	—	—	—	—	—
(Decrease) increase in guarantee deposits received . .	(31,224)	(29,706)	4,173	19,245	(4,548)
Others, net	24,576	1,815	(1,614)	44,735	3,709

- II. Change in presentation due to expansion of a particular line item or grouping with other items if the corresponding amount exceeds or is below the benchmark of the associated Financial Information caption:

	As at 31 March			As at 30 September
	2008	2009	2010	2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)

Consolidated balance sheets

(5) Non-current assets				
Assets leased to other parties . .	—	—	—	—
Accumulated depreciation-assets leased to other parties	—	—	—	—
Others	21,803	791	4,503	4,634
Accumulated depreciation-others	(14,847)	(98)	(506)	(940)

	For the years ended 31 March			For the six months ended 30 September	
	2008	2009	2010	2009	2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(unaudited) (millions of Yen)	(millions of Yen)
Consolidated statement of operations					
(6) Extraordinary expenses					
Losses on valuation of investment securities	676	7,547	46	24	176
Others	904	1,862	646	356	257
(7) Non-operating income					
Refunded consumption taxes	72	238	188	—	—
Others	409	751	476	241	245
(8) Non-operating expense					
Amortization of deferred operating costs under Article 113 of the Insurance Business Act	20	364	746	300	343
Others	521	798	569	375	632
(9) Extraordinary expenses					
Provision of allowance for doubtful accounts	—	2,468	1,989	1,485	189
Others	904	1,862	646	356	257
(10) Extraordinary expenses					
Impairment loss	—	807	352	6	716
Others	904	1,862	646	356	257
Consolidated statements of cash flows					
(11) Operating activities					
Losses on valuation of investment securities	676	7,547	46	24	176
Others, net	24,576	1,815	(1,614)	44,735	3,709

	For the years ended 31 March			For the six months ended 30 September	
	2008	2009	2010	2009	2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(unaudited) (millions of Yen)	(millions of Yen)
(12) Operating activities					
Purchases of leased assets	—	—	—	—	—
Others, net	24,576	1,815	(1,614)	44,375	3,709

III. Change in presentation due to other reasons:

	For the years ended 31 March			For the six months ended 30 September	
	2008	2009	2010	2009	2010
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(unaudited) (millions of Yen)	(millions of Yen)

Consolidated statements of cash flows

(13) Financing activities					
Increase in short-term loans payable	—	—	—	—	—
Decrease in short-term loans payable	—	—	—	—	—
Increase (decrease) in short-term loans payable	(8,330)	(8,959)	940	42,929	(182)

Financial Information

Changes in presentation due to adoption of XBRL in disclosure through EDINET

	For the years ended 31 December			For the six months ended 30 September	
	2008	2009	2010	2009	2010
				(unaudited)	
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)
Statements of operations					
(1) Extraordinary expenses . . .					
Provision of allowance					
for investment losses . . .	360	300	500	—	—
Others	112	291	25	—	263

3. Related party transactions

In the opinion of directors of the Company, the related party transactions were conducted in the ordinary and usual course of business and based on normal commercial terms and, subject to the normal commercial considerations, these transactions will continue after the listing.

4. The accounting policies on segment disclosure of the Group had been changed for the six months ended 30 September 2010 which are stated in Note XVII. Segment Information of section A.1 of the Financial Information. Segment information for the Track Record Period based on ASBJ Statement No. 17 and ASBJ Guidance No. 20 is set out below:

Year ended 31 March 2008	Reportable segment					Sub-total	Others (Note)	Total
	Asset Management Business	Brokerage & Investment Banking Business	Financial Services Business	Housing and Real Estate Business				
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)	
Net Sales								
Revenue from customers	58,008	67,675	21,600	62,863	210,147	12,419	222,567	
Inter-segment revenue	0	855	895	110	1,860	—	1,860	
Total	<u>58,008</u>	<u>68,531</u>	<u>22,495</u>	<u>62,973</u>	<u>212,008</u>	<u>12,419</u>	<u>224,428</u>	
Segment operating income (loss)	17,210	20,511	849	8,303	46,875	(1,412)	45,463	
Segment assets	182,585	807,666	82,623	139,689	1,212,564	22,064	1,234,629	
Other items								
Depreciation	58	2,127	3,308	286	5,781	344	6,125	
Amortization of Goodwill	(1,069)	1,850	374	924	2,080	378	2,459	
Investment in subsidiaries and affiliates applying equity-method	55	578	10,344	7,616	18,595	—	18,595	
Increase in property and equipment, intangible assets	18	2,033	2,108	334	4,495	276	4,772	

Note: Business segments classified into "Others" are segment not determined as reportable segments which consisted of system-related business, drug-discovery business and garment business.

Year ended 31 March 2009	Reportable segment						
	Asset Management Business	Brokerage & Investment Banking Business	Financial Services Business	Housing and Real Estate Business	Sub-total	Others (Note)	Total
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)
Net Sales							
Revenue from customers	15,632	47,648	21,871	27,616	112,769	18,153	130,922
Inter-segment revenue	131	1,533	745	46	2,456	1,662	4,119
Total	15,764	49,182	22,617	27,662	115,226	19,815	135,042
Segment operating income (loss)	3,138	5,714	1,491	1,249	11,594	(1,173)	10,420
Segment assets	155,115	804,543	93,169	125,058	1,177,888	20,895	1,198,783
Other items							
Depreciation	55	1,952	992	273	3,272	626	3,899
Amortization of Goodwill	3	4,378	349	768	5,499	501	6,001
Investment in subsidiaries and affiliates applying equity-method	74	3,362	7,213	801	11,452	—	11,452
Increase in property and equipment, intangible assets	13	2,821	1,200	695	4,731	713	5,445

Note: Business segments classified into "Others" are segment not determined as reportable segments which consisted of system-related business, drug-discovery business and garment business.

Year ended 31 March 2010	Reportable segment						
	Asset Management Business	Brokerage & Investment Banking Business	Financial Services Business	Housing and Real Estate Business	Sub-total	Others (Note)	Total
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)
Net Sales							
Revenue from customers	20,189	46,986	24,441	17,152	108,769	15,772	124,541
Inter-segment revenue	—	3,136	1,164	1	4,302	1,117	5,419
Total	20,189	50,122	25,605	17,153	113,071	16,889	129,961
Segment operating income (loss)	2,543	9,374	206	872	12,998	(2,104)	10,893
Segment assets	198,466	880,834	96,917	109,003	1,285,222	20,985	1,306,207
Other items							
Depreciation	52	2,324	1,003	301	3,681	411	4,093
Amortization of Goodwill	184	5,921	385	767	7,260	504	7,764
Investment in subsidiaries and affiliates applying equity-method	82	2,651	14,455	30	17,219	—	17,219
Increase in property and equipment, intangible assets	51	6,673	3,675	390	10,790	1,002	11,793

Note: Business segments classified into "Others" are segment not determined as reportable segments which consisted of system-related business, drug-discovery business and garment business.

Six months ended 30 September 2009 (unaudited)	Reportable segment						
	Asset Management Business	Brokerage & Investment Banking Business	Financial Services Business	Housing and Real Estate Business	Sub-total	Others (Note)	Total
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)
Net Sales							
Revenue from customers	12,117	25,136	11,482	6,324	55,060	8,092	63,153
Inter-segment revenue	—	1,486	480	0	1,967	459	2,427
Total	12,117	26,623	11,962	6,325	57,028	8,552	65,580
Segment operating income (loss)	2,471	5,985	304	(181)	8,580	(1,104)	7,475
Segment assets	179,219	896,398	100,409	105,996	1,282,023	20,754	1,302,777
Other items							
Depreciation	24	827	511	130	1,493	206	1,699
Amortization of Goodwill	65	2,994	184	390	3,635	253	3,889
Investment in subsidiaries and affiliates applying equity-method	85	2,120	13,102	716	16,025	1,862	17,888
Increase in property and equipment, intangible assets	6	3,104	2,264	59	5,435	496	5,931

Note: Business segments classified into "Others" are segment not determined as reportable segments which consisted of system-related business, drug-discovery business and garment business.

Six months ended 30 September 2010	Reportable segment						
	Asset Management Business	Brokerage & Investment Banking Business	Financial Services Business	Housing and Real Estate Business	Sub-total	Others (Note)	Total
	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)	(millions of Yen)
Net Sales							
Revenue from customers	10,514	22,915	13,525	8,590	55,545	7,402	62,948
Inter-segment revenue	1	1,301	983	1	2,287	860	3,147
Total	10,516	24,216	14,508	8,591	57,833	8,262	66,096
Segment operating income (loss)	2,679	3,780	435	1,205	8,100	(1,020)	7,079
Segment assets	200,981	875,965	126,505	109,521	1,312,973	18,211	1,331,185
Other items							
Depreciation	25	1,280	565	192	2,063	239	2,303
Amortization of Goodwill	137	2,925	187	368	3,619	254	3,873
Investment in subsidiaries and affiliates applying equity-method	4,366	2,103	23,472	—	29,942	—	29,942
Increase in property and equipment, intangible assets	13	1,682	807	363	2,866	307	3,174

Note: Business segments classified into "Others" are the segment not determined as reportable segments, which consist of system-related business, drug-discovery business and garment business.

- (iv) Reconciliation of the differences between the total amount of reportable segments and the total amount recorded in the consolidated financial statements:

Net sales	For the year ended 31 March			For the six months ended 30 September	
	2008	2009	2010	2009 (unaudited)	2010
	millions of Yen	millions of Yen	millions of Yen	millions of Yen	millions of Yen
Total of reportable segments	212,008	115,226	113,071	57,028	57,833
Net sales of "Others"	12,419	19,815	16,889	8,552	8,262
Elimination among segments	(1,860)	(4,119)	(5,419)	(2,427)	(3,147)
Net sales of consolidated financial statements.	<u>222,567</u>	<u>130,922</u>	<u>124,541</u>	<u>63,153</u>	<u>62,948</u>

Operating income	For the year ended 31 March			For the six months ended 30 September	
	2008	2009	2010	2009 (unaudited)	2010
	millions of Yen	millions of Yen	millions of Yen	millions of Yen	millions of Yen
Total of reportable segments	46,875	11,594	12,998	8,580	8,100
Losses of "Others"	(1,412)	(1,173)	(2,104)	(1,104)	(1,020)
Elimination among segments	873	(1,301)	(2,479)	(1,202)	(933)
Headquarters expenses (Note)	(3,730)	(4,715)	(4,982)	(2,521)	(2,541)
Operating income of consolidated financial statements	<u>42,606</u>	<u>4,403</u>	<u>3,431</u>	<u>3,752</u>	<u>3,605</u>

Note: Headquarters expenses are general administrative expenses which are not attributable to reportable segments.

Assets	As at 31 March			As at 30 September
	2008	2009	2010	2010
	millions of Yen	millions of Yen	millions of Yen	millions of Yen
Total of reportable segments	1,212,564	1,177,888	1,285,222	1,312,973
Assets of "Others"	22,064	20,895	20,985	18,211
Elimination among segments	(28,770)	(127,889)	(94,550)	(93,549)
Headquarters assets (Note)	13,388	8,339	18,282	17,250
Assets of consolidated financial statements	<u>1,219,247</u>	<u>1,079,233</u>	<u>1,229,939</u>	<u>1,254,886</u>

Note: Headquarters assets are principally surplus operating funds (cash and deposits).

Other items	For the year ended 31 March									For the six months ended 30 September					
	2008			2009			2010			2009 (unaudited)			2010		
	Total of reportable segment	Amount of adjustment	Total of consolidated financial statements	Total of reportable segment	Amount of adjustment	Total of consolidated financial statements	Total of reportable segment	Amount of adjustment	Total of consolidated financial statements	Total of reportable segment	Amount of adjustment	Total of consolidated financial statements	Total of reportable segment	Amount of adjustment	Total of consolidated financial statements
	millions of Yen	millions of Yen	millions of Yen	millions of Yen	millions of Yen	millions of Yen	millions of Yen	millions of Yen	millions of Yen	millions of Yen	millions of Yen	millions of Yen	millions of Yen	millions of Yen	millions of Yen
Depreciation	5,781	581	6,361	3,272	1,095	4,367	3,681	887	4,568	1,493	647	2,140	2,063	434	2,498
Amortization of goodwill	2,080	378	2,459	5,499	501	6,001	7,260	504	7,764	3,635	253	3,889	3,619	254	3,873
Investment in subsidiaries and affiliates applying equity-method	18,595	—	18,595	11,452	—	11,452	17,219	—	17,219	16,025	1,862	17,888	29,942	—	29,942
Increase in property and equipment, intangible assets	4,495	1,104	5,600	4,731	1,351	6,082	10,790	1,157	11,947	5,435	658	6,093	2,866	472	3,339

Note: "Amount of adjustment" includes adjustments for other segments that are not reportable segments, headquarters expenses and elimination among segments.

Impairment losses	For the year ended 31 March			For the six months ended 30 September	
	2008	2009	2010	2009	2010
	(unaudited)				
	millions of Yen	millions of Yen	millions of Yen	millions of Yen	millions of Yen
Asset Management Business	—	—	—	—	—
Brokerage & Investment Banking Business	—	479	0	—	350
Financial Services Business	—	23	214	3	5
Housing and Real Estate Business	—	93	12	12	—
Others (Note)	—	210	125	(10)	360
Headquarters expenses and elimination among segments	—	—	—	—	—
Total	—	807	352	6	716

Note: The amount stated in the "Others" is all relevant to the Heath Care Related Business.

Goodwill	As at 31 March			As at 30 September
	2008	2009	2010	2010
	millions of Yen	millions of Yen	millions of Yen	millions of Yen
Asset Management Business	1,726	1,631	4,587	4,723
Brokerage & Investment Banking Business	30,363	109,189	103,729	100,804
Financial Services Business	5,531	5,115	4,969	5,726
Housing and Real Estate Business	14,317	12,744	12,210	11,313
Others (Note)	8,935	7,673	7,510	7,255
Headquarters expenses and elimination among segments	—	—	—	—
Total	60,874	136,354	133,008	129,823

Note: "Others" consists of system-related business, drug-discovery business and garment business.

B. ADDITIONAL STOCK EXCHANGE INFORMATION

(Amounts in millions of Japanese Yen, and are rounded down to the nearest million, unless otherwise stated)

Additional information required under the relevant disclosure rules covering the Listing of Securities on the Stock Exchange of Hong Kong Limited, and not shown elsewhere in this report is as follows:

B1. NET CURRENT ASSETS AND TOTAL ASSETS LESS CURRENT LIABILITIES

	Year ended 31 March			Six months ended
	2008	2009	2010	30 September 2010
The Group				
Net current assets	328,637	227,960	233,232	254,964
Total assets less current liabilities .	<u>478,613</u>	<u>455,785</u>	<u>482,849</u>	<u>517,541</u>
The Company				
Net current assets/(liabilities)	23,728	(53,253)	(79,972)	(70,396)
Total assets less current liabilities .	<u>205,833</u>	<u>284,529</u>	<u>285,828</u>	<u>312,051</u>

B2. DIRECTOR'S AND EMPLOYEE'S EMOLUMENTS**Directors' emoluments**

	Year ended 31 March			Six months ended	
	2008	2009	2010	2009	2010
				<i>(unaudited)</i>	
Directors' fees	466	436	382	215	200
Discretionary bonuses	184	271	3	3	3
Pension contributions	<u>2</u>	<u>2</u>	<u>2</u>	<u>1</u>	<u>1</u>
Total emoluments	<u>653</u>	<u>709</u>	<u>388</u>	<u>220</u>	<u>205</u>

Directors' emoluments

The emoluments paid or payable to each of the directors are as follows:

FOR THE YEAR ENDED 31 MARCH 2008

Name	Directors' Fees	Discretionary bonuses	Pension contributions	2008 Total emoluments
Yoshitaka Kitao	148	56	0	204
Yasutaro Sawada	50	—	0	50
Kenji Hirai	35	—	0	35
Shiho Aihara	47	—	0	47
Hiroyoshi Kido	25	—	0	25
Hiroshi Tasaka	20	—	—	20
Takashi Nakagawa	27	—	0	27
Noriyuki Ishihara	15	—	0	15 ⁽¹⁾
Tomoya Asakura	12	—	0	12 ⁽¹⁾
Kentaro Azuma	18	—	0	18 ⁽²⁾
Reiko Kinoshita	20	8	0	28
Noriaki Maruyama	14	—	0	14 ⁽³⁾
Katsuya Kawashima	5	—	0	5 ⁽⁴⁾
Shinji Matsui	5	—	0	5 ⁽⁴⁾
Taro Izuchi	8	60	0	68 ⁽⁴⁾
Ken Izawa	15	60	—	75 ⁽⁴⁾
	466	184	2	653

Notes:

(1) Appointed on 28 June 2007

(2) Appointed on 28 June 2007 and resigned on 22 February 2008

(3) Resigned on 30 January 2008

(4) Resigned on 28 June 2007

FOR THE YEAR ENDED 31 MARCH 2009

Name	Directors' Fees	Discretionary bonuses	Pension contributions	2009 Total emoluments
Yoshitaka Kitao	143	120	0	263
Yasutaro Sawada	47	50	0	97
Kenji Hirai	33	20	0	53
Shiho Aihara	45	20	0	66
Hiroyoshi Kido	6	15	0	21 ⁽¹⁾
Hiroshi Tasaka	19	2	—	21
Takashi Nakagawa	28	20	0	48
Noriyuki Ishihara	19	2	0	21
Tomoya Asakura	17	6	0	24
Reiko Kinoshita	21	13	0	35
Takashi Okita	11	2	0	13 ⁽²⁾
Kazuyuki Matsui	17	—	0	17 ⁽²⁾
Shinji Matsui	15	—	0	15 ⁽²⁾
Takeshi Natsuno	9	—	—	9 ⁽²⁾
	436	271	2	709

Notes:

(1) Resigned on 27 June 2008

(2) Appointed on 27 June 2008

FOR THE YEAR ENDED 31 MARCH 2010

Name	Directors' Fees	Discretionary bonuses	Pension contributions	2010 Total emoluments
Yoshitaka Kitao	128	—	0	128
Yasutaro Sawada	40	—	0	40
Kenji Hirai	29	—	0	30
Hiroshi Tasaka	18	—	—	18
Takashi Nakagawa	26	—	0	26
Tomoya Asakura	17	3	0	20
Takashi Okita	14	—	0	15
Takeshi Natsuno	12	—	—	12
Shiho Aihara	9	—	0	9 ⁽¹⁾
Noriyuki Ishihara	4	—	0	4 ⁽²⁾
Reiko Kinoshita	6	—	0	6 ⁽¹⁾
Kazuyuki Matsui	5	—	0	5 ⁽²⁾
Shinji Matsui	3	—	0	3 ⁽²⁾
Hiroyoshi Kido	17	—	0	17 ⁽³⁾
Noriyoshi Kimura	7	—	0	7 ⁽³⁾
Shumpei Morita	0	—	—	0 ⁽³⁾
Noriaki Maruyama	14	—	0	14 ⁽³⁾
Taro Izuchi	25	—	0	26 ⁽³⁾
	382	3	2	388

Notes:

- (1) Resigned and appointed as executive officer on 26 June 2009
- (2) Resigned on 26 June 2009
- (3) Appointed on 26 June 2009

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009 (unaudited)

Name	Directors' Fees	Discretionary bonuses	Pension contributions	2010 Total emoluments
Yoshitaka Kitao	65	—	0	65
Yasutaro Sawada	20	—	0	20
Kenji Hirai	15	—	0	15
Hiroshi Tasaka	9	—	—	9
Takashi Nakagawa	13	—	0	13
Tomoya Asakura	8	3	0	12
Takashi Okita	7	—	0	7
Takeshi Natsuno	6	—	—	6
Shiho Aihara	9	—	0	9 ⁽¹⁾
Noriyuki Ishihara	4	—	0	4 ⁽²⁾
Reiko Kinoshita	6	—	0	6 ⁽¹⁾
Kazuyuki Matsui	5	—	0	5 ⁽²⁾
Shinji Matsui	3	—	0	3 ⁽²⁾
Hiroyoshi Kido	11	—	0	11 ⁽³⁾
Noriyoshi Kimura	2	—	0	2 ⁽³⁾
Shumpei Morita	0	—	0	0 ⁽³⁾
Noriaki Maruyama	9	—	0	9 ⁽³⁾
Taro Izuchi	17	—	0	17 ⁽³⁾
	<u>215</u>	<u>3</u>	<u>1</u>	<u>220</u>

Notes:

- (1) Resigned and appointed as executive officer on 26 June 2009
- (2) Resigned on 26 June 2009
- (3) Appointed on 26 June 2009

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

Name	Directors' Fees	Discretionary bonuses	Pension contributions	2010 Total emoluments
Yoshitaka Kitao	61	—	0	61
Yasutaro Sawada	20	—	0	20
Kenji Hirai	14	—	0	14
Hiroshi Tasaka	9	—	—	9
Takashi Nakagawa	13	—	0	13
Tomoya Asakura	8	3	0	12
Takashi Okita	7	—	0	7
Takeshi Natsuno	6	—	—	6
Hiroyoshi Kido	12	—	0	12
Noriyoshi Kimura	5	—	0	5
Shumpei Morita	0	—	—	0
Noriaki Maruyama	11	—	0	11
Masaki Yoshida	3	—	—	3 ⁽¹⁾
Kiyoshi Nagano	3	—	—	3 ⁽¹⁾
Keiji Watanabe	5	—	—	5 ⁽¹⁾
Akihiro Tamaki	3	—	—	3 ⁽¹⁾
Taro Izuchi	17	—	0	17
	<u>200</u>	<u>3</u>	<u>1</u>	<u>205</u>

Notes:

(1) Appointed on 29 June 2010

Five highest paid individuals

The emoluments payable to the five individuals whose emoluments were the highest in the Group for the years ended 31 March 2008, 2009 and 2010 and the six months ended 30 September 2009 (unaudited) and 2010 respectively are as follows:

	Year ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
				(unaudited)	
Salaries, allowances and benefits in kind	284	304	275	138	141
Discretionary bonuses	192	258	—	—	4
Pension contributions	1	1	1	0	0
	<u>478</u>	<u>564</u>	<u>276</u>	<u>139</u>	<u>146</u>

Amongst the five highest paid individuals, four, five, two, four and two of them are directors for the year ended 31 March 2008, 2009 and 2010 and the six months ended 30 September 2009 (unaudited) and 2010 respectively.

The number of individuals (including directors) whose remuneration falls within the following bands is:

Hong Kong Dollar	Year ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
	(unaudited)				
	Number of individuals	Number of individuals	Number of individuals	Number of individuals	Number of individuals
¥ 15,000,001 to ¥ 20,000,000 . . . (approximately 1,246,561 to 1,662,082)	—	—	—	3	—
¥ 20,000,001 to ¥ 25,000,000 . . . (approximately 1,662,083 to 2,077,602)	—	—	—	1	4
¥ 30,000,001 to ¥ 35,000,000 . . . (approximately 2,493,123 to 2,908,643)	—	—	1	—	—
¥ 35,000,001 to ¥ 40,000,000 . . . (approximately 2,908,644 to 3,324,164)	—	—	2	—	—
¥ 40,000,001 to ¥ 45,000,000 . . . (approximately 3,324,165 to 3,739,684)	—	—	1	—	—
¥ 45,000,001 to ¥ 50,000,000 . . . (approximately 3,739,685 to 4,155,205)	—	—	—	—	—
¥ 50,000,001 to ¥ 55,000,000 . . . (approximately 4,155,206 to 4,570,725)	2	1	—	—	—
¥ 60,000,001 to ¥ 65,000,000 . . . (approximately 4,986,246 to 5,401,765)	—	—	—	—	1
¥ 65,000,001 to ¥ 70,000,000 . . . (approximately 5,401,766 to 5,817,287)	—	1	—	1	—
¥ 70,000,001 to ¥ 75,000,000 . . . (approximately 5,817,288 to 6,232,807)	1	—	—	—	—
¥ 80,000,001 to ¥ 85,000,000 . . . (approximately 6,650,041 to 7,065,669)	—	1	—	—	—
¥ 95,000,001 to ¥ 100,000,000 . . . (approximately 7,894,889 to 8,310,410)	1	1	—	—	—
¥ 125,000,001 to ¥ 130,000,000 . . . (approximately 10,388,012 to 10,803,533)	—	—	1	—	—
¥ 200,000,001 to ¥ 205,000,000 . . . (approximately 16,620,820 to 17,036,340)	1	—	—	—	—
¥ 260,000,001 to ¥ 265,000,000 . . . (approximately 21,607,066 to 22,022,586)	—	1	—	—	—
	5	5	5	5	5

During the Track Record Period, no emolument was paid by the Group to any of the directors, supervisors or the five highest individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the Track Record Period.

B3. INTEREST IN AFFILIATES

	As at 31 March			As at 30 September 2010
	2008	2009	2010	
Share of net assets				
Listed affiliates	7,718	3,080	657	624
Unlisted affiliates	644	949	137	6,321
Goodwill	827	2,437	2,285	3,372
	9,190	6,468	3,079	10,319

The fair value of the listed investments as at 31 March 2008 was ¥4,515 million, 31 March 2009 was ¥2,893 million, 31 March 2010 was ¥1,136 million and 30 September 2010 was ¥1,071 million respectively.

Details of the principal affiliates are as follows:

Name of Company	Country of incorporation and operation	Capital stock/contribution	Proportion of nominal value of issued capital and voting power held by the Group			As at 30 September 2010	Principal activities
			As at 31 March				
			2008	2009	2010		
			%	%	%	%	
Energy & Environment, Inc.	Japan	100	50	50	50	50	Asset management
Strategic Consulting Group, Inc.	Japan	260	—	44	44	44	Brokerage and investment banking
SOLXYZ Co., Ltd.	Japan	1,494	23	23	23	24	Financial services
TOZAI ASSET MANAGEMENT K.K.	Japan	754	24	24	24	—	Housing and real estate
KOREA TECHNOLOGY INVESTMENT CORPORATION	Korea	KRW83,533,000	—	—	—	45	Asset management
TIEN PHONG COMMERCIAL JOINT STOCK BANK	Vietnam	VND2,000,000,000	—	—	—	20	Financial services
Phom Penh Commercial Bank Limited	Cambodia	USD15,000	—	—	—	40	Financial services

B4. INTEREST IN JOINTLY CONTROLLED ENTITY

	As at 31 March			As at 30 September 2010
	2008	2009	2010	2010
Share of net assets	8,827	5,785	13,317	19,070

Details of the principal jointly controlled entity are as follows:

Name of Company	Country of incorporation and operation	Capital stock/contribution	Proportion of nominal value of issued capital and voting power held by the Group			As at 30 September 2010	Principal activities
			As at 31 March				
			2008	2009	2010		
			%	%	%	%	
SBI Sumishin Net Bank, Ltd.	Japan	25,000	50	50	50	50	Financial Services

B5. NOTES AND ACCOUNTS RECEIVABLE-TRADE

	As at 31 March			As at 30 September 2010
	2008	2009	2010	
<u>The Group</u>				
Accounts receivable-trade	10,092	7,029	7,752	9,975
Notes receivable-trade	892	885	731	585
	10,984	7,914	8,483	10,560
Less: Allowance for doubtful accounts . . .	(223)	(84)	(77)	(390)
Carrying amount	<u>10,761</u>	<u>7,830</u>	<u>8,406</u>	<u>10,169</u>
	As at 31 March			As at 30 September 2010
	2008	2009	2010	
<u>The Company</u>				
Accounts receivable-trade	1,173	1,412	1,109	983
Less: Allowance for doubtful accounts . . .	(2)	(2)	(0)	(0)
Carrying amount	<u>1,171</u>	<u>1,410</u>	<u>1,108</u>	<u>983</u>

The aging analyses are as follows:

Included in notes and accounts receivable-trade (net of allowance for doubtful accounts) with the following aging analysis based on the invoice date as at 31 March 2008, 2009 and 2010 and 30 September 2010:

	As at 31 March			As at 30 September 2010
	2008	2009	2010	
<u>The Group</u>				
1 to 90 days	9,609	6,940	7,944	8,526
91 to 180 days	590	431	349	320
Over 180 days	562	458	112	1,323
Total	<u>10,761</u>	<u>7,830</u>	<u>8,406</u>	<u>10,169</u>
	As at 31 March			As at 30 September 2010
	2008	2009	2010	
<u>The Company</u>				
1 to 90 days	1,171	1,410	1,108	983
91 to 180 days	—	—	—	—
Over 180 days	—	—	—	—
Total	<u>1,171</u>	<u>1,410</u>	<u>1,108</u>	<u>983</u>

B6. ACCOUNTS PAYABLE-TRADE

The Group has financial risk management policies in place to ensure that all payables are settled within the credit term. All trade accounts payable are immaterial and expected to be paid within less than one year. Accordingly, no aging analysis has been provided.

B7. OPERATIONAL LOANS RECEIVABLE

	As at 31 March			As at 30 September 2010
	2008	2009	2010	
<u>The Group</u>				
Real estate mortgages loans	29,093	23,280	15,160	20,869
Consumer loans and credit cards	15,925	14,234	8,135	6,229
Others	21,242	10,353	11,398	8,297
Total	<u>66,260</u>	<u>47,868</u>	<u>34,694</u>	<u>35,395</u>
Accrued interest	<u>385</u>	<u>387</u>	<u>394</u>	<u>426</u>

The Company's operational loans receivable as at 31 March 2008, 31 March 2009, 31 March 2010 and 30 September 2010 were ¥997 million, ¥1,032 million, ¥3,078 million and ¥957 million respectively, while accrued interest of the operation loans receivable as at 31 March 2008, 31 March 2009, 31 March 2010 and 30 September 2010 were ¥38 million, ¥135 million, ¥221 million and ¥235 million respectively.

B8. PROPERTY AND INVESTMENT PROPERTY (LAND)

	As at 31 March			As at 30 September 2010
	2008	2009	2010	
<u>The Group</u>				
The carrying value of properties and investment properties located on land outside Hong Kong:				
Properties - freehold	886	666	1,230	898
Investment properties - freehold	—	2,287	6,325	4,842
	<u>886</u>	<u>2,953</u>	<u>7,556</u>	<u>5,740</u>
	As at 31 March			As at 30 September 2010
	2008	2009	2010	

The Company

The carrying value of investment properties located on land outside Hong Kong:

Investment properties - freehold	<u>—</u>	<u>—</u>	<u>2,533</u>	<u>2,533</u>
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The Group had no property and investment property in Hong Kong as at 31 March 2008, 2009 and 2010 and 30 September 2010.

B9. FURTHER DETAILS OF TRADING ASSETS, OPERATIONAL INVESTMENT SECURITIES AND INVESTMENT SECURITIES

Trading assets, operational investment securities and investment securities as at 31 March 2008, 2009 and 2010 and 30 September 2010 consisted of the following:

	As at 31 March			As at 30 September 2010
	2008	2009	2010	
<u>The Group</u>				
Current (Trading assets)				
Listed equity securities	14	10	0	8
Listed corporate bonds	1,598	7,049	901	313
Others — listed	108	93	125	93
Unlisted derivatives	6	571	2,487	9,608
Total	<u>1,728</u>	<u>7,724</u>	<u>3,514</u>	<u>10,024</u>

	As at 31 March			As at 30 September 2010
	2008	2009	2010	
Current (Operational Investment Securities)				
Listed equity securities	6,224	5,221	7,230	11,824
Unlisted equity securities	69,320	78,778	88,660	87,428
Unlisted corporate bonds	2,471	874	2,282	2,985
Investment in unlisted funds	37,138	18,432	22,608	20,671
Listed trust fund investments	—	1,689	—	—
Others — listed	361	119	763	695
Others — unlisted	198	120	31	1,533
Subtotal	<u>115,717</u>	<u>105,236</u>	<u>121,576</u>	<u>125,139</u>
Allowance for investment losses	<u>(4,966)</u>	<u>(6,206)</u>	<u>(8,424)</u>	<u>(5,115)</u>
Total	<u>110,750</u>	<u>99,029</u>	<u>113,152</u>	<u>120,023</u>
Non-current (Investment Securities)				
Listed equity securities	6,982	3,735	4,944	4,369
Unlisted equity securities	1,785	1,588	1,391	1,344
Investment in unlisted funds	6,058	4,090	4,125	3,772
Unlisted government bonds	3	—	—	—
Listed corporate bonds	—	—	198	310
Unlisted corporate bonds	510	234	82	0
Listed trust fund investments	571	425	485	470
Others — listed	60	12	19	14
Stocks of unconsolidated subsidiaries and affiliates	<u>25,819</u>	<u>23,781</u>	<u>29,956</u>	<u>44,290</u>
Total	<u>41,791</u>	<u>33,868</u>	<u>41,204</u>	<u>54,571</u>

	As at 31 March			As at 30 September 2010
	2008	2009	2010	
<u>The Company</u>				
Current (Operational Investment Securities)				
Listed equity securities	329	664	64	70
Unlisted equity securities	20,348	17,789	18,392	18,752
Unlisted corporate bonds	—	10	10	—
Investment in unlisted funds	36,645	18,054	11,947	13,459
Listed trust fund investments	—	1,689	—	—
Others — listed	361	119	763	695
Others — unlisted	—	—	—	586
Subtotal	<u>57,685</u>	<u>38,327</u>	<u>31,177</u>	<u>33,563</u>
Allowance for investment losses	<u>(18)</u>	<u>(88)</u>	<u>(2,865)</u>	<u>(248)</u>
Total	<u>57,667</u>	<u>38,239</u>	<u>28,312</u>	<u>33,314</u>
Non-current (Investment Securities)				
Listed equity securities	6,421	3,478	4,473	3,860
Unlisted equity securities	45	45	52	29
Unlisted corporate bonds	—	24	—	—
Listed trust fund investments	571	425	485	470
Others — listed	60	12	19	14
Total	<u>7,098</u>	<u>3,986</u>	<u>5,031</u>	<u>4,375</u>

B.10. DEBT SECURITIES ISSUED BY SUBSIDIARIES

The following subsidiaries had issued debt securities:

	<u>Held by Group</u>	<u>Held by third parties</u>	<u>Total</u>
<u>The Group</u>			
<u>As at 31 March 2008</u>			
SBI SECURITIES Co., Ltd. (Former E*TRADE SECURITIES Co., Ltd.)	—	50,000	50,000
Partners Investments Co., Ltd.	27,000	—	27,000
SBI Net Systems Co., Ltd. (Former C4 Technology, Inc.).	2,500	720	3,220
SBI Biotech Co., Ltd.	1,000	—	1,000
CEM Corporation	<u>—</u>	<u>600</u>	<u>600</u>
 <u>As at 31 March 2009</u>			
e-Research Inc.	44,500	—	44,500
SBI Equal Credit Co., Ltd.	14,000	—	14,000
Partners Investments Co., Ltd.	12,000	—	12,000
SBI Biotech Co., Ltd.	1,000	—	1,000
CEM Corporation	<u>9,500</u>	<u>300</u>	<u>9,800</u>
 <u>As at 31 March 2010</u>			
e-Research Inc.	5,500	2,300	7,800
CEM Corporation	<u>—</u>	<u>300</u>	<u>300</u>
 <u>As at 30 September 2010</u>			
e-Research Inc.	<u>16,500</u>	<u>1,500</u>	<u>18,000</u>

B.11. MATURITY ANALYSIS FOR FINANCIAL ASSETS AND SECURITIES WITH CONTRACTUAL MATURITIES

As at 31 March 2008	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Cash and deposits	160,281	—	—	—	—	—
Notes and accounts receivable-trade	8,074	1,054	940	717	196	0
Short-term investment securities, operational investment securities and investment securities						
Available-for-sale securities with maturity date						
Debt securities (National bonds)	—	—	2	1	—	—
Debt securities (Corporate bonds)	700	2,030	360	150	—	30
Cash segregated as deposits	313,930	—	—	—	—	—
Operational loans receivable	46,801	7,118	2,165	3,023	1,256	5,894
Margin transaction assets	292,882	—	—	—	—	—
Short-term guarantee deposits	13,413	—	—	—	—	—
Total	836,081	10,202	3,467	3,891	1,452	5,924
As at 31 March 2009	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Cash and deposits	127,123	—	—	—	—	—
Notes and accounts receivable-trade	7,008	794	86	22	2	0
Short-term investment securities operational investment securities and investment securities						
Available-for-sale securities with maturity date						
Debt securities (Corporate bonds)	1,236	236	210	162	378	1,355
Others	—	95	—	95	—	—
Cash segregated as deposits	266,365	—	—	—	—	—
Operational loans receivable	33,231	4,087	2,898	1,114	707	5,828
Margin transaction assets	180,800	—	—	—	—	—
Short-term guarantee deposits	8,845	—	—	—	—	—
Total	624,608	5,212	3,194	1,393	1,088	7,183

APPENDIX I
ACCOUNTANTS' REPORT

As at 31 March 2010	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Cash and deposits	143,726	—	—	—	—	—
Notes and accounts receivable-trade	8,067	323	76	12	2	0
Short-term investment securities operational investment securities and investment securities						
Available-for-sale securities with maturity date						
Debt securities (Corporate bonds)	60	150	50	—	—	—
Cash segregated as deposits	318,865	—	—	—	—	—
Operational loans receivable	22,899	3,434	2,229	1,105	836	4,190
Margin transaction assets	261,641	—	—	—	—	—
Short-term guarantee deposits	5,944	—	—	—	—	—
Total	761,204	3,907	2,355	1,118	838	4,191

As at 30 September 2010	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Cash and deposits	134,933	—	—	—	—	—
Notes and accounts receivable-trade	8,551	1,143	461	222	116	64
Short-term investment securities, operational investment securities and investment securities						
Available-for-sale securities with maturity date						
Debt Securities (Corporate bonds)	259	50	—	—	—	—
Cash segregated as deposits	308,665	—	—	—	—	—
Operational loans receivable	26,096	2,204	1,621	962	645	3,864
Margin transaction assets	267,264	—	—	—	—	—
Short-term guarantee deposits	3,350	—	—	—	—	—
Total	749,120	3,398	2,082	1,185	762	3,929

B12. MATURITIES OF LONG-TERM LOANS PAYABLE AND OTHER INTEREST-BEARING DEBTS

As at 31 March 2008	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Short-term loans payable	53,831	—	—	—	—	—
Bonds payable	100,520	30,300	—	—	—	—
Bonds payable with warrants	5,940	13,270	—	—	—	—
Borrowings on margin transactions	81,583	—	—	—	—	—
Long-term loans payable	6,282	21,062	11,946	570	—	—
Total	248,156	64,632	11,946	570	—	—

	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
As at 31 March 2009						
Short-term loans payable	54,658	—	—	—	—	—
Bonds payable	41,480	300	—	—	—	—
Borrowings on margin transactions	56,726	—	—	—	—	—
Long-term loans payable	21,553	12,218	709	139	139	74
Total	<u>174,417</u>	<u>12,518</u>	<u>709</u>	<u>139</u>	<u>139</u>	<u>74</u>
As at 31 March 2010						
Short-term loans payable	55,614	—	—	—	—	—
Current portion of bonds payable	112,600	—	—	—	—	—
Borrowings on margin transactions	48,813	—	—	—	—	—
Long-term loans payable	13,368	10,066	16,494	100	—	960
Total	<u>230,396</u>	<u>10,066</u>	<u>16,494</u>	<u>100</u>	<u>—</u>	<u>960</u>
As at 30 September 2010						
Short-term loans payable	56,057	—	—	—	—	—
Current portion of bonds payable	111,500	—	—	—	—	—
Borrowings on margin transactions	52,857	—	—	—	—	—
Long-term loans payable	13,885	10,720	16,852	483	6,606	610
Total	<u>234,300</u>	<u>10,720</u>	<u>16,852</u>	<u>483</u>	<u>6,606</u>	<u>610</u>

B.13. INTEREST INCOME AND EXPENSES

	Year ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
				<i>(unaudited)</i>	
The Group					
Interest income					
Receivables under securities borrowing transactions	16,673	11,441	9,780	4,864	5,374
Operational loans receivable from customers	7,512	6,711	3,897	2,323	1,472
Loans, deposits with banks and other financial institutions	3,457	3,764	3,142	1,658	412
Debt securities and other financial assets	<u>131</u>	<u>124</u>	<u>64</u>	<u>30</u>	<u>17</u>
Subtotal	<u>27,775</u>	<u>22,041</u>	<u>16,885</u>	<u>8,877</u>	<u>7,277</u>
Interest expenses					
Payables under securities lending transactions	3,339	3,743	2,407	1,336	1,019
Borrowings from banks and other financial institutions	2,683	3,585	1,510	681	808
Debt securities issued	<u>1,270</u>	<u>930</u>	<u>1,182</u>	<u>557</u>	<u>1,008</u>
Subtotal	<u>7,292</u>	<u>8,259</u>	<u>5,100</u>	<u>2,575</u>	<u>2,835</u>
Less: Borrowing costs capitalized into development properties	<u>(47)</u>	<u>(16)</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>7,245</u>	<u>8,242</u>	<u>5,100</u>	<u>2,575</u>	<u>2,835</u>
Net interest income	<u>20,530</u>	<u>13,798</u>	<u>11,784</u>	<u>6,301</u>	<u>4,442</u>

B14. TAXATION**Income taxes:**

Taxation arising in Japan and other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. No provision for Hong Kong taxation has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Tax effect of share gain (loss) of affiliates resulted by the Group amounted to ¥1,877 million, ¥(1,571) million, ¥40 million, ¥251 million and ¥(82) million for the year ended 31 March 2008, 2009 and 2010 and the six months ended 30 September 2009 (unaudited) and 2010 respectively.

B15. EXPENSE ITEMS

	Year ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
				<i>(unaudited)</i>	
Net income (loss) for the years have been arrived at after charging:					
Auditors' remuneration	337	366	369	120	135
Depreciation					
Depreciation for property, plant and equipment	3,386	1,334	1,440	620	854
Depreciation for investment properties	—	16	68	17	56
Total depreciation	<u>3,386</u>	<u>1,350</u>	<u>1,508</u>	<u>638</u>	<u>910</u>
Written-down amount of goodwill, patents and trademarks	<u>2,121</u>	<u>1,067</u>	<u>0</u>	<u>—</u>	<u>397</u>

B16. GAINS LESS LOSSES ARISING FROM DEALING IN FOREIGN CURRENCIES

Gains less losses arising from dealing in foreign currencies resulted by the Group amounted to ¥1,434 million, ¥3,699 million, ¥11,314 million, ¥5,774 million and ¥5,374 million for the year ended 31 March 2008, 2009 and 2010 and the six months ended 30 September 2009 (unaudited) and 2010 respectively.

B17. INCOME FROM LISTED AND UNLISTED SECURITIES

	For the year ended 31 March			For the six months ended 30 September	
	2008	2009	2010	2009	2010
				<i>(unaudited)</i>	
Interest income on:					
Trading instruments	—	—	6	—	5
Operational investment securities . . .	0	2	43	2	112
Investment securities	97	680	171	76	67
	<u>97</u>	<u>682</u>	<u>221</u>	<u>79</u>	<u>185</u>
Listed	—	—	8	0	6
Unlisted.	97	682	213	79	178
	<u>97</u>	<u>682</u>	<u>221</u>	<u>79</u>	<u>185</u>
Dividend income on:					
Trading instruments	—	—	0	—	0
Operational investment securities . . .	1,500	4,236	1,271	732	886
Investment securities	166	171	585	481	298
	<u>1,666</u>	<u>4,408</u>	<u>1,856</u>	<u>1,214</u>	<u>1,185</u>
Listed	146	434	181	128	88
Unlisted.	1,520	3,973	1,674	1,085	1,096
	<u>1,666</u>	<u>4,408</u>	<u>1,856</u>	<u>1,214</u>	<u>1,185</u>
Net realized investment gains (losses) on:					
Operational investment securities . . .	21,056	7,203	7,738	1,501	1,199
Trading instruments	1,871	978	203	320	762
Investment securities	6,780	(1,517)	2,915	767	52
	<u>29,707</u>	<u>6,664</u>	<u>10,858</u>	<u>2,589</u>	<u>2,014</u>
Listed	4,327	906	1,689	1,023	548
Unlisted.	25,380	5,758	9,169	1,566	1,466
	<u>29,707</u>	<u>6,664</u>	<u>10,858</u>	<u>2,589</u>	<u>2,014</u>
Net unrealized investment gains (losses) on:					
Operational investment securities - . .	12,701	(1,667)	(1,770)	(1,520)	(4,993)
Trading instruments	0	(7)	75	7	(16)
Investment securities	(2,567)	(4,197)	1,211	(665)	1,345
	<u>10,134</u>	<u>(5,872)</u>	<u>(483)</u>	<u>(2,178)</u>	<u>(3,664)</u>
Listed	(3,068)	(1,299)	(348)	(170)	(6,057)
Unlisted.	13,202	(4,572)	(134)	(2,008)	2,393
	<u>10,134</u>	<u>(5,872)</u>	<u>(483)</u>	<u>(2,178)</u>	<u>(3,664)</u>

C. SUMMARY OF MATERIAL DIFFERENCES BETWEEN INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) AND GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN JAPAN (“JGAAP”)

The Financial Information of the Group is prepared in accordance with JGAAP which differs in certain aspects from IFRS. For the purpose of this summary, JGAAP refer to the accounting policies applied by the Group in preparing the underlying consolidated financial statements in accordance with the prevailing JGAAP for the three years ended 31 March 2008, 2009, and 2010 and the six months ended 30 September 2010. IFRS refers to IFRSs, IASs, IFRICs and SICs that are effective for annual financial period beginning on or after 1 April 2010.

This summary is not intended to provide the effect on the Financial Information of the Group under IFRS 1 *First-time Adoption of International Financial Reporting Standards*. Part (1) of this summary provides information about the GAAP differences that, in the opinion of the directors, would have a material effect on recognition and measurement of the Group. Part (2) of this summary identifies the key areas how JGAAP consolidated financial statements of the Group differ from IFRS in respect of classification, presentation and disclosure requirements. For classification, presentation and disclosure issues relating to recognition and measurement differences already covered in the Part (1) set out in pages I-277 to I-284, such items are not included in Part (2) set out in pages I-284 to I-292. In addition, Part (2) does not cover disclosure made under JGAAP which is not required under IFRS. Instead, it focuses on disclosure which is required under IFRS that is not included in the Financial Information of the Group.

Part (1)

This summary provides information about the GAAP differences that, in the opinion of the directors of the Company, would have a material effect on total assets, total liabilities, total equity and net income (loss) of the Group.

Material quantifiable GAAP differences are summarized as follows:

(Amounts in millions of Japanese Yen, and are rounded down to the nearest million unless otherwise stated)

	As at 31 March			As at 30 September
	2008	2009	2010	2010
Total assets under JGAAP	1,219,247	1,079,233	1,229,939	1,254,886
Material quantifiable effects for different accounting treatments:				
(i) Consolidation — small size entities	(362)	101	843	(465)
(ii) Consolidation — venture capital investments	18,732	21,292	9,974	8,527
(iii), (v), (vii) Business combination . . .	(791)	4,822	12,608	16,435
(iv) Changes in the Group's interest in subsidiaries . .	(3,323)	(85,563)	(88,050)	(87,920)
(vi) Loss of significant influence	—	—	—	—
(ix) Investments in associates/affiliates	1,875	120	(442)	(519)
(x) Statutory reserve	—	—	—	—
(xi) Deferred charges	(183)	(3,115)	(3,160)	(4,468)
(xii) Securitization	68,509	68,559	62,381	72,499
(xiii) Deferred tax assets	(9,576)	(3,350)	(4,087)	(2,998)
Total assets as adjusted for the above material quantifiable effects	<u>1,294,128</u>	<u>1,082,099</u>	<u>1,220,006</u>	<u>1,255,977</u>

	As at 31 March			As at 30 September
	2008	2009	2010	2010
Total liabilities under JGAAP	831,480	659,894	801,324	797,355
Material quantifiable effects for different accounting treatments:				
(i) Consolidation — small size entities	970	2,114	3,336	3,882
(ii) Consolidation — venture capital investments	11,858	16,764	9,438	10,878
(iii), (v), (vii) Business combination (Deferred tax impact)	143	143	190	190
(iv) Changes in the Group's interest in subsidiaries	—	—	—	—
(vi) Loss of significant influence	—	—	—	—
(ix) Investments in associates/affiliates	—	—	—	—
(x) Statutory reserve	(7,925)	(7,219)	(7,219)	(5,196)
(xi) Deferred Charges	—	—	—	—
(xii) Securitization	68,235	68,497	62,367	72,508
(xiii) Deferred tax liabilities	(5,704)	130	67	312
Total liabilities as adjusted for the above material quantifiable effects	<u>899,057</u>	<u>740,323</u>	<u>869,503</u>	<u>879,929</u>
	As at 31 March			As at 30 September
	2008	2009	2010	2010
Total equity (total net assets) under JGAAP	387,766	419,338	428,615	457,530
Material quantifiable effects for different accounting treatments:				
(i) Consolidation — small size entities	(1,332)	(2,013)	(2,493)	(4,348)
(ii) Consolidation — venture capital investments	6,874	4,528	536	(2,350)
(iii), (v), (vii) Business combination	(934)	4,679	12,418	16,245
(iv) Changes in the Group's interest in subsidiaries	(3,323)	(85,563)	(88,050)	(87,920)
(vi) Loss of significant influence	—	—	—	—
(ix) Investments in associates/affiliates	1,875	120	(442)	(519)
(x) Statutory reserve	7,925	7,219	7,219	5,196
(xi) Deferred charges	(183)	(3,115)	(3,160)	(4,468)
(xii) Securitization	274	62	14	(9)
(xiii) Deferred tax	(3,872)	(3,480)	(4,154)	(3,311)
Total equity as adjusted for the above material quantifiable effects	<u>395,070</u>	<u>341,775</u>	<u>350,503</u>	<u>376,046</u>

	Year ended 31 March			Six months ended 30 September	
	2008	2009	2010	2009	2010
	(unaudited)				
Net income (loss) for the year/period under JGAAP	4,228	(18,375)	2,350	822	686
Add (less): Non-controlling interest under JGAAP	7,317	(3,905)	(2,165)	(1,086)	(1,963)
Total net income (loss) for the year/period under JGAAP	11,545	(22,280)	185	(264)	(1,277)
Material quantifiable effects for different accounting treatments:					
(i) Consolidation — small size entities	(521)	(798)	(1,422)	(882)	(875)
(ii) Consolidation — venture capital investments	456	(4,253)	(129)	(1,223)	(86)
(iii), (v), (vii) Business combination	(1,086)	5,677	7,738	3,748	3,829
(iv) Changes in the Group's interest in subsidiaries	(3,085)	1,347	(50)	(19)	(84)
(vi) Loss of significant influence	292	—	733	—	—
(ix) Investments in associates/affiliates	1,875	(1,755)	(656)	(275)	(77)
(x) Statutory reserve	142	(706)	—	—	(2,023)
(xi) Deferred charges	(183)	(2,932)	(1,838)	(1,719)	(1,308)
(xii) Securitization	(192)	(212)	(47)	(23)	(23)
(xiii) Deferred tax	1,503	(149)	(257)	20	862
Total net income (loss) for the year/period as adjusted for the above material quantifiable effects	<u>10,746</u>	<u>(26,061)</u>	<u>4,257</u>	<u>(637)</u>	<u>(1,062)</u>

(i) Consolidation — small size entities

Under IFRS, a subsidiary or fund that is controlled by its parent should be consolidated in the parent's consolidated financial statements.

Under JGAAP, an entity that is controlled by its parent is, in principle, consolidated in the parent's consolidated financial statements. There is a specific exemption which allows small size entities to be excluded from consolidation. When meeting the specific exemption, the Group recognizes and measures the small size entities using equity method or at cost less impairment, if any or at the Group's proportionate share in the equity of those entities.

As at 31 March 2008, 2009 and 2010 and 30 September 2010, there were 43, 53, 59 and 48 small size entities controlled by the Group respectively. The Group has quantified the effect of consolidating these small size entities under IFRS.

(ii) Consolidation — venture capital investments

Under IFRS, a subsidiary or fund that is controlled by its parent should be consolidated in the parent's consolidated financial statements.

Under JGAAP, investments must be excluded from consolidation if such investments were held by investment companies and certain conditions have been satisfied. Such investments should be measured at cost less impairment, if any.

As at 31 March 2008, 2009 and 2010 and 30 September 2010, there were 11, 13, 15 and 13 investee companies which the Group owned more than 50% equity interests that had been excluded from consolidation under JGAAP. The Group has quantified the effect of consolidating these venture capital investments under IFRS.

(iii) Business combination — identifiable intangible assets

Under IFRS, the acquirer is required to recognize, separately from goodwill, the identifiable intangible assets acquired in a business combination at fair value on the acquisition date. An asset meets the identifiability criteria in the definition of an intangible asset if it is either separable or arises from contractual or other legal rights.

Under JGAAP, part of the purchase price may be allocated to intangible assets which are either arisen from contractual or other legal rights, or are capable of being separated and sold. The Group has not recognized any intangible assets separately from goodwill.

The Group has quantified the GAAP difference in respect of business combinations occurred during the three years ended 31 March 2008, 2009 and 2010 respectively.

Effective from 1 April 2010, there is no GAAP difference between IFRS and JGAAP on "business combination — identifiable intangible assets" since the Group has adopted new accounting policies for business combination prospectively. The cumulative effect of the GAAP differences prior to 1 April 2010 has been carried forward.

(iv) Changes in parent's ownership interest in a subsidiary

Under IFRS, changes in a parent's ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions. No goodwill, nor gain or loss is recognized.

Under JGAAP, acquisition of additional interests in a subsidiary gives rise to recognition of additional goodwill which is measured as the excess of the purchase consideration over the carrying amount of the net assets acquired. Disposal of partial interests in a subsidiary gives rise to a gain or loss which is measured as the difference between the proceeds received and the carrying amount of the net assets attributable to interests being disposed of.

Goodwill recognized upon acquisition of additional interests in subsidiaries are eliminated and adjusted to equity under IFRS. Gain or loss recognized upon disposal of partial interests under JGAAP are reversed and adjusted to equity under IFRS.

(v) Business combination — step acquisition

Under IFRS, for a business combination achieved in stages, the acquirer should remeasure its previously held equity interests in the acquiree at its acquisition-date fair value and recognize any resulting gain or loss. Goodwill is measured at the acquisition

date as the difference between (1) the aggregate of the acquisition date fair value of the consideration transferred, the amount of any non-controlling interests in the entity acquired and the acquisition-date fair value of any previously held equity interests in the entity acquired and (2) the net amount of the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed.

Under JGAAP, when a parent obtains control over a subsidiary by step acquisition, goodwill is measured on the date the parent obtains control as the difference between (1) the aggregate carrying amount of any previously held equity interests and the purchase consideration and (2) the net amount of the fair value of assets and the liabilities attributable to the parent on the date the parent obtains control.

The Group has quantified the GAAP difference in respect of business combinations occurred during the three years ended 31 March 2008, 2009 and 2010 respectively.

Effective from 1 April 2010, there is no GAAP difference between IFRS and JGAAP on "business combination — step acquisition" since the Group has adopted new accounting policies for business combination prospectively. The cumulative effect of the GAAP differences prior to April 2010 has been carried forward.

(vi) Loss of significant influence

Under IFRS, upon loss of significant influence over an associate, any investment retained in the former associate is measured at its fair value at the date when significant influence is lost. The difference between the consideration received and the fair value of such investment is included in profit or loss.

Under JGAAP, upon loss of significant influence over an affiliate (equivalent to associates under IFRS), the investment retained is measured at its investment cost at initial recognition multiplied by the percentage of ownership interest retained by the Group after the disposal and the cumulative income previously recognized by the Group (from the initial recognition date to the disposal date) in respect of the percentage of ownership interest retained is transferred to retained earnings. The investment retained which is available-for-sale investment is subsequently measured at fair value at year end.

The cumulative income transferred to retained earnings upon loss of significant influence under JGAAP is reversed under IFRS. The difference between the carrying amount of the retained investment and fair value on the date the Group lost significant influence is reclassified from valuation reserve under JGAAP to profit or loss under IFRS.

(vii) Business combination - goodwill

Under IFRS, goodwill is not amortized but is subject to annual impairment test. Goodwill is reviewed for impairment at least annually at the same time each year and whenever there is an impairment indication. When the recoverable amount of the cash-generating unit ("CGU") containing goodwill (the higher of fair value less costs to sell and value in use of that CGU) is less than the carrying amount of that CGU, an impairment loss is recognized as the excess of the carrying amount over the recoverable amount. Reversal of previous impairment of goodwill is prohibited.

Under JGAAP, goodwill is amortized over a period of not more than 20 years using the straight line method. Goodwill is not reviewed for impairment unless there is an

indication of impairment. If an indication of impairment has been identified, the impairment loss is measured using a two-step approach. First, the entity should compare the sum of the undiscounted cash flows expected to be generated by the CGU and the disposal value of the assets within that CGU. Second, if the amount of the sum of undiscounted cash flows and disposal value of the CGU is less than the carrying amount of the CGU, an impairment loss should be recognized. The amount of impairment loss should be the excess of the carrying amount of the CGU over the discounted cash flows that are expected to be generated from the CGU and disposal value of CGU within that disposal group.

The amortization of goodwill recognized under JGAAP is reversed under IFRS and are tested for impairment on an annual basis. Impairment loss is recognized as the excess of the carrying amount over the recoverable amount.

(viii) Non-fair valued available-for-sale investments

Under IFRS, available-for-sale equity investments are measured at fair value with fair value gains/losses recognized as other comprehensive income unless the fair value cannot be measured reliably, i.e. under the circumstances that (a) the variability in the range of reasonable fair value estimates is significant or (b) the probabilities of the various estimates within the range cannot be reasonably assessed in estimating fair value. In such cases, the available-for-sale equity investments are stated at cost less impairment. Available-for-sale debt investments are measured at fair value with fair value gains/losses recognized as other comprehensive income.

Available-for-sale investments (including those stated at fair value and at cost less impairment) are impaired when there is an objective evidence of impairment. For available-for-sale equity investments stated at cost, the amount of impairment loss is the difference between the carrying amount of the available-for-sale investments and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment loss on available-for-sale equity investments measured at fair value will be recognised in profit or loss. An increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income. Impairment loss on available for sale equity investments measured at cost are not reversed in subsequent periods. For available for sale debt investments, if, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed what the amortized cost would have been had the impairment not be recognized.

Under JGAAP, available-for-sale equity investments with quoted market price are measured at fair value. Available-for-sale equity investments that do not have quoted market prices are stated at cost less impairment. For available-for-sale debt investments, JGAAP requires an entity to measure them at fair value including those investments that do not have quoted market price. The JGAAP allows using the appraisal price or brokerage/indicative price to measure the fair value of these investments if they do not have quoted market prices. However, in exceptional circumstances where there are practical difficulties to fair value such investment, for example, the cost of estimating the fair value is weighted over the benefit to the users of the financial statements, the management can justify to state these debt investments at cost less impairment, if any. Impairment loss is recognized in profit or loss when the fair value declines significantly and cannot be reversed.

As at 31 March 2008, 2009 and 2010 and 30 September 2010, the Group has investments in 286, 307, 330 and 310 non-fair valued entities with less than 20% interests including those held by subsidiaries with carrying amounts of ¥45,831 million, ¥47,466 million, ¥42,289 million and ¥52,015 million that would need to be measured at fair value under IFRS respectively. The Company is not able to quantify, on practical grounds, the difference arising from different accounting treatment by JGAAP and IFRS for these non-fair valued investments. The reason is that there is limitation to assess whether fair value of these investments can be reliably measured or not as these investee entities do not necessarily provide the relevant financial information to the Group which enables the Group to carry out a proper valuation. Therefore, the Company is now experiencing practical difficulties to quantify the financial effects of these non-fair valued investments under IFRS. The Company has committed to adjust its financial reporting system to allow the disclosure of the financial effect for this item starting from 31 March 2011.

(ix) Investments in associates/affiliates

Under IFRS, investments in associates should be accounted for using equity method, except for investments in associates held by venture capital organizations or mutual funds, unit trusts and similar entities that upon initial recognition, are designated as at fair value through profit or loss in accordance with the requirements of IAS 39 *Financial Instruments: Recognition and Measurement*.

Under JGAAP, investments in affiliates (equivalent to investments in associates under IFRS) are, in principle, accounted for using equity method. There is a specific exemption which allows small size entities under significant influence of the investor to be excluded from application of equity method and such investments are measured at cost less impairment. Investments under significant influence of the Group must be excluded from equity accounting if such investments are held by investment companies and certain conditions have been satisfied. The Group recognizes all such investments held by investment companies at cost less impairment, if any.

As at 31 March 2008, 2009 and 2010 and 30 September 2010, the Group invested in approximately 45, 63, 72 and 64 entities over which it was able to exercise significant influence. The Group has quantified the effect resulting from equity accounting of these investments in associates/affiliates under IFRS.

(x) Statutory reserve

Under IFRS, a provision should be recognized when the Group has a present obligation as a result of a past event, and it is probable that there will be an outflow of economic benefits and the amount can be reliably estimated. A provision should only be made to the extent an obligation arose from past event.

Under JGAAP, statutory liability reserve is provided for possible losses resulting from execution errors made by the Group and is recognized as an expense in accordance with Article 46-5 of the Japanese Financial Instruments and Exchange Act.

The statutory liability reserve recognized under JGAAP does not meet the recognition criteria for provision under IFRS and therefore the amount is reversed. Since it is a legal requirement in Japan, the statutory reserve required is recognized under IFRS within equity.

(xi) Deferred charges

Under IFRS, deferral of operating costs is prohibited. The operating costs should be recognized as expenses immediately when incurred.

Under JGAAP, a newly established insurance company is allowed to defer its operating costs incurred within the first 5 years after its establishment. The deferred operating costs can be amortized within 10 years according to Section 113 of the Insurance Business Act of Japan.

The deferred operating costs under JGAAP are derecognized and expensed as incurred under IFRS.

(xii) Securitization

Under IFRS, a financial asset is derecognized, when, and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition. The decision whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The risks and rewards tests seek to establish whether, having transferred a financial asset, the entity continues to be exposed to the risks of ownership of that asset and/or continues to enjoy the benefits that it generates. The control tests are designed with a view to understand which entity controls the asset, i.e. which entity can direct how the benefits of that asset are realized.

Under JGAAP, financial assets are derecognized based on the financial component approach when control is transferred to a third party. Financial assets are derecognized when the contractual rights of the financial assets are exercised, when those rights are lost, or when the control of those rights has been passed to other parties.

Certain derecognized mortgage loans upon securitization under JGAAP which do not meet the derecognition criteria under IFRS were reversed and the corresponding borrowings are recognized.

(xiii) Deferred tax

Deferred tax should be recognized for additional temporary differences resulting from the GAAP differences described as per notes (i) to (xii) above.

Additional deferred tax assets and deferred tax liabilities are recognized under IFRS.

Part (2)

This summary identifies, in the opinion of the directors of the Company, the key areas how the Financial Information of the Group differs from IFRS in respect of classification, presentation and disclosure requirements.

A. PRIMARY STATEMENTS**1. Consolidated statement of financial position/consolidated balance sheet**

Under IFRS, the financial position of an entity (together with subsidiaries) is presented in the consolidated statement of financial position.

Under JGAAP, the financial position of an entity (together with subsidiaries) is presented in the consolidated balance sheet. The content of a consolidated statement of financial position and consolidated balance sheet is similar except for the differences set out below.

(i) Line items to be presented in the consolidated statement of financial position

Under IFRS, the consolidated statement of financial position should include, among others, a separate line item that presents the amount of investment property.

Under JGAAP, investment property is included in the line item of property and equipment in the consolidated balance sheet.

(ii) Allowance for impaired debts

Under IFRS, the net carrying amount of each significant category of receivables (gross receivables less allowances for impairment) is presented on the consolidated statement of financial position. The amount of allowances for impairment is disclosed in the notes to the consolidated financial statements.

Under JGAAP, gross amounts of each category of receivables and total amount of allowances for impaired debts, including all classes of receivables, are separately presented on the consolidated balance sheet.

(iii) Insurance contracts

Under IFRS, an insurer should not offset reinsurance assets against the related insurance liabilities.

Under JGAAP, the reinsurance assets and the related insurance liabilities are presented in accordance with the Insurance Business Act. The unearned premium reserves is shown as net amount and the reserves for outstanding losses and claims (insurance liabilities) are netted off with the reinsurer's share of outstanding losses (corresponding reinsurance assets) and are included in the "current liabilities — others" in the consolidated balance sheet.

(iv) Deferred tax

Under IFRS, deferred tax assets and liabilities are classified as non-current on the consolidated statement of financial position.

Under JGAAP, deferred tax assets and liabilities are classified as current or non-current based on the classification of the related assets and liabilities. A deferred tax asset related to tax loss carry forward, which is not related to specific assets and liabilities, is classified as current or non-current depending on the timeframe of the expected utilization.

2. Consolidated statement of operations/consolidated income statement**(i) Comprehensive income**

Under IFRS, an entity should either (i) present a consolidated statement of comprehensive income or (ii) a consolidated income statement together with a consolidated statement of comprehensive income.

Under JGAAP, an entity is required to present a consolidated statement of operations which is similar to a consolidated income statement under IFRS. There is no requirement to present a consolidated statement of comprehensive income.

(ii) Items of gains or losses

Under IFRS, gains or losses from sales of investments held for trading purpose should be presented on a net basis.

Under JGAAP, the Group presents gross sales proceeds from sales of operational investment securities as "Net sales" and the carrying amounts of the operational investment securities as "Cost of sales".

(iii) *Non-controlling interests/minority interests*

Under IFRS, an entity should disclose separately profit or loss and other comprehensive income for the period attributable to owners of the parent and non-controlling interests.

Under JGAAP, profit or loss attributable to non-controlling interests is presented as a deduction from income (loss) for the period after tax in the consolidated statement of operations.

(iv) *Other comprehensive income*

Under IFRS, an entity should present each component of other comprehensive income, including foreign currency translation adjustments, deferred gains/losses on hedges and unrealized gains/losses on available for sale financial assets, in the consolidated statement of comprehensive income.

Under JGAAP, as mentioned in note (i) above, there is no requirement to present a consolidated statement of comprehensive income. Movements relating to foreign currency translation adjustments, deferred gains/losses on hedges and unrealized gains/losses on available for sale financial assets are presented in the consolidated statement of changes in net assets.

(v) *Extraordinary items*

Under IFRS, the presentation of extraordinary items on the consolidated income statement, consolidated statement of comprehensive income or in the notes to the consolidated financial statements is prohibited.

Under JGAAP, extraordinary income or expense is required to be disclosed on the consolidated statement of operations. Extraordinary income or expense includes non-recurring items and adjustments in relation to previous periods.

(vi) *Earnings per share*

Under IFRS, an entity should present basic and diluted earnings per share on the face of the consolidated income statement or the consolidated statement of comprehensive income, as appropriate. Other information, including the numerator and denominator used for the purposes of calculating basic and diluted earnings per share is disclosed in the notes to the consolidated financial statements.

Under JGAAP, basic and diluted earnings per share and other information for the purposes of calculating earnings per share is disclosed in the notes.

3. Consolidated statement of changes in equity/ consolidated statement of changes in net assets

(i) *Reconciliation of changes in equity/changes in net assets*

Under IFRS, an entity should present total comprehensive income for the period, showing separately total amounts attributable to owners of the parent and to non-controlling interest, the effect of retrospective adjustments, if any and a reconciliation between the carrying amount at the beginning and the end of the period for each component of equity.

Under JGAAP, reconciliation between the carrying amount at the beginning and the end of the period for each component of shareholders' equity and each component of valuation and translation adjustments are presented in the consolidated statement of changes in net assets. While the small size entities controlled by its parent are excluded from consolidation when meeting the specific exemption, such small size entities are required to be consolidated if they no longer meet the exemption. The effect to shareholders' equity resulting from the inclusion and exclusion of these entities are reported as adjustments.

4. Consolidated statement of cash flows

(i) Investments in subsidiaries

Under IFRS, an entity should disclose the aggregate cash flows arising from obtaining or losing control of subsidiaries or other businesses and classify such cash flows as investing activities. An entity should disclose each of the following, in aggregate, in respect of both obtaining and losing control of subsidiaries or other businesses during the period:

- (a) the total purchase or disposal consideration paid or received;
- (b) the portion of the purchase or disposal consideration discharged by means of cash and cash equivalents;
- (c) the amount of cash and cash equivalents in the subsidiaries or other businesses acquired or disposed of over which control is obtained or lost; and
- (d) the amount of the assets and liabilities other than cash or cash equivalents in the subsidiaries or other businesses acquired or disposed of over which control is obtained or lost, summarized by each major category.

Under JGAAP, there is no specific requirement in relation to disclosure of cash flow effects of obtaining or losing control of subsidiaries set out in (a) to (d) above.

(ii) Changes in ownership interests in subsidiaries

Under IFRS, cash flows arising from changes in ownership interests in a subsidiary that do not result in a loss of control should be classified as cash flows from financing activities.

Under JGAAP, an entity classifies its cash flows arising from changes in ownership interests in a subsidiary that do not result in a loss of control as cash flows from investing activities.

While the small size entities controlled by its parent are excluded from consolidation when meeting the specific exemption, such small size entities are required to be consolidated if they no longer meet the exemption. The cash flow effect resulting from the inclusion and exclusion of these entities are reported as adjustment to cash and cash equivalents.

B. NOTES DISCLOSURE

(i) Business combinations

Both IFRS and JGAAP require disclosure that enables users to understand the effect of a business combination, including the name and a description of the acquiree, acquisition date, percentage of voting power acquired, reason for the business combination, acquisition related costs, fair value of consideration transferred, certain information about assets acquired and liabilities assumed and amount of goodwill recognized. Such disclosure should be presented for each material business combination transaction.

Under IFRS, the following additional disclosure is required for each material business combination:

- a qualitative description of the factors that make up the goodwill recognized
- the acquisition-date fair value of each major class of consideration, such as:
 - (a) cash;
 - (b) other tangible or intangible assets, including a business or subsidiary of the acquirer;
 - (c) liabilities incurred, for example, a liability for contingent consideration; and
 - (d) equity interests of the acquirer, including the number of instruments or interests issued or issuable and the method of determining the fair value of those instruments or interests.
- amount and description for contingent consideration arrangements and indemnification assets
- fair value and contractual amount of major category of receivables of the acquiree
- amount of non-controlling interest and the measurement basis

Under JGAAP, total amounts of current assets, current liabilities, non-current assets and non-current liabilities are disclosed.

(ii) Goodwill

Under IFRS, the entity should disclose a reconciliation of the carrying amount of goodwill showing separately:

- (i) the gross amount and accumulated impairment losses at the beginning of the reporting period;
- (ii) additional goodwill recognized during the reporting period (except those included in a disposal group);
- (iii) adjustments resulting from the subsequent recognition of deferred tax assets during the reporting period;
- (iv) goodwill included in a disposal group and goodwill derecognized during the reporting period without having previously been included in a disposal group;
- (v) impairment losses recognized during the reporting period;
- (vi) net exchange rate differences arising during the reporting period;
- (vii) any other changes in the carrying amount during the reporting period; and
- (viii) the gross amount and accumulated impairment losses at the end of the reporting period.

Under JGAAP, an entity should disclose the amortization period and method of goodwill. There is no other disclosure requirement.

(iii) Capital Management

Under IFRS, an entity should disclose information that enables users of its financial statements to evaluate the Group's objectives, policies and processes for managing capital,

which include qualitative information about its objectives, policies and processes for managing capital, summary quantitative data about what it manages as capital, any changes in the qualitative information and summary quantitative data from the previous period and whether during the period it complied with any externally imposed capital requirements to which it is subject to.

Under JGAAP, there is no such disclosure requirement.

(iv) Property and equipment and intangible assets

Under IFRS, an entity should disclose, for each class of property and equipment, (i) the gross carrying amount and the accumulated depreciation and amortization (aggregated with accumulated impairment losses) at the beginning and end of the period and (ii) a reconciliation of the carrying amount at the beginning and end of the period showing additions, impairment, depreciation and any other changes separately.

For each class of intangible assets, the Group should disclose the gross carrying amount and any accumulated amortization (aggregated with accumulated impairment losses) at the beginning and end of the period, a reconciliation of the carrying amount at the beginning and end of the period, a description, the carrying amount and remaining amortization period of any individual intangible asset that is material to the financial statements of the Group and the existence and carrying amounts of intangible assets whose title is restricted.

Under JGAAP, the above disclosures are not required to be disclosed in the consolidated financial statements. A reconciliation of the carrying amounts of property and equipment and intangible assets at the beginning and end of the period of the Company are required to be disclosed.

(v) Financial instruments

(a) Classification of financial instruments

IFRS requires disclosure by the class of financial instruments. Financial instruments are classified into financial assets at fair value through profit or loss (including held for trading and designated upon initial recognition), held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial liabilities are classified into financial liabilities at fair value through profit or loss (including held for trading and designated upon initial recognition) and financial liabilities measured at amortized cost. An entity should group financial instruments into the above classes that are appropriate to the nature of the information disclosed and after taking into account the characteristics of those financial instruments and provide sufficient information to permit reconciliation of the amounts under each class of financial assets and financial liabilities to the line items presented in the consolidated statement of financial position.

Under JGAAP, investment securities are classified as trading assets or securities other than for trading purpose (available for sale securities). Information about acquisition costs and fair value (if any) of investment securities is provided. Trading assets are presented in the consolidated balance sheet as a separate line item. Securities other than for trading purpose are presented in the consolidated balance sheet as operational investment securities, short-term investment securities and investment securities.

(b) Fair value

Under IFRS, an entity should disclose the fair value of each class of financial assets and liabilities in a way that permits it to be compared with its carrying amount. In addition, an entity should disclose for each class of financial instruments the methods and, when a valuation technique is used, the assumptions applied in determining the fair values of each class of financial assets or financial liabilities.

Under IFRS, for financial instruments measured at fair value, an entity should classify those financial instruments using a 3-level fair value hierarchy and disclose such information for each class of financial instruments measured at fair value.

Under JGAAP, securities with quoted prices are measured at fair value. Fair value information of all financial assets and liabilities as at March 31, 2010 and 30 September 2010 (other than the assets and liabilities which cannot be measured at fair value due to difficulty of determining fair value) is provided. Such information is not required for financial assets and financial liabilities as at 31 March 2008 and 2009.

Under JGAAP, there is no requirement to classify financial instruments measured at fair value under a 3-level fair value hierarchy or to disclose the valuation methods, valuation technique and the assumptions used.

(c) Nature and extent of risks arising from financial instruments

Under IFRS, an entity should disclose both qualitative and quantitative information in respect of each type of risk arising from financial instruments, including credit risk, liquidity risk and market risk (currency risk, interest rate risk and other price risk). Such disclosure includes, among others, maximum credit risk exposure, maturity analysis of financial instruments, and sensitivity analysis for each type of market risk to which the Group is exposed to at the end of the reporting period.

Under JGAAP, limited disclosure for the year ended March 31, 2010 and for the six months ended 30 September 2010 is provided. There is no such requirement for the two years ended 31 March 2008 and 2009.

(d) Items of income, expenses, gains or losses

Under IFRS, the Group should disclose net gains or net losses, total interest income and total interest expenses for each class of financial instruments that are not measured at fair value through profit or loss.

Under JGAAP, there is no such disclosure requirement.

(e) Derivative contracts

Under IFRS, an entity should disclose the remaining contractual maturities for those derivatives financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows.

Under JGAAP, there is no such disclosure requirement.

(f) Impairment

Under IFRS, when financial assets are impaired by credit losses and an entity records the impairment in a separate account rather than directly reducing the carrying amount of the asset, it needs to disclose a reconciliation of changes in that account during the period for each class of financial assets.

Under JGAAP, no such disclosure is required for the consolidated financial statements of the Group. These disclosures are only applicable to the Company's financial statements.

(vi) Income taxes

Under IFRS, an entity should disclose the aggregate current and deferred tax relating to items that are charged or credited directly to equity, an explanation of the relationship between tax expense and accounting profit using either a numerical reconciliation (i) between tax expense (income) and the product of accounting profit multiplied by the applicable tax rate or (ii) between average effective tax rate and the applicable tax rate. It should also disclose the basis on which the applicable tax rate is computed; an explanation of changes in the applicable tax rate; and the amount of deductible temporary differences, unused tax losses, and unused tax credits for which no deferred tax asset is recognized.

Under IFRS, an entity should disclose the amount of the deferred tax assets and liabilities recognized in respect of each type of temporary differences, and in respect of each type of unused tax losses and unused tax credits.

Under JGAAP, an entity is required to disclose a reconciliation between the normal effective statutory tax rate and the actual effective tax rate, and the major components of deferred tax assets and deferred tax liabilities.

(xii) Segment Information

Under IFRS, an entity should disclose segment information on the basis of internal reports about components of the entity that are regularly reviewed by the chief operating decision maker for the purpose of resources allocation and performance assessment.

Under JGAAP, an entity should disclose information of the entity's business segments and geographical segments. Effective from 1 April 2010, an entity should apply the revised ASBJ Statement No.17 "Accounting Standard for Segment Information Disclosures" and the revised ASBJ Guidance No.20 "Guidance on Accounting Standard for Segment Information Disclosure" which is consistent with the IFRS.

(xiii) Revenue

Under IFRS, an entity should disclose the amount of each significant category of revenue recognized during the period, including revenue arising from the sale of goods, rendering of services, interest, royalties and dividends.

Under JGAAP, there is no specific guidance on disclosure requirements. However, the amount of sale of goods and the rendering of services are required to be disclosed separately and the details of revenue are disclosed in the notes if the amounts are material. The components of revenue are disclosed in the statements of operations.

(xiv) Leases

Under IFRS, for finance leases, a lessor should disclose a reconciliation between the gross investment in the lease at the end of the reporting period and the present value of minimum lease payments receivable at the end of the reporting period. In addition, it should disclose the gross investment in the lease and the present value of the minimum lease payments receivable at the end of the reporting period, for period not later than one year, later than one year and not later than five years and later than five years.

Under JGAAP, an entity provides similar disclosure as required under IFRS except that it should disclose the gross investment in the lease and the present value of minimum lease payments receivable at the end of the reporting period for each of the first five years and after five years.

Under IFRS, for finance leases, a lessee should disclose a reconciliation between the total of future minimum lease payments and their present value and the total of future minimum lease payments at the end of the reporting period, and their present value, for period not later than one year, later than one year and not later than five years and later than five years.

A lessor should disclose a reconciliation between the gross investment in the lease and the present value of minimum lease payments receivable at the end of the reporting period, unearned finance income, and the gross investment in the lease and the present value of minimum lease payments receivable at the end of the reporting period, for period not later than one year, later than one year and not later than five years and later than five years.

Under JGAAP, there is no such disclosure requirement.

(xv) Investment in associates/ affiliates

Under IFRS, an entity should disclose the summarized financial information of associates, including the aggregate amount of assets, liabilities, revenues and profit or loss and the investor's share of the profit or loss of associates accounted for using the equity method.

Under JGAAP, there is no such disclosure requirement.

(xvi) Investment in subsidiaries

Under IFRS, an entity should disclose the nature of relationship with its subsidiaries, a schedule that shows the effects of any changes in a parent's ownership interest in a subsidiary that do not result in a loss of control on the equity attributable to owners of the parent and the gain or loss when the entity lost the control of a subsidiary.

Under JGAAP, there is no such disclosure requirement.

(xvii) Related Party Transactions

Under IFRS, all material related party transactions/balances should be disclosed.

Under JGAAP, related party transactions are required to be disclosed when the size of such transactions/balances reached a pre-determined benchmark by reference to the relevant line items on the consolidated statement of operations/consolidated balance sheet.

D. EVENTS AFTER THE REPORTING PERIOD

On 11 March 2011, an earthquake measuring 9.0 degree on the Richter scale occurred in Tohoku district, coupled with aftershocks, tsunami and a nuclear plant crisis in Fukushima. Based on its initial assessment, the Group currently determines that its operations and assets are not significantly affected or suffered from any substantial damages since its businesses or investments are predominantly operated outside the affected areas, and its insurance business does not underwrite catastrophic risk.

As at the date of this report, it is uncertain as to what extent the catastrophe would have impacted the Japan economy as well as equity and property markets, which could, in turn, significantly affect some or all of the Group's businesses and operations in subsequent periods. In addition, post-earthquake work on the nuclear plant and radioactive leakage control, energy conservation measures imposed by the government, cyclical economic factors or prolonged recovery may have temporary or permanent impacts on the Group's results and financial position. The Group will, therefore, continue to closely monitor for any significant deterioration of its operations and financial position.

E. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group or any of its consolidated subsidiaries have been prepared in respect of any period subsequent to 30 September 2010.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The information set out below is the unaudited interim financial information of the Group for the nine month period ended 31 December 2010 and does not form part of the Accountants' Report prepared by the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong as set out in Appendix I, and is included herein for information purposes only.

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of SBI Holdings, Inc.

Introduction

We have reviewed the interim financial information set out on pages II-2 to II-34, which comprises the interim consolidated balance sheet of SBI Holdings, Inc. (the "Company") and its subsidiaries (together, the "Group") as at 31 December 2010 and the related interim consolidated statement of operations and interim consolidated statement of cash flows for the nine month period then ended, and certain explanatory notes (hereinafter collectively referred to as the "Interim Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Financial Information in accordance with the Generally Accepted Accounting Principles for Interim Consolidated Financial Statements in Japan ("JGAAP"). Our responsibility is to express a conclusion on the Interim Financial Information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2400 "Engagements to Review Financial Statements" issued by the Hong Kong Institute of Certified Public Accountants. A review of the Interim Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information is not prepared, in all material respects, in accordance with JGAAP.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

31 March 2011

BASIS OF PRESENTATION

The Interim Financial Information of SBI Holdings, Inc. (the “Company”) and its consolidated subsidiaries (hereinafter referred to as the “Group”) were prepared in accordance with Generally Accepted Accounting Principles for Interim Consolidated Financial Statements in Japan (“JGAAP”) and presented by reference to the “Rules Governing Term, Form and Preparation of Consolidated Quarterly Financial Statements” (2007 Cabinet Office Ordinance No. 64, which is hereinafter referred to as “Consolidated Quarterly Financial Statements Rules”). The Interim Financial Information of the Group has been prepared on the historical cost basis except for certain investments which are stated at fair value.

INTERIM FINANCIAL INFORMATION (unaudited)

(Amounts in millions of Japanese Yen, and are rounded down to the nearest million except for per share information, unless otherwise stated.)

INTERIM CONSOLIDATED BALANCE SHEET

	Notes	As at 31 December 2010	As at 31 March 2010
		(unaudited)	
Assets			
Current Assets			
Cash and deposits		182,350	143,726
Notes and accounts receivable-trade		10,413	8,483
Short-term investment securities		330	240
Cash segregated as deposits		331,665	318,865
Operational investment securities	V.3	121,787	113,152
Operational loans receivable		34,850	34,694
Real estate inventories	V.4	25,621	28,767
Trading instruments		9,986	3,514
Margin transaction assets		239,188	261,641
Others	V.5	89,757	69,268
Allowance for doubtful accounts		(2,679)	(2,032)
Total current assets		<u>1,043,273</u>	<u>980,323</u>
Non-current Assets			
Property and equipment	V.1	20,366	20,613
Intangible assets			
Goodwill		127,972	133,008
Others		13,588	12,278
Total intangible assets		<u>141,561</u>	<u>145,286</u>
Investments and other assets	V.3&6	99,807	80,494
Total non-current assets		<u>261,735</u>	<u>246,395</u>
Deferred charges		5,148	3,220
Total assets		<u><u>1,310,157</u></u>	<u><u>1,229,939</u></u>

APPENDIX II
UNAUDITED INTERIM FINANCIAL INFORMATION

	Notes	As at 31 December 2010	As at 31 March 2010
		(unaudited)	
Liabilities			
Current liabilities			
Short-term loans payable		49,613	55,614
Current portion of long-term loans payable		13,400	13,368
Current portion of bonds payable		100,060	112,600
Accrued income taxes		2,620	4,953
Margin transaction liabilities		137,244	150,036
Guarantee deposits received		284,125	282,373
Other provisions		295	209
Others		<u>207,342</u>	<u>127,934</u>
Total current liabilities		<u>794,702</u>	<u>747,090</u>
Non-current liabilities			
Bonds payable		540	—
Long-term loans payable		34,456	27,620
Other provisions		711	929
Others		<u>18,486</u>	<u>18,464</u>
Total non-current liabilities		<u>54,194</u>	<u>47,014</u>
Statutory reserves			
Reserve for financial products transaction liabilities		5,196	7,219
Reserve for price fluctuation		0	0
Total statutory reserves		<u>5,196</u>	<u>7,219</u>
Total liabilities		<u>854,094</u>	<u>801,324</u>
Net assets			
Shareholders' equity			
Capital stock		73,232	55,284
Capital surplus		236,916	218,968
Retained earnings		87,066	87,276
Treasury stock		<u>(246)</u>	<u>(246)</u>
Total shareholders' equity		<u>396,968</u>	<u>361,282</u>
Valuation and translation adjustments			
Unrealized losses on available-for-sale securities		(3,842)	(559)
Deferred (losses)/gains on hedges		(944)	14
Foreign currency translation adjustments		<u>(3,657)</u>	<u>(1,506)</u>
Total valuation and translation adjustments		<u>(8,444)</u>	<u>(2,051)</u>
Stock acquisition rights		11	11
Minority interests		<u>67,527</u>	<u>69,372</u>
Total net assets		<u>456,063</u>	<u>428,615</u>
Total liabilities and net assets		<u><u>1,310,157</u></u>	<u><u>1,229,939</u></u>

**INTERIM CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED 31 DECEMBER 2010**

		Nine months ended 31 December 2009 (From 1 April 2009 to 31 December 2009)	Nine months ended 31 December 2010 (From 1 April 2010 to 31 December 2010)
	Notes	(unaudited)	(unaudited)
Net sales		90,825	96,561
Cost of sales		<u>40,100</u>	<u>44,403</u>
Gross profit		<u>50,724</u>	<u>52,157</u>
Selling, general and administrative expenses	VI.1	<u>46,550</u>	<u>47,438</u>
Operating income		<u>4,174</u>	<u>4,719</u>
Non-operating income			
Interest income		250	295
Dividend income		145	184
Share of results of affiliates		—	533
Others		<u>383</u>	<u>367</u>
Total non-operating income		<u>780</u>	<u>1,380</u>
Non-operating expense			
Interest expense		1,409	2,049
Share of results of affiliates		10	—
Amortization of deferred operating costs under Article 113 of the Insurance Business Act		546	—
Foreign exchange losses		357	1,591
Others		<u>380</u>	<u>1,592</u>
Total non-operating expense		<u>2,704</u>	<u>5,233</u>
Ordinary income		<u>2,250</u>	<u>867</u>
Extraordinary income			
Gains on disposal of non-current assets		5	2
Gains on sales of investment securities		915	2,729
Reversal of allowance for doubtful accounts		46	270
Reversal of statutory reserves		33	2,022
Gains on changes in interests in consolidated subsidiaries and equity method investees		149	32
Others		<u>31</u>	<u>256</u>
Total extraordinary income		<u>1,181</u>	<u>5,313</u>

APPENDIX II
UNAUDITED INTERIM FINANCIAL INFORMATION

	Notes	Nine months ended	Nine months ended
		31 December 2009 (From 1 April 2009 to 31 December 2009)	31 December 2010 (From 1 April 2010 to 31 December 2010)
		(unaudited)	(unaudited)
Extraordinary expense			
Loss on retirement of non-current assets . . .		82	152
Impairment loss		—	716
Losses on sales of investment securities . . .		222	—
Losses on valuation of investment securities		31	176
Provision of allowance for doubtful accounts	VI.2	1,485	246
Provision of statutory reserves		—	0
Losses on disposal of subsidiaries and affiliates		—	635
Impact from applying the Accounting Standards of Asset Retirement Obligation .		—	501
Others		603	846
Total extraordinary expense		2,424	3,276
Income before income taxes		1,007	2,903
Income taxes-current		(6,768)	(6,225)
Income taxes-deferred		5,927	2,383
Total income taxes		(840)	(3,841)
Income (loss) after income tax before minority interests		166	(937)
Minority interests in loss		(1,319)	(2,448)
Net income		1,486	1,510

**INTERIM CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED 31 DECEMBER 2009 AND 2010**

	Notes	Three months ended	Three months ended
		31 December 2009 (From 1 October 2009 to 31 December 2009)	31 December 2010 (From 1 October 2010 to 31 December 2010)
		(unaudited)	(unaudited)
Net sales		27,671	33,612
Cost of sales		11,825	15,756
Gross profit		15,845	17,856
Selling, general and administrative expenses	VI.3	15,424	16,741
Operating income		421	1,114
Non-operating income			
Interest income		81	129
Dividend income		31	44
Share of results of affiliates		139	329
Foreign exchange gains		194	—
Others		245	122
Total non-operating income		691	626
Non-operating expense			
Interest expense		545	674
Amortization of deferred operating costs under Article 113 of the Insurance Business Act		246	—
Foreign exchange losses		—	341
Others		85	552
Total non-operating expense		876	1,569
Ordinary income		236	171
Extraordinary income			
Gains on sales of non-current assets		—	2
Gains on sales of investment securities		1	2,673
Reversal of allowance for doubtful accounts. Gains on changes in interests in consolidated subsidiaries and equity method investees		3	93
Others		1	—
Total extraordinary income		0	117
Total extraordinary income		8	2,887
Extraordinary expense			
Losses on retirement of non-current assets		30	25
Losses on sales of investment securities		75	—
Losses on valuation of investment securities		6	—
Provision of allowance for doubtful accounts		—	57
Provision of statutory reserves		—	0
Others		198	186
Total extraordinary expense		311	269
Income (loss) before income taxes		(66)	2,789
Income taxes-current		(1,797)	(1,833)
Income taxes-deferred		2,295	(617)
Total income taxes		497	(2,450)
Income after income tax before minority interests		431	339
Minority interests in loss		(233)	(485)
Net income		663	824

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 31 DECEMBER 2010**

	Notes	Nine Months ended 31 December 2009 (From 1 April 2009 to 31 December 2009)	Nine Months ended 31 December 2010 (From 1 April 2010 to 31 December 2010)
		(unaudited)	(unaudited)
Net cash from (used in) operating activities			
Income before income taxes		1,007	2,903
Adjustments for:			
Depreciation and amortization		3,997	4,612
Amortization of goodwill		5,812	6,221
Increase in provision		4,331	3,461
Share of results of affiliates		10	(533)
Losses on valuation of operational investment securities		527	1,345
Losses on valuation of investment securities		31	176
Share of results of funds		(1,664)	(1,681)
Gains on sales of investment securities		(693)	(2,726)
Foreign exchange losses		689	3,832
Interest and dividend income		(13,723)	(13,015)
Interest expense		4,443	5,026
Changes in assets and liabilities:			
Increase in operational investment securities		(3,541)	(18,672)
Decrease (increase) in operational loans receivable		6,239	(1,075)
(Increase) decrease in real estate inventories		(2,227)	2,375
(Increase) decrease in notes and accounts receivable-trade		(1,048)	964
Decrease in notes and accounts payable-trade		(473)	(888)
Increase in cash segregated as deposits		(15,962)	(4,000)
(Decrease) increase in trading instruments		190	(8,173)
(Increase) decrease in margin transaction assets/liabilities		(77,431)	9,660
Decrease in loans payable secured by securities		40,342	49,118
Others, net		29,784	2,802
Subtotal		<u>(19,359)</u>	<u>41,737</u>
Interest and dividend income received		14,158	13,364
Interest expense paid		(4,227)	(4,798)
Income taxes paid		<u>(3,382)</u>	<u>(8,392)</u>
Net cash (used in) from operating activities		<u>(12,810)</u>	<u>41,911</u>

APPENDIX II
UNAUDITED INTERIM FINANCIAL INFORMATION

	Nine Months ended 31 December 2009 (From 1 April 2009 to 31 December 2009)	Nine Months ended 31 December 2010 (From 1 April 2010 to 31 December 2010)
Notes	(unaudited)	(unaudited)
Net cash from (used in) investing activities		
Purchases of intangible assets	(4,595)	(3,673)
Purchases of investment securities	(6,184)	(12,629)
Proceeds from sales of investment securities	3,016	5,642
Proceeds from sales of investments in subsidiaries	28	249
Purchases of investments in subsidiaries resulting in change in scope of consolidation	(262)	(99)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	13	—
Purchases of investment in subsidiaries	(3,635)	(109)
Payments of loans receivable	(10,286)	(10,629)
Collection of loans receivable	10,733	9,062
Payments for lease and guarantee deposits	(1,403)	(496)
Proceeds from collection of lease and guarantee deposits	1,175	405
Others, net	<u>(3,449)</u>	<u>(207)</u>
Net cash used in investing activities	<u>(14,850)</u>	<u>(12,486)</u>
Net cash from (used in) financing activities		
Increase (decrease) in short-term loans payable	16,414	(6,597)
Proceeds from long-term loans payable	2,100	2,000
Repayment of long-term loans payable	(4,694)	(4,631)
Proceeds from issuance of bonds payable	79,939	61,029
Redemption of bonds payable	(51,480)	(73,100)
Proceeds from stock issuance	93	35,690
Proceeds from stock issuance to minority interests	1,016	1,681
Contributions from minority shareholders in consolidated investment funds	8,379	2,655
Cash dividend paid	(1,672)	(1,670)
Cash dividend paid to minority shareholders	(155)	(150)
Distribution to minority shareholders in consolidated investment funds	(2,874)	(3,668)
Others, net	<u>(332)</u>	<u>(734)</u>
Net cash from financing activities	<u>46,734</u>	<u>12,503</u>

APPENDIX II
UNAUDITED INTERIM FINANCIAL INFORMATION

	Notes	Nine Months ended 31 December 2009 (From 1 April 2009 to 31 December 2009)	Nine Months ended 31 December 2010 (From 1 April 2010 to 31 December 2010)
		(unaudited)	(unaudited)
Effect of changes in exchange rate on cash and cash equivalents		(719)	(3,504)
Net increase in cash and cash equivalents . . .		<u>18,353</u>	<u>38,423</u>
Increase in cash and cash equivalents from newly consolidated subsidiary		63	—
Decrease in cash and cash equivalents resulting from deconsolidation of subsidiaries		—	(28)
Increase in cash and cash equivalents resulting from merger		15	—
Cash and cash equivalents at beginning of period		<u>126,312</u>	<u>142,581</u>
Cash and cash equivalents at end of period . .	VII.1	<u><u>144,745</u></u>	<u><u>180,976</u></u>

I. CHANGES IN SIGNIFICANT ACCOUNTING ITEMS

For the nine months ended 31 December 2010
(From 1 April 2010 to 31 December 2010)

1.	Changes in scope of consolidation	<p>(1) Changes in scope of consolidation</p> <p>Following changes were made in the scope of consolidation for the three months ended 30 June 2010:</p> <p>Additions due to establishment or acquisition</p> <p style="padding-left: 20px;">SBI Global Investment Co., Ltd.</p> <p style="padding-left: 20px;">1 other entity</p> <p>Deconsolidated due to a merger</p> <p style="padding-left: 20px;">SBI Futures Co., Ltd.</p> <p>Deconsolidated due to liquidation</p> <p style="padding-left: 20px;">SBI Incubation Advisory Co., Ltd.</p> <p style="padding-left: 20px;">1 other entity</p> <p>Following changes were made in the scope of consolidation for the three months ended 30 September 2010.</p> <p>Additions due to acquisition</p> <p style="padding-left: 20px;">SBI Credit Co., Ltd. (G-One Credit Service Co., Ltd. changed its company name to SBI Credit Co., Ltd. on 1 October 2010.)</p> <p>Deconsolidated due to a merger</p> <p style="padding-left: 20px;">E*GOLF Corporation</p> <p>Deconsolidated due to decrease in ownership of interest</p> <p style="padding-left: 20px;">1 entity</p> <p>Following changes were made in the scope of consolidation for the three months ended 31 December 2010.</p> <p>Additions due to establishment</p> <p style="padding-left: 20px;">SBI Zhaoxin Food Limited</p> <p>Deconsolidated due to liquidation</p> <p style="padding-left: 20px;">SBI & TH (Beijing) Investment Advisory Co., Ltd.</p> <p>(2) Number of consolidated subsidiaries after these changes</p> <p style="padding-left: 20px;">101 (including funds)</p>
2.	Changes in the application of the equity method	<p>(1) Non-consolidated subsidiaries accounted for using equity method</p> <p>(i) Changes in the scope of non-consolidated subsidiaries accounted for using equity method</p> <p style="padding-left: 20px;">Not applicable.</p> <p>(ii) Number of non-consolidated subsidiaries accounted for using equity method:</p> <p style="padding-left: 20px;">1</p> <p>(2) Affiliates accounted for using equity method</p> <p>(i) Changes in the scope of affiliates accounted for using equity method</p> <p style="padding-left: 20px;">During the three months ended 30 June 2010, TIEN PHONG COMMERCIAL JOINT STOCK BANK and PHNOM PENH COMMERCIAL BANK were accounted for using the equity method due to the increased influence by the Group. In addition, Tozai Asset Management Co., Ltd. was excluded due to decrease in voting power.</p> <p style="padding-left: 20px;">During the three months ended 30 September 2010, KOREA TECHNOLOGY INVESTMENT CORPORATION was accounted for using the equity method due to the increased influence through the increase in voting power by the Group.</p> <p>(ii) Number of affiliates accounted for using equity method after these changes:</p> <p style="padding-left: 20px;">7</p>

**For the nine months ended 31 December 2010
(From 1 April 2010 to 31 December 2010)**

- | | | |
|--|-----|---|
| 3. Changes in significant accounting standards | (1) | Change in accounting standards for asset retirement obligation

The Group applied "Accounting Standard for Asset retirement obligation" (ASBJ Statement No. 18 issued on 31 March 2008) and "Guidance for Accounting Standard for Asset retirement obligation" (ASBJ Guidance No. 21 issued on 31 March 2008) from the three months ended 30 June 2010. The effect of this change was to decrease operating income and ordinary income by ¥66 million and to decrease income before income taxes by ¥568 million for the nine months ended 31 December 2010. |
| | (2) | Change in accounting standards for business combinations

The Group applied "Accounting Standard for Business Combinations" (ASBJ Statement No. 21 issued on 26 December 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 issued on 26 December 2008), "Partial amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23 issued on 26 December 2008), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 (Revised 2008) issued on 26 December 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16 (Revised 2008) released on 26 December 2008) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 (Revised 2008) issued on 26 December 2008) from the three months ended 30 June 2010. |

II. CHANGES IN PRESENTATION

**For the nine months ended 31 December 2010
(From 1 April 2010 to 31 December 2010)**

Interim consolidated statements of operations:

1. "Amortization of deferred operating costs under Article 113 of the Insurance Business Act" separately presented in non-operating expense for the previous period is included in other non-operating expense for the nine months ended 31 December 2010, due to the decrease in significance of the amount compared to relevant line item. The amount of "Amortization of deferred operating costs under Article 113 of the Insurance Business Act" included in other item of non-operating expenses was ¥591 million for the nine months ended 31 December 2010.
2. "Impairment loss" included in other item of extraordinary expense for the previous period is separately presented for the nine months ended 31 December 2010, as the amount compared to relevant line item exceeded 10 percent of total amount of extraordinary expense. The amount of "Impairment loss" included in other item of extraordinary expense was ¥6 million for the previous period.
3. "Losses on sales of investment securities" separately presented in extraordinary expense for the previous period is included in other item of extraordinary expense for the nine months ended 31 December 2010, due to the decrease in significance of the amount compared to relevant line item. The amount of "Losses on sales of investment securities" included in other item of extraordinary expense was ¥3 million yen for the nine months ended 31 December 2010.

**For the three months ended 31 December 2010
(From October 1, 2010 to 31 December 2010)**

Interim consolidated statement of operations:

1. "Amortization of deferred operating costs under Article 113 of the Insurance Business Act" separately presented in non-operating expense for the previous period is included in other item of non-operating expense for the current period due to the decrease in significance of the amount compared to the relevant line item.

The amount of "Amortization of deferred assets under Article 113 of the Insurance Business Act" included in other item of non-operating expenses was ¥248 million for the three months ended 31 December 2010.

III. APPLICATION OF SIMPLIFIED ACCOUNTING METHODS

For the nine months ended 31 December 2010 (From 1 April 2010 to 31 December 2010)

There is no item to be presented.

IV. ACCOUNTING METHODS USED SOLELY FOR PREPARATION OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2010

Not applicable.

V. NOTES TO THE INTERIM CONSOLIDATED BALANCE SHEET

1. The accumulated depreciation for property and equipment included accumulated impairment loss of ¥8,263 million and ¥6,582 million as at 31 December 2010 and 31 March 2010 respectively.

2. Provision on contingent losses

- (1) Credit guarantees:

Guarantees for the debts owed to financial institutions under the credit guarantee business relate to guarantee of bank loans amounted ¥462 million and ¥542 million as at 31 December 2010 and 31 March 2010 respectively.

- (2) Other contingent losses:

Following the Tokyo District Court's decision to commence civil rehabilitation proceedings against ZEPHYR CO., LTD. ("ZPYR") on 28 July 2008, ZPYR's restructuring plan was approved at the creditors' meeting and confirmed by the court on 18 February 2009. As a result, the loan extended to ZPYR by SBI Incubation Co., Ltd. (a consolidated subsidiary of the Company, formerly, Partners Investment Co., Ltd.) in the aggregate amount of ¥11,366 million as at 31 March 2009, will be recovered through the disposal of real estate held as collateral to creditors; however, in case there is an unrecoverable amount after the disposal of the real estate, repayment will be made using a percentage determined in the restructuring plan.

Partners Investment Co., Ltd. was merged with SBI Incubation Co., Ltd. as the surviving company in September 2009.

3. Allowance for investment losses deducted directly from assets consisted of the following:

	As at 31 December 2010	As at 31 March 2010
	(unaudited) (millions of Yen)	(millions of Yen)
Operational investment securities	4,794	8,424
Investments and other assets	300	300

4. Real estate inventories consisted of the following:

	As at 31 December 2010	As at 31 March 2010
	(unaudited) (millions of Yen)	(unaudited) (millions of Yen)
Real estate inventories	6,995	9,837
Real estate inventories in progress	7,882	7,926
Real estate for development	1,403	1,403
Beneficial interest in real estate investment trust	9,340	9,601
Total	<u>25,621</u>	<u>28,767</u>

5. Other major accounts and amounts under current assets consisted of the following:

	As at 31 December 2010	As at 31 March 2010
	(unaudited) (millions of Yen)	(unaudited) (millions of Yen)
Merchandise and finished goods	1,000	1,276
Work in process	230	25
Raw materials and supplies	<u>84</u>	<u>49</u>

6. Allowance for doubtful accounts deducted directly from assets consisted of the following:

	As at 31 December 2010	As at 31 March 2010
	(unaudited) (millions of Yen)	(unaudited) (millions of Yen)
Investments and other assets	<u>10,525</u>	<u>9,767</u>

VI. NOTES TO INTERIM CONSOLIDATED STATEMENT OF OPERATIONS

1. Major accounts and amounts included in selling, general and administrative expenses were as follows:

	For the nine months ended 31 December 2009	For the nine months ended 31 December 2010
	(unaudited) (millions of Yen)	(unaudited) (millions of Yen)
Payroll and bonuses	7,474	7,918
Provision of allowance for doubtful accounts	1,857	1,592
Outsourcing fees	<u>7,621</u>	<u>8,159</u>

2. For the nine months ended 31 December 2009, provision of allowance for doubtful accounts includes additional ¥1,206 million which is due from ZPYR. With settlement of the exercised right of avoidance by the oversight committee member of the ZPYR civil rehabilitation proceeding on 1 October 2009, the provision of allowance for doubtful accounts are re-estimated. The impaired loan receivables is expected to be collected after foreclose on ZPYR.

3 Major accounts and amounts included in selling, general and administrative expenses were as follows:

	For the three months ended 31 December 2009	For the three months ended 31 December 2010
	(unaudited) (millions of Yen)	(unaudited) (millions of Yen)
Payroll and bonuses	2,517	2,798
Provision of allowance for doubtful accounts	487	578
Outsourcing fees	<u>2,697</u>	<u>2,966</u>

VII. NOTE TO INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

1. Cash and cash equivalents reconciliation:

	As at 31 December 2009	As at 31 December 2010
	(unaudited) (millions of Yen)	(unaudited) (millions of Yen)
Cash and deposits	146,621	182,350
Time deposits with maturities of over three months	(2,007)	(1,517)
Money Market Fund ("MMF") and other items included in marketable securities	130	130
Deposits included in others (current assets)	<u>—</u>	<u>12</u>
Cash and cash equivalents	<u>144,745</u>	<u>180,976</u>

VIII. SHAREHOLDERS' EQUITY

AS AT 31 DECEMBER 2010

1. Class of share and number of shares issued

Common shares 19,943,172 shares

2. Class of Treasury Share and number of shares

Common shares 14,621 shares

3. Stock acquisition rights

Stock acquisition rights issued as stock options

Balance of stock acquisition rights as at 31 December 2010 was ¥11 million.

4. Dividends

Dividend paid

Resolution	Class of share	Total dividends (Millions of Yen)	Dividends per share (Yen)	Declare date	Effective date	Dividends source
Board of Directors' Meeting on 26 May 2010	Common shares	1,676	100	31 March 2010	14 June 2010	Retained earnings

5. Significant change in shareholders' equity

The Company issued new shares through public offering which the payment due date was 23 June 2010. This leads to an increase in outstanding number of capital shares of 3,112,000, and an increase in the amount of capital stock and capital surplus of ¥17,654 million and ¥17,654 million, respectively. The amount of capital stock and capital surplus as of 31 December 2010 were ¥73,232 million and ¥236,916 million, respectively.

IX. SEGMENT INFORMATION**1. Segment information**

The Group applied ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures" during the three months ended 30 June 2010.

(1) Overview of reportable segments

Separate financial statements of the Group's components are available and reviewed regularly by the board of directors for the purpose of allocation of financial resources and performance evaluation.

The Group engages in a wide range of business activities, mainly in financial service business. Based on the similarity of both economic characteristic of business and nature of services, "Asset Management Business", "Brokerage and Investment Banking Business", "Financial Services Business" and "Housing and Real Estate Business" are determined as reportable segments.

"Asset Management Business" primarily consists of fund management and investment in internet technology, biotechnology, environment energy, and financial-related venture companies.

"Brokerage and Investment Banking Business" primarily consists of financial businesses such as trustee of securities trading, underwriting and offering for sale of IPO shares, offering for subscription or sale of stocks, foreign exchange margin trading, and other financial instrument trading business.

"Financial Services Business" primarily consists of financial-related businesses such as property & casualty insurance business, credit card business, and the provision of information regarding financial products.

"Housing and Real Estate Business" primarily consists of developing and trading of investment property, financing business related to providing mortgage loans, operating web sites related to providing intermediate service and real estate appraisal service.

APPENDIX II
UNAUDITED INTERIM FINANCIAL INFORMATION
(2) Information about reportable segments

For the nine months ended 31 December 2010 (from 1 April 2010 to 31 December 2010)

	Reportable segment						
	Asset Management Business	Brokerage & Investment Banking Business	Financial Services Business	Housing and Real Estate Business	Sub-total	Others (Note)	Total
	(unaudited)(millions of Yen)	(unaudited)(millions of Yen)	(unaudited)(millions of Yen)	(unaudited)(millions of Yen)	(unaudited)(millions of Yen)	(unaudited)(millions of Yen)	(unaudited)(millions of Yen)
Net Sales							
Revenue from customers	14,971	33,215	20,636	17,077	85,901	10,659	96,561
Inter-segment revenue	1	1,929	1,558	1	3,491	1,586	5,078
Total	<u>14,973</u>	<u>35,145</u>	<u>22,194</u>	<u>17,079</u>	<u>89,393</u>	<u>12,246</u>	<u>101,639</u>
Segment operating income (loss)	<u>4,674</u>	<u>4,169</u>	<u>171</u>	<u>2,483</u>	<u>11,498</u>	<u>(1,405)</u>	<u>10,092</u>

For the three months ended 31 December 2010 (from 1 October 2010 to 31 December 2010)

	Reportable segment						
	Asset Management Business	Brokerage & Investment Banking Business	Financial Services Business	Housing and Real Estate Business	Sub-total	Others (Note)	Total
	(unaudited)(millions of Yen)	(unaudited)(millions of Yen)	(unaudited)(millions of Yen)	(unaudited)(millions of Yen)	(unaudited)(millions of Yen)	(unaudited)(millions of Yen)	(unaudited)(millions of Yen)
Net Sales							
Revenue from customers	4,457	10,300	7,110	8,487	30,355	3,256	33,612
Inter-segment revenue	—	628	575	0	1,204	726	1,930
Total	<u>4,457</u>	<u>10,929</u>	<u>7,686</u>	<u>8,487</u>	<u>31,559</u>	<u>3,983</u>	<u>35,543</u>
Segment operating income (loss)	<u>1,995</u>	<u>388</u>	<u>(263)</u>	<u>1,278</u>	<u>3,398</u>	<u>(385)</u>	<u>3,013</u>

Note: Business segments classified into "Others" are the segments determined not to be reportable segments and consisted of system-related business, drug-discovery business and garment business.

APPENDIX II
UNAUDITED INTERIM FINANCIAL INFORMATION

For the nine months ended 31 December 2009 (from 1 April 2009 to 31 December 2009)

	Reportable segment						
	Asset Management Business	Brokerage & Investment Banking Business	Financial Services Business	Housing and Real Estate Business	Sub-total	Others (Note)	Total
	(unaudited)(millions of Yen)	(unaudited)(millions of Yen)	(unaudited)(millions of Yen)	(unaudited)(millions of Yen)	(unaudited)(millions of Yen)	(unaudited)(millions of Yen)	(unaudited)(millions of Yen)
Net Sales							
Revenue from customers	15,018	35,916	17,335	10,946	79,217	11,607	90,825
Inter-segment revenue	—	2,299	718	1	3,018	756	3,775
Total	<u>15,018</u>	<u>38,215</u>	<u>18,054</u>	<u>10,948</u>	<u>82,236</u>	<u>12,363</u>	<u>94,600</u>
Segment operating income (loss)	<u>2,992</u>	<u>7,810</u>	<u>59</u>	<u>400</u>	<u>11,262</u>	<u>(1,599)</u>	<u>9,663</u>

For the three months ended 31 December 2009 (from 1 October 2009 to 31 December 2009)

	Reportable segment						
	Asset Management Business	Brokerage & Investment Banking Business	Financial Services Business	Housing and Real Estate Business	Sub-total	Others (Note)	Total
	(unaudited)(millions of Yen)	(unaudited)(millions of Yen)	(unaudited)(millions of Yen)	(unaudited)(millions of Yen)	(unaudited)(millions of Yen)	(unaudited)(millions of Yen)	(unaudited)(millions of Yen)
Net Sales							
Revenue from customers	2,900	10,779	5,853	4,622	24,156	3,515	27,671
Inter-segment net sales	—	813	237	0	1,051	296	1,347
Total	<u>2,900</u>	<u>11,592</u>	<u>6,091</u>	<u>4,622</u>	<u>25,027</u>	<u>3,811</u>	<u>29,019</u>
Segment operating income (loss)	<u>521</u>	<u>1,825</u>	<u>(245)</u>	<u>581</u>	<u>2,682</u>	<u>(494)</u>	<u>2,187</u>

Note: Business segments classified into "Others" are the segments not determined as reportable segments consisted of system-related business, drug-discovery business and garment business.

(3) Reconciliation of the differences between the total amount of reportable segments and the total amount recorded in the Interim Financial Information

Income (loss)	For the nine months ended 31 December 2010 (From 1 April 2010 to 31 December 2010)	For the three months ended 31 December 2010 (From 1 October 2010 to 31 December 2010)
	(unaudited) (millions of Yen)	(unaudited) (millions of Yen)
Total of reportable segment	11,498	3,398
Loss of "Others"	(1,405)	(385)
Elimination among segment	(1,390)	(456)
Headquarters expenses (Note)	<u>(3,982)</u>	<u>(1,441)</u>
Operating income of consolidated financial statements . .	<u>4,719</u>	<u>1,114</u>

Note: Headquarters expenses are general administrative expenses which are not attributable to reportable segments.

Income (loss)	For the nine months ended 31 December (From 1 April 2009 to 31 December 2009)	For the three months ended 31 December (From 1 October 2009 to 31 December 2009)
	(unaudited) (millions of Yen)	(unaudited) (millions of Yen)
Total of reportable segment	11,262	2,682
Loss of "Others"	(1,599)	(494)
Elimination among segment	(1,820)	(618)
Headquarters expenses (Note)	<u>(3,669)</u>	<u>(1,148)</u>
Operating income of consolidated financial statements . .	<u>4,174</u>	<u>421</u>

Note: Headquarters expenses are general administrative expenses which are not attributable to reportable segments.

(4) Information about the impairment loss of property and equipment and goodwill of reportable segments

For the three months ended 31 December 2009 and 2010 (from 1 October 2009 to 31 December 2009) and (from 1 October 2010 to 31 December 2010)

None

2. Business Segment prepared under previous standard for the nine months ended 31 December 2009 and the three months ended 31 December 2009

For the nine months ended 31 December 2009 (from 1 April 2009 to 31 December 2009)

The net sales and operating income (loss) of each business segment were as follows:

	Asset Management Business	Brokerage and Investment Banking Business	Financial Services Business	Housing and Real Estate Business	System Solution Business	Total	Eliminations /Corporate	Consolidated
	(unaudited) (millions of Yen)	(unaudited) (millions of Yen)	(unaudited) (millions of Yen)	(unaudited) (millions of Yen)	(unaudited) (millions of Yen)	(unaudited) (millions of Yen)	(unaudited) (millions of Yen)	(unaudited) (millions of Yen)
Net sales								
(1) Revenue from customers . . .	15,020	35,916	17,335	19,980	2,572	90,825	—	90,825
(2) Inter-segment revenue . . .	—	2,299	718	1	756	3,775	(3,775)	—
Total	15,020	38,215	18,054	19,981	3,328	94,600	(3,775)	90,825
Segment operating income (loss) .	2,493	7,810	59	(175)	(524)	9,663	(5,489)	4,174

For the three months ended 31 December 2009 (from 1 October 2009 to 31 December 2009)

The net sales and operating income (loss) of each business segment were as follows:

	Asset Management Business	Brokerage and Investment Banking Business	Financial Services Business	Housing and Real Estate Business	System Solution Business	Total	Eliminations /Corporate	Consolidated
	(unaudited) (millions of Yen)	(unaudited) (millions of Yen)	(unaudited) (millions of Yen)	(unaudited) (millions of Yen)	(unaudited) (millions of Yen)	(unaudited) (millions of Yen)	(unaudited) (millions of Yen)	(unaudited) (millions of Yen)
Net sales								
(1) Revenue from customers . . .	2,901	10,779	5,853	7,415	721	27,671	—	27,671
(2) Inter-segment net sales . . .	—	813	237	0	296	1,347	(1,347)	—
Total	2,901	11,592	6,091	7,416	1,017	29,019	(1,347)	27,671
Segment operating income (loss) .	369	1,825	(245)	410	(172)	2,187	(1,766)	421

Notes:

- Business segments are determined by reference to categories used for internal management.
- Major activities of the business segment are as follows:
 - The Asset Management Business consists of venture capital investments in information technology, biotechnology, broadband, media, mobile communications operations and others, and investments in companies requiring restructuring. These activities are principally carried out by the Company, SBI Investment Co., Ltd., SBI CAPITAL Co., Ltd. and others.

- (2) The Brokerage and Investment Banking Business consists of a full-service securities business combining internet and other related brokerage and investment banking operations. These activities are principally carried out by SBI SECURITIES Co., Ltd. and SBI Liquidity Market Co., Ltd.
- (3) The Financial Services Business consists of the provision of information concerning financial products and a broad range of financial businesses which are principally carried out by the Company, Morningstar Japan K. K., SBI VeriTrans Co., Ltd. and other companies.
- (4) The Housing and Real Estate Business consists of investments in residential real estate, residential real estate finance, and the sale of many types of products and services along with the provision of associated information. These activities are principally carried out by the Company, SBI Life Living Co., Ltd. (formerly LIVING Corporation, Inc.), SBI Mortgage Co., Ltd., HOMEOSTYLE Inc. and other companies.
- (5) System Solutions Business consists of the system-related businesses which are principally carried out by SBI Net Systems Co., Ltd..

3. Geographical Segments

For the three months ended 31 December 2009 (from 1 October 2009 to 31 December 2009) and nine months ended 31 December 2009 (from 1 April 2009 to 31 December 2009), geographic segment information is not presented because net sales in Japan account for more than 90% of the total net sales of all business segments.

4. Overseas net sales

For the three months ended 31 December 2009 (from 1 October 2009 to 31 December 2009) and nine months ended 31 December 2009 (from 1 April 2009 to 31 December 2009)

Overseas net sales are not presented because the amount is less than 10% of the total net sales of all business segments.

X. FINANCIAL INSTRUMENTS

AS AT 31 DECEMBER 2010

The table below presents the carrying amount, the fair value of the financial instruments, and the difference between the carrying amounts and fair value.

Type	Carrying amount	Fair value	Difference
	(unaudited) (millions of Yen)	(unaudited) (millions of Yen)	(unaudited) (millions of Yen)
(1) Trading instruments			
Trading securities	332	332	—
(2) Derivatives	9,588	9,588	—

Note: Derivatives are stated at net value in the above table.

1. Calculation of fair value of financial instruments

(1) Trading instruments

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.

(2) Derivative contracts

(i) Derivatives not subject to hedge accounting

As for the commodity-related transactions, the fair value is determined based on the closing price of the exchange. As for information regarding the fair values of foreign currency and foreign currency spot contract, refer to section "Note XII Derivatives".

(ii) Derivatives subject to hedge accounting

As for interest rate swaps, the fair value of derivative financial instruments is determined based on the price provided by financial institutions.

XI. SECURITIES

AS AT 31 DECEMBER 2010

The table below presents the acquisition costs, carrying amount of the available-for-sale securities, and the difference between the acquisition costs and carrying amount.

Type	Acquisition costs (millions of Yen)	Carrying amount	Difference
		(unaudited) (millions of Yen)	(unaudited) (millions of Yen)
(1) Equity securities	34,366	26,902	(7,464)
(2) Debt securities			
Corporate bonds	1,527	1,530	3
(3) Others	18,804	22,030	3,225
Total	54,698	50,462	(4,235)

XII. DERIVATIVES

AS AT 31 DECEMBER 2010

The table below presents the contractual amount, carrying amount and fair value and the profit or loss of the derivatives.

Transaction	Contractual amount	Carrying amount and fair value	Profit or Loss
	(unaudited) (millions of Yen)	(unaudited) (millions of Yen)	(unaudited) (millions of Yen)
Foreign currency forward contracts			
Short	47	(0)	(0)
Long	191	(2)	(2)
Foreign currency spot contracts			
Short	279,800	7,626	7,626
Long	270,040	1,968	1,968
Total	—	9,592	9,592

Notes:

1. Fair value of foreign currency forward contract is stated on future exchange rate at balance sheet date, whereas fair value of foreign currency spot contracts is based on spot rate at the balance sheet date.
2. Derivative transactions which apply hedging accounting are not included in the above table.

XIII. BUSINESS COMBINATION

For the three months ended 31 December 2010 (from 1 October 2010 to 31 December 2010)

No acquisition or disposal.

XIV. PER SHARE INFORMATION

1. Net assets per share

	As at 31 December 2010	As at 31 March 2010
	(unaudited)	
	(Yen)	(Yen)
Net assets per share	19,495.82	21,424.02

Note: Net assets per share were calculated as follows:

	As at 31 December 2010	As at 31 March 2010
	(unaudited)	
	(millions of Yen)	(millions of Yen)
Total net assets	456,063	428,615
Stock acquisition rights	(11)	(11)
Minority interest	<u>(67,527)</u>	<u>(69,372)</u>
Net assets attributable to common shareholders at the end of period	<u>388,523</u>	<u>359,230</u>
The number of common shares for the calculation	<u>19,928,551</u>	<u>16,767,670</u>

2. Net income and diluted net income per share

	For the nine months ended 31 December 2009	For the nine months ended 31 December 2010
	(unaudited) (Yen)	(unaudited) (Yen)
Net income per share	88.75	79.63
Diluted net income per share	61.85	69.76

Note: Net income per share was calculated as follows:

	For the nine months ended 31 December 2009 (from 1 April 2009 to 31 December 2009)	For the nine months ended 31 December 2010 (from 1 April 2010 to 31 December 2010)
	(unaudited) (millions of Yen)	(unaudited) (millions of Yen)
Net income per share		
Net income for the period	1,486	1,510
Net income not attributable to common shareholders	—	—
Net income attributable to common shareholders	1,486	1,510
Average number of common shares during the period (share)	16,745,820	18,972,108
Diluted net income per share		
Adjustment on net income for the period	(447)	(185)
Effect of dilutive shares issued by consolidated subsidiaries	(447)	(185)
Increased number of common shares (share)	50,343	22,709
Summary of significant changes in potential shares without dilutive effect which are excluded from the computation of diluted net income per share	There was no significant impact on potential share.	There was no significant impact on potential share.
	For the three months ended 31 December 2009	For the three months ended 31 December 2010
	(unaudited) (Yen)	(unaudited) (Yen)
Net income per share	39.62	41.39
Diluted net income per share	13.37	32.04

Note: Net income per share was calculated as follows:

	For the three months ended 31 December 2009 (from 1 October 2009 to 31 December 2009)	For the three months ended 31 December 2010 (from 1 October 2010 to 31 December 2010)
	(unaudited) (millions of yen)	(unaudited) (millions of yen)
Net income per share		
Net income for the period	663	824
Net income not attributable to common shareholders	<u>—</u>	<u>—</u>
Net income attributable to common shareholders	<u>663</u>	<u>824</u>
Average number of common shares during the period (share)	<u>16,758,305</u>	<u>19,925,900</u>
Diluted net income per share		
Adjustment on net income for the period	(439)	(185)
Effect of dilutive shares issued by consolidated subsidiaries	(439)	(185)
Increased number of common shares (share)	44,994	11,890
Summary of significant changes in potential shares without dilutive effect which are excluded from the computation of diluted net income per share.	There was no significant impact on potential share.	There was no significant impact on potential share.

XV. EVENTS AFTER THE REPORTING PERIOD

On 11 March 2011, an earthquake measuring 9.0 degree on the Richter scale occurred in Tohoku district, coupled with aftershocks, tsunami and a nuclear plant crisis in Fukushima. Based on its initial assessment, the Group currently determines that its operations and assets are not significantly affected or suffered from any substantial damages since its businesses or investments are predominantly operated outside the affected areas, and its insurance business does not underwrite catastrophic risk.

As at the date of this report, it is uncertain as to what extent the catastrophe would have impacted the Japan economy as well as equity and property markets, which could, in turn, significantly affect some or all of the Group's businesses and operations in subsequent periods. In addition, post-earthquake work on the nuclear plant and radioactive leakage control, energy conservation measures imposed by the government, cyclical economic factors or prolonged recovery may have temporary or permanent impacts on the Group's results and financial position. The Group will, therefore, continue to closely monitor for any significant deterioration of its operations and financial position.

XVI. SUMMARY OF MATERIAL DIFFERENCES BETWEEN INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) AND GENERALLY ACCEPTED ACCOUNTING PRINCIPLES FOR INTERIM CONSOLIDATED FINANCIAL STATEMENTS IN JAPAN (“JGAAP”)

The Interim Financial Information of the Group is prepared in accordance with JGAAP which differs in certain aspects from IFRS. For the purpose of this summary, JGAAP refer to the accounting policies applied by the Group in preparing the Interim Financial Information in accordance with the prevailing JGAAP for the nine months ended 31 December 2010. IFRS refers to IFRSs, IASs, IFRICs and SICs that are effective for annual financial period beginning on or after 1 April 2010.

This summary is not intended to provide the effect on the Interim Financial Information of the Group under IFRS 1 *First-time Adoption of International Financial Reporting Standards*. Part (1) of this summary provides information about the GAAP differences that, in the opinion of the directors, would have a material effect on recognition and measurement of the Group. Part (2) of this summary identifies the key areas how JGAAP Interim Financial Information of the Group differ from IFRS in respect of classification, presentation and disclosure requirements. For classification, presentation and disclosure issues relating to recognition and measurement differences already covered in the Part (1) set out in pages II-28 to II-33, such items are not included in Part (2) set out in pages II-33 to II-34. In addition, Part (2) does not cover disclosure made under JGAAP which is not required under IFRS. Instead, it focuses on disclosure which is required under IFRS that is not included in the Interim Financial Information of the Group.

Part (1)

This summary provides information about the GAAP differences that, in the opinion of the directors of the Company, would have a material effect on total assets, total liabilities, total equity and net income (loss) of the Group.

Material quantifiable GAAP differences are summarized as follows:

(Amounts in millions of Japanese Yen, and are rounded down to the nearest million unless otherwise stated)

	As at 31 December 2010	As at 31 March 2010
	(unaudited)	
Total assets under JGAAP	1,310,157	1,229,939
Material quantifiable effects for different accounting treatments:		
(i) Consolidation — small size entities	2,138	843
(ii) Consolidation — venture capital investments	10,821	9,974
(iii), (v), (vi) Business combination	18,343	12,608
(iv) Changes in the Group's interest in subsidiaries	(88,012)	(88,050)
(viii) Investments in associates/affiliates	(50)	(442)
(ix) Statutory reserve	—	—
(x) Deferred charges	(4,935)	(3,160)
(xi) Securitization	70,024	62,381
(xii) Deferred tax assets	(2,988)	(4,087)
Total assets as adjusted for the above material quantifiable effects	<u>1,315,498</u>	<u>1,220,006</u>
	As at 31 December 2010	As at 31 March 2010
	(unaudited)	
Total liabilities under JGAAP	854,094	801,324
Material quantifiable effects for different accounting treatments:		
(i) Consolidation — small size entities	5,095	3,336
(ii) Consolidation — venture capital investments	13,517	9,438
(iii), (v), (vi) Business combination (deferred tax impact)	190	190
(iv) Changes in the Group's interest in subsidiaries	—	—
(viii) Investments in associates/affiliates	—	—
(ix) Statutory reserve	(5,197)	(7,219)
(x) Deferred Charges	—	—
(xi) Securitization	70,044	62,367
(xii) Deferred tax liabilities	312	67
Total liabilities as adjusted for the above material quantifiable effects	<u>938,055</u>	<u>869,503</u>

APPENDIX II
UNAUDITED INTERIM FINANCIAL INFORMATION

	As at 31 December 2010	As at 31 March 2010
	(unaudited)	
Total equity (total net assets) under JGAAP	456,063	428,615
Material quantifiable effects for different accounting treatments:		
(i) Consolidation — small size entities	(2,956)	(2,493)
(ii) Consolidation — venture capital investments	(2,696)	536
(iii), (v), (vi) Business combination	18,153	12,418
(iv) Changes in the Group's interest in subsidiaries	(88,012)	(88,050)
(viii) Investments in associates/affiliates	(50)	(442)
(ix) Statutory reserve	5,197	7,219
(x) Deferred charges	(4,935)	(3,160)
(xi) Securitization	(20)	14
(xii) Deferred tax	(3,300)	(4,154)
Total equity as adjusted for the above material quantifiable effects	<u>377,444</u>	<u>350,503</u>

	Nine months ended 31 December		Three months ended 31 December	
	2009	2010	2009	2010
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net income (loss) for the period under JGAAP	1,486	1,510	663	824
Add: Non-controlling interest under JGAAP	<u>(1,319)</u>	<u>(2,448)</u>	<u>(233)</u>	<u>(485)</u>
Total net income (loss) for the period under JGAAP	167	(938)	430	339
Material quantifiable effects for different accounting treatments:				
(i) Consolidation — small size entities	(410)	(1,337)	471	(461)
(ii) Consolidation — venture capital Investments	(1,325)	(933)	(102)	(847)
(iii), (v), (vi) Business combination	5,640	5,735	1,892	1,908
(iv) Changes in the Group's interest in subsidiaries	(22)	(62)	(3)	22
(viii) Investments in associates/affiliates	(403)	392	(128)	469
(ix) Statutory reserve	—	(2,023)	—	—
(x) Deferred charges	(2,558)	(1,775)	(839)	(466)
(xi) Securitization	(36)	(34)	(13)	(10)
(xii) Deferred tax	<u>30</u>	<u>872</u>	<u>10</u>	<u>10</u>
Total net income for the period as adjusted for the above material quantifiable effects	<u>1,083</u>	<u>(103)</u>	<u>1,718</u>	<u>964</u>

(i) Consolidation — small size entities

Under IFRS, a subsidiary or fund that is controlled by its parent should be consolidated in the parent's consolidated financial statements.

Under JGAAP, an entity that is controlled by its parent is, in principle, consolidated in the parent's interim consolidated financial statements. There is a specific exemption which allows small size entities to be excluded from consolidation. When meeting the specific exemption, the Group recognizes and measures the small size entities using equity method or at cost less impairment, if any or at the Group's proportionate share in the equity of those entities.

As at 31 December 2010, there were 62 small size entities controlled by the Group. The Group has quantified the effect of consolidating these small size entities under IFRS.

(ii) Consolidation — venture capital investments

Under IFRS, a subsidiary or fund that is controlled by its parent should be consolidated in the parent's consolidated financial statements.

Under JGAAP, investments must be excluded from consolidation if such investments were held by investment companies and certain conditions have been satisfied. Such investments should be measured at cost less impairment, if any.

As at 31 December 2010, there were 13 investee companies which the Group owned more than 50% equity interests that had been excluded from consolidation under JGAAP. The Group has quantified the effect of consolidating these venture capital investments under IFRS.

(iii) Business combination — identifiable intangible assets

Effective from 1 April 2010, there is no GAAP difference between IFRS and JGAAP on "business combination — identifiable intangible assets" since the Group has adopted new accounting policies for business combination prospectively. The cumulative effect of the GAAP differences prior to 1 April 2010 has been carried forward.

(iv) Changes in parent's ownership interest in a subsidiary

Under IFRS, changes in a parent's ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions. No goodwill, nor gain or loss is recognized.

Under JGAAP, acquisition of additional interests in a subsidiary gives rise to recognition of additional goodwill which is measured as the excess of the purchase consideration over the carrying amount of the net assets acquired. Disposal of partial interests in a subsidiary gives rise to a gain or loss which is measured as the difference between the proceeds received and the carrying amount of the net assets attributable to interests being disposed of.

Goodwill recognized upon acquisition of additional interests in subsidiaries are eliminated and adjusted to equity under IFRS. Gain or loss recognized upon disposal of partial interests under JGAAP are reversed and adjusted to equity under IFRS.

(v) Business combination — step acquisition

Effective from 1 April 2010, there is no GAAP difference between IFRS and JGAAP on "business combination — step acquisition" since the Group has adopted new accounting policies for business combination prospectively. The cumulative effect of the GAAP differences prior to 1 April 2010 has been carried forward.

(vi) Business combination — goodwill

Under IFRS, goodwill is not amortized but is subject to annual impairment test. Goodwill is reviewed for impairment at least annually at the same time each year and whenever there is an impairment indication. When the recoverable amount of the cash-generating unit ("CGU") containing goodwill (the higher of fair value less costs to sell and value in use of that CGU) is less than the carrying amount of that CGU, an impairment loss is recognized as the excess of the carrying amount over the recoverable amount. Reversal of previous impairment of goodwill is prohibited.

Under JGAAP, goodwill is amortized over a period of not more than 20 years using the straight line method. Goodwill is not reviewed for impairment unless there is an indication of impairment. If an indication of impairment has been identified, the impairment loss is measured using a two-step approach. First, the entity should compare the sum of the undiscounted cash flows expected to be generated by the CGU and the disposal value of the assets within that CGU. Second, if the amount of the sum of undiscounted cash flows and disposal value of the CGU is less than the carrying amount of the CGU, an impairment loss should be recognized. The amount of impairment loss should be the excess of the carrying amount of the CGU over the discounted cash flows that are expected to be generated from the CGU and disposal value of CGU within that disposal group.

The amortization of goodwill recognized under JGAAP is reversed under IFRS and are tested for impairment on an annual basis. Impairment loss is recognized as the excess of the carrying amount over the recoverable amount.

(vii) Non-fair valued available-for-sale investments

Under IFRS, available-for-sale equity investments are measured at fair value with fair value gains/losses recognized as other comprehensive income unless the fair value cannot be measured reliably, i.e. under the circumstances that (a) the variability in the range of reasonable fair value estimates is significant or (b) the probabilities of the various estimates within the range cannot be reasonably assessed in estimating fair value. In such cases, the available-for-sale equity investments are stated at cost less impairment. Available-for-sale debt investments are measured at fair value with fair value gains/losses recognized as other comprehensive income.

Available-for-sale investments (including those stated at fair value and at cost less impairment) are impaired when there is an objective evidence of impairment. For available-for-sale equity investments stated at cost, the amount of impairment loss is the difference between the carrying amount of the available-for-sale investments and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment loss on available-for-sale equity investments measured at fair value will be recognised in profit or loss. An increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income. Impairment loss on available for sale equity investments measured at cost are not reversed in subsequent periods. For available for sale debt investments, if, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed what the amortized cost would have been had the impairment not be recognized.

Under JGAAP, available-for-sale equity investments with quoted market price are measured at fair value. Available-for-sale equity investments that do not have quoted market prices are stated at cost less impairment. For available-for-sale debt investments, JGAAP requires an entity to measure them at fair value including those investments that do not have quoted market price. The JGAAP allows using the appraisal price or brokerage/indicative price to measure the fair value of these investments if they do not have quoted market prices. However, in exceptional circumstances where there are practical difficulties to fair value such investment, for example, the cost of estimating the fair value is weighted over the benefit to the users of the financial statements, the management can justify to state these debt investments at cost less impairment, if any. Impairment loss is recognized in profit or loss when the fair value declines significantly and cannot be reversed.

As at 31 December 2010, the Group has investments in 317 non-fair valued entities with less than 20% interests including those held by subsidiaries with carrying amounts of ¥37,823 million that would need to be measured at fair value under IFRS respectively. The Company is not able to quantify, on practical grounds, the difference arising from different accounting treatment by JGAAP and IFRS for these non-fair valued investments. The reason is that there is limitation to assess whether fair value of these investments can be reliably measured or not as these investee entities do not necessarily provide the relevant financial information to the Group which enables the Group to carry out a proper valuation. Therefore, the Company is now experiencing practical difficulties to quantify the financial effects of these non-fair valued investments under IFRS. The Company has committed to adjust its financial reporting system to allow the disclosure of the financial effect for this item starting from 31 March 2011.

(viii) Investments in associates/affiliates

Under IFRS, investments in associates should be accounted for using equity method, except for investments in associates held by venture capital organizations or mutual funds, unit trusts and similar entities that upon initial recognition, are designated as at fair value through profit or loss in accordance with the requirements of IAS 39 *Financial Instruments: Recognition and Measurement*.

Under JGAAP, investments in affiliates (equivalent to investments in associates under IFRS) are in principle accounted for using equity method. There is a specific exemption which allows small size entities under significant influence of the investor to be excluded from application of equity method and such investments are measured at cost less impairment. Investments under significant influence of the Group must be excluded from equity accounting if such investments are held by investment companies and certain conditions have been satisfied. The Group recognizes all such investments held by investment companies at cost less impairment, if any.

As at 31 December 2010, the Group invested in approximately 72 entities over which it was able to exercise significant influence. The Group has quantified the effect resulting from equity accounting of these investments in associates/affiliates under IFRS.

(ix) Statutory reserve

Under IFRS, a provision should be recognized when the Group has a present obligation as a result of a past event, and it is probable that there will be an outflow of economic benefits and the amount can be reliably estimated. A provision should only be made to the extent an obligation arose from past events.

Under JGAAP, statutory liability reserve is provided for possible losses resulting from execution errors made by the Group and is recognized as an expense in accordance with Article 46-5 of the Japanese Financial Instruments and Exchange Act.

The statutory liability reserve recognized under JGAAP does not meet the recognition criteria for provision under IFRS and therefore the amount is reversed. Since it is a legal requirement in Japan, the statutory reserve required is recognized under IFRS within equity.

(x) Deferred charges

Under IFRS, deferral of operating costs is prohibited. The operating costs should be recognized as expenses immediately when incurred.

Under JGAAP, a newly established insurance company is allowed to defer its operating costs incurred within the first 5 years after its establishment. The deferred operating costs can be amortized within 10 years according to Article 113 of the Insurance Business Act of Japan.

The deferred operating costs under JGAAP are derecognized and expensed as incurred under IFRS.

(xi) Securitization

Under IFRS, a financial asset is derecognized, when, and only when, either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition. The decision whether a transfer qualifies for derecognition is made by applying a combination of risks and rewards and control tests. The risks and rewards tests seek to establish whether, having transferred a financial asset, the entity continues to be exposed to the risks of ownership of that asset and/or continues to enjoy the benefits that it generates. The control tests are designed with a view to understand which entity controls the asset, i.e. which entity can direct how the benefits of that asset are realized.

Under JGAAP, financial assets are derecognized based on the financial component approach when control is transferred to a third party. Financial assets are derecognized when the contractual rights of the financial assets are exercised, when those rights are lost, or when the control of those rights has been passed to other parties.

Certain derecognized mortgage loans upon securitization under JGAAP which do not meet the derecognition criteria under IFRS were reversed and the corresponding borrowings are recognized.

(xii) Deferred tax

Deferred tax should be recognized for additional temporary differences resulting from the GAAP differences described as per notes (i) to (xi) above.

Additional deferred tax assets and deferred tax liabilities are recognized under IFRS.

Part (2)

This summary identifies, in the opinion of the directors of the Company, the key areas how the JGAAP Interim Financial Information of the Group differs from IFRS in respect of classification, presentation and disclosure requirements.

A. PRIMARY STATEMENTS**1. Consolidated statement of financial position / interim consolidated balance sheet**

Under IFRS, the financial position of an entity (together with subsidiaries) is presented in the consolidated statement of financial position.

Under JGAAP, the financial position of an entity (together with subsidiaries) is presented in the interim consolidated balance sheet. The content of an interim consolidated statement of financial position and interim consolidated balance sheet is similar except for the differences set out below.

(i) Line items to be presented in the consolidated statement of financial position

Under IFRS, the consolidated statement of financial position should include, among others, a separate line item that presents the amount of investment property.

Under JGAAP, investment property is included in the line item of property and equipment in the interim consolidated balance sheet.

(ii) Deferred tax

Under IFRS, deferred tax assets and liabilities are classified as non-current on the consolidated statement of financial position.

Under JGAAP, deferred tax assets and liabilities are classified as current or non-current based on the classification of the related assets and liabilities. A deferred tax asset related to tax loss carry forward, which is not related to specific assets and liabilities, is classified as current or non-current depending on the timeframe of the expected utilization.

2. Consolidated statement of operations / interim consolidated statement of operations**(i) Comprehensive income**

Under IFRS, an entity should either (i) present a consolidated statement of comprehensive income or (ii) a consolidated income statement together with a consolidated statement of comprehensive income.

Under JGAAP, an entity is required to present an interim consolidated statement of operations which is similar to an interim consolidated income statement under IFRS. There is no requirement to present an interim consolidated statement of comprehensive income.

(ii) Items of gains or losses

Under IFRS, gains or losses from sales of investments held for trading purpose should be presented on a net basis.

Under JGAAP, the Group presents gross sales proceeds from sales of operational investment securities (which are investments held for trading purpose) as "Net sales" and the carrying amounts of the operational investments securities as "Cost of sales".

(iii) Other comprehensive income

Under IFRS, an entity should present each component of other comprehensive income, including foreign currency translation adjustments, deferred gains/losses on hedges and unrealized gains/losses on available for sale financial assets, in the consolidated statement of comprehensive income.

Under JGAAP, as mentioned in note (i) above, there is no requirement to present an interim consolidated statement of comprehensive income.

(iv) Extraordinary items

Under IFRS, the presentation of extraordinary items on the consolidated income statement, consolidated statement of comprehensive income or in the notes to the consolidated financial statements is prohibited.

Under JGAAP, extraordinary income or expense is required to be disclosed in the interim consolidated statement of operations. Extraordinary income or expense includes non-recurring items and adjustments in relation to previous period.

(v) Earnings per share

Under IFRS, an entity should present basic and diluted earnings per share on the face of the consolidated income statement or the consolidated statement of comprehensive income, as appropriate. Other information, including the numerator and denominator used for the purposes of calculating basic and diluted earnings per share is disclosed in the notes to the consolidated financial statements.

Under JGAAP, basic and diluted earnings per share and other information for the purposes of calculating earnings per shares is disclosed in the notes.

3. Consolidated statement of changes in equity / interim consolidated statement of changes in net assets

(i) Reconciliation of changes in equity / changes in net assets

Under IFRS, an entity should present total comprehensive income for the period, showing separately total amounts attributable to owners of the parent and to non-controlling interest, the effect of retrospective adjustments, if any and a reconciliation between the carrying amount at the beginning and the end of the period of equity.

Under JGAAP, there is no such requirement.

B. NOTES DISCLOSURE

(i) Related party transactions

Under IFRS, related party transactions/balances that is relevant to an understanding of the financial position or performance of the entity should be disclosed.

Under JGAAP, related party transactions are not required to be disclosed in the interim consolidated financial statements.

The information set out in this Appendix does not form part of the Accountants' Report on the financial information of the Group for each of the three years ended 31 March 2008, 2009 and 2010 and the six months ended 30 September 2010 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I to this prospectus, and is included in this prospectus for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the "Accountants' Report" set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS PER SHARE

The following unaudited pro forma adjusted net tangible assets per Share prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purpose only, and is set out in this appendix to illustrate the effect of the Global Offering on the adjusted consolidated net tangible assets of the Group as at 30 September 2010, as if it had taken place on such date.

The unaudited pro forma adjusted net tangible assets per Share has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group following the Global Offering. It is prepared based on the audited consolidated net assets of the Group as at 30 September 2010 as shown in the Accountants' Report as set out in Appendix I to this prospectus and adjusted as described below. The unaudited pro forma adjusted net tangible assets does not form part of the Accountants' Report.

	Audited consolidated net tangible assets of the Group as at 30 September 2010 (note 1)	Estimated net proceeds from the Global Offering (note 2)	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share (Note 3)	
	<i>million of Yen</i>	<i>million of Yen</i>	<i>million of Yen</i>	<i>Yen</i>	<i>HK\$</i>
Based on the Offer Price of HK\$145.52 for each HDR.	<u>314,100</u>	<u>25,007</u>	<u>339,107</u>	<u>15,634</u>	<u>1,504</u>

Notes:

- (1) The audited consolidated net tangible assets of the Group as at 30 September 2010 was extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on the Offer HDR and the maximum Offer Price of HK\$145.52 per Offer HDR, after deduction of underwriting fees and related expenses payable by the Company but takes no account of any HDR which may be allotted and issued upon the exercise of the Over-allotment Option.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that a total of 21,690,492 Shares (including 19,940,492 Shares outstanding on 30 September 2010 and 1,750,000 Shares to be issued under Global Offering) are expected to be in issue after the completion of the Global Offering, taking no account of any additional income the Group may have earned from the estimated net proceeds from the Global Offering and any Shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option. The unaudited pro forma adjusted net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK\$9.62 to ¥100.00. No representation is made that the Yen amounts have been, could have or maybe converted to Hong Kong dollars, or vice versa, at that rate.

- (4) The property interests of the Group were valued by Jones Lang LaSalle Sallmanns Limited and the valuation report in respect of which was set out in Appendix IV to this prospectus. The Property Valuers valued the Group's property interests which are currently occupied by the Group with reference to the "estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction". According to the valuation report, the property interests of the Group as at 31 December 2010 amounted to approximately ¥23,133 million. Comparing this amount with the unaudited net carrying amounts of the property interests of the Group as at 31 December 2010 of approximately ¥38,868 million, there was a deficit of ¥15,735 million. The valuation of the Group's property interests will not be incorporated in the consolidated financial information of the Group. If the revaluation deficit is to be included in the consolidated financial information of the Group, there would not be additional depreciation for the Group. In the opinion of the Directors, the recoverable amounts of the Group's property interest are higher than the carrying amount of such assets and accordingly, the Group's property interests have been stated at their carrying amounts and the value of the Group's property interest have not been impaired.

B. REPORT FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION RELATING TO THE UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS PER SHARE

The following is the text of report, prepared for the purpose of incorporation in this prospectus, received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company.

Deloitte.
德勤

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ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**TO THE DIRECTORS OF SBI HOLDINGS, INC**

We report on the unaudited pro forma financial information of SBI Holdings, Inc (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the global offering of 17,500,000 Hong Kong Depositary Receipts of HK\$145.52 each in the Company might have affected the financial information presented, for inclusion in Section A of the Appendix III to the prospectus dated 31 March 2011 (the "Prospectus"). The basis of preparation of the unaudited pro forma financial information is set out in section A of the Appendix III to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it has been carried out in accordance with those standards.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at September 30, 2010 or any future date.

Opinion

In our opinion:

- a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

31 March 2011

A PROPERTY VALUATION

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at 31 December 2010 of the property interests of the Group.



Jones Lang LaSalle Sallmanns Limited
6/F Three Pacific Place
1 Queen's Road East Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

31 March 2011

The Board of Directors
SBI Holdings, Inc.

Dear Sirs,

In accordance with your instructions to value the properties in which SBI Holdings, Inc. (the "Company") and its consolidated subsidiaries (hereinafter together referred to as the "Group") have interests in Japan and the United States of America (the "USA"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 31 December 2010 (the "date of valuation").

Our valuation of the property interests represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

We have valued the property interests in Group I, II, III, IV, V and VI by direct comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business.

In valuing the property interests in Group II which are currently under construction, we have assumed that it will be developed and completed in accordance with the latest development proposal provided to us by the Group. In arriving at our opinion of value, we have taken into account the construction cost and professional fees relevant to the stage of construction as at the date of valuation and the remainder of the cost and fees to be expended to complete the development.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited except for those in respect of which exemptions and waivers have been applied for and granted in respect of Rules 5.01 and 5.06 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards published by the Royal Institution of Chartered Surveyors, the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

As the Group is in compliance with paragraph 3(b) of Practice Note 16 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and section 6 of Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, the full details of the individual leased properties under operating lease have been excluded from the valuation certificates in our valuation report to this prospectus, of which a summary is included in the Summary of Values and the certificate for leased properties.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been provided with copies of title documents and tenancy agreements relating to the property interests and have caused searches to be made at the Japan Land Registry. However, we have not searched the original documents to verify the ownership or to ascertain any amendment.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

A serious earthquake struck certain areas of Tohoku district in Japan on 11 March 2011 causing damage to many properties. Properties inspected before that date will have attention drawn to the fact that they may lie in an earthquake zone which may have been affected by the quake. We are not structural engineers and are unable to give expert opinion whether or not the properties are currently in satisfactory structural condition.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Japanese Yen (JPY). The exchange rate adopted in our valuation is approximately USD1 = JPY82.1 which was approximately the prevailing exchange rate as at the date of valuation.

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Sallmanns Limited

Paul L. Brown
B.Sc. FRICS FHKIS
Chief Valuation Adviser

Gilbert C.H. Chan
MRICS MHKIS RPS(GP)
Director

Note: Paul L. Brown is a Chartered Surveyor who has 28 years' experience in the valuation of properties in the PRC and 31 years of property valuation experience in Hong Kong, the United Kingdom as well as relevant experience in the Asia-Pacific region and the USA.

Gilbert C.H. Chan is a Chartered Surveyor who has 19 years' experience in the valuation of properties in the PRC and 18 years of property valuation experience in Hong Kong, the United Kingdom as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Group I — Property interests held for sale by the Group in Japan

No.	Property	Capital value in	Interest	Capital value
		existing state as at 31 December 2010	attributable to the Group	attributable to the Group as at 31 December 2010
		<i>JPY</i>		<i>JPY</i>
1.	116-ban 2, 116-ban 3, 116-ban 4, Roppongi 7-chome, Minato-ku, Tokyo-to, Japan	587,000,000	100%	587,000,000
2.	312-banchi, Kamimaezu 2-chome, Naka-ku, Nagoya-shi, Aichi-ken, Japan	349,000,000	100%	349,000,000
3.	36-banchi-10, 36-banchi-11, Udagawacho, Shibuya-ku, Tokyo-to, Japan	229,000,000	79.7%	182,510,000
4.	39-ban9, 39-ban10, Ikebukuro, 18-ban5, Yaguchidai, Naka-ku, Yokohama-shi, Kanagawa-ken, Japan	56,000,000	79.7%	44,630,000
5.	16-ban4, Dogenzaka1-chome, Shibuya-ku, Tokyo-to, Japan	117,000,000	79.7%	93,250,000

APPENDIX IV
PROPERTY VALUATION

No.	Property	Capital value in	Interest	Capital value
		existing state as at 31 December 2010	attributable to the Group	attributable to the Group as at 31 December 2010
		<i>JPY</i>		<i>JPY</i>
6.	86-ban2, Sakuragaokacho, Shibuya-ku, Tokyo-to, Japan	190,000,000	79.7%	151,430,000
7.	1206-ban2, 1206-ban12, Sekimae5-chome, Musashino-shi, Tokyo-to, Japan	72,000,000	79.7%	57,380,000
8.	3-ban52, Shibaura 2-chome, Minato-ku, Tokyo-to, Japan	218,000,000	79.7%	173,750,000
9.	570-ban 30, Nakameguro 3-chome, Meguro-ku, Tokyo-to, Japan	158,000,000	100%	158,000,000
10.	27-banchi-4, Toeicho 6-chome, Mizuho-ku, Nagoya-shi, Aichi-ken, Japan	44,000,000	100%	44,000,000
11.	19-banchi-9-203, Daimancho 2-chome, Meito-ku, Nagoya-shi, Aichi-ken, Japan	93,000,000	100%	93,000,000
	Sub-total:	<u>2,113,000,000</u>		<u>1,933,950,000</u>

Group II — Property interests held under development by the Group in Japan

No.	Property	Capital value in existing state as at 31 December 2010 <i>JPY</i>	Interest attributable to the Group	Capital value attributable to the Group as at 31 December 2010 <i>JPY</i>
12.	47-ban 37, 55-ban 8, Mejirodai 1-chome, Bunkyo-ku, Tokyo-to, Japan	76,000,000	68.2%	51,830,000
13.	1012-ban 1, 1012-ban 19, Ikebukuro 3-chome, Toshima-ku, Tokyo-to, Japan	126,000,000	68.2%	85,930,000
14.	99-ban2, Ebara 6-chome, Shinagawa-ku, Tokyo-to, Japan	132,000,000	68.2%	90,020,000
15.	112-ban6, Minamioi, Shinagawa-ku, Tokyo-to, Japan	95,000,000	68.2%	64,790,000
16.	32-ban55, Honmachi 2-chome Shibuya-ku, Tokyo-to, Japan	97,000,000	68.2%	66,150,000
17.	76-ban8, 76-ban22, Yayoicho 4-chome, Nakano-ku, Japan	162,000,000	68.2%	110,480,000

APPENDIX IV**PROPERTY VALUATION**

No.	Property	Capital value in existing state as at 31 December 2010	Interest attributable to the Group	Capital value attributable to the Group as at 31 December 2010
		<i>JPY</i>		<i>JPY</i>
18.	28-ban 10, 28-ban 11, Yayoicho 1-chome, Nakano-ku, Tokyo-to, Japan	122,000,000	68.2%	83,200,000
19.	83-ban, Shinikecho-4 chome, Chikusa-ku, Nagoya-shi, Aichi-ken, Japan	42,000,000	100%	42,000,000
20.	901-ban, 902-ban, 903-ban, Tsurumai-2 chome, Showa-ku, Nagoya-shi, Aichi-ken, Japan	315,000,000	100%	315,000,000
21.	4-ban, Saiwaimachi-79 Chome, Tobata-ku, Kitakyuusyuu-shi, Fukuoka-ken, Japan	10,300,000	100%	10,300,000
		<hr/>		<hr/>
		Sub-total:		
		<u>1,177,300,000</u>		<u>919,700,000</u>

Group III — Property interest held for future development by the Group in Japan

No.	Property	Capital value in existing state as at 31 December 2010 <i>JPY</i>	Interest attributable to the Group	Capital value attributable to the Group as at 31 December 2010 <i>JPY</i>
22.	902-ban 23, Momochihama 2-chome, Sawara-ku, Fukuoka-shi, Fukuoka-ken, Japan	851,000,000	100%	851,000,000
23.	430-ban 1, 578-ban 4, 578-ban 10, 1084-ban 2, Matsubara, Nakagawamachi, Chikushi-gun, Fukuoka-ken, Japan	329,000,000	100%	329,000,000
24.	77-banchi, 76-banchi, 76-banchi 1, 76-banchi 2, 76-banchi 3, 76-banchi 4, 78-ban, Nakasu 4-chome, Hakata-ku, Fukuoka-ken, Japan	525,000,000	100%	525,000,000
25.	104-ban 7, Ginza 6-chome, Chuo-ku, Tokyo-to, Japan	818,000,000	100%	818,000,000

APPENDIX IV
PROPERTY VALUATION

No.	Property	Capital value in	Interest	Capital value
		existing state as at 31 December 2010	attributable to the Group	attributable to the Group as at 31 December 2010
		<i>JPY</i>		<i>JPY</i>
26.	76-ban 1, 76-ban 17, 77-ban 1, 77-ban 3, Ebisu 1-chome, Shibuya-ku, Tokyo-to, Japan	413,000,000	100%	413,000,000
Sub-total:		<u>2,936,000,000</u>		<u>2,936,000,000</u>

Group IV — Property interests held as beneficial trust by the Group in Japan

No.	Property	Capital value in	Interest	Capital value
		existing state as at 31 December 2010	attributable to the Group	attributable to the Group as at 31 December 2010
		<i>JPY</i>		<i>JPY</i>
27.	12-banchi-3, Miyahara 2-chome, Yodogawa-ku, Osaka-shi, Osaka-fu, Japan	629,000,000	100%	629,000,000
28.	4-banchi-5, 6-banchi-4, Higashi-Ogijima, Kawasaki-shi, Kanagawa-ken, Japan	7,068,000,000	90%	6,361,200,000
Sub-total:		<u>7,697,000,000</u>		<u>6,990,200,000</u>

Group V — Property interests held for investment by the Group in Japan

No.	Property	Capital value in existing state as at 31 December 2010 <i>JPY</i>	Interest attributable to the Group	Capital value attributable to the Group as at 31 December 2010 <i>JPY</i>
29.	446-banchi-2, 446-banchi-1, Fujimidai 3-chome, Nerima-ku, Tokyo-to, Japan	257,000,000	100%	257,000,000
30.	13-banchi-36, 13-banchi-35, 13-banchi-27, 13-banchi-6, Megurohoncho 3-chome, Meguro-ku, Tokyo-to, Japan	480,000,000	100%	480,000,000
31.	200-banchi-1, Ebara 4-chome, Shinagawa-ku, Tokyo-to, Japan	357,000,000	100%	357,000,000
32.	969-banchi-92, 969-banchi-45, Ikebukuro 3-chome, Toshima-ku, Tokyo-to, Japan	241,000,000	100%	241,000,000
33.	128-banchi-1, Komazawa 3-chome, Setagaya-ku, Tokyo-to, Japan	359,000,000	100%	359,000,000
34.	18-banchi-34, Nakamuraminami 3-chome, Nerima-ku, Tokyo-to, Japan	375,000,000	100%	375,000,000

APPENDIX IV
PROPERTY VALUATION

No.	Property	Capital value in existing state as at 31 December 2010 <i>JPY</i>	Interest attributable to the Group	Capital value attributable to the Group as at 31 December 2010 <i>JPY</i>
35.	137-banchi-14, 137-banchi-4, 161-banchi-2, Mishuku 1-chome, Setagaya-ku, Tokyo-to, Japan	270,000,000	100%	270,000,000
36.	609-banchi-9, Chuocho 1-chome, Meguro-ku, Tokyo-to, Japan	326,000,000	100%	326,000,000
37.	12-banchi-1, Toyotamakita 2-chome, Nerima-ku, Tokyo-to, Japan	374,000,000	100%	374,000,000
38.	12-banchi-4, 12-banchi-5, 12-banchi-6, 42-banchi, Osawa 2-chome, Izumi-ku, Sendai-shi, Miyagi-ken, Japan	1,859,000,000	100%	1,859,000,000
39.	10-banchi-36, 10-banchi-35, 20-banchi-20, 10-banchi-4, 10-banchi-3, Shimodori 1-chome, Kumamoto-shi, Kumamoto-ken, Japan	1,273,000,000	100%	1,273,000,000

APPENDIX IV
PROPERTY VALUATION

No.	Property	Capital value in existing state as at 31 December 2010 <i>JPY</i>	Interest attributable to the Group	Capital value attributable to the Group as at 31 December 2010 <i>JPY</i>
40.	12-banchi-5, 12-banchi-3, 12-banchi-2, 12-banchi-1, 12-banchi-6, Zaimoku-cho 1-chome, Okazaki-shi, Aichi-ken, Japan	982,000,000	100%	982,000,000
41.	88-banchi, 87-banchi-1, 87-banchi-2, Ohashi1-chome, Minami-ku, Fukuoka-shi, Fukuoka-ken, Japan	578,000,000	100%	578,000,000
42.	512-banchi-2, Daimyo 1-chome, Chuo-ku, Fukuoka-shi, Fukuoka-ken, Japan	147,000,000	100%	147,000,000
43.	57-banchi-1, 56-banchi-2, 34-banchi-1, Arai-cho 5-chome, Handa-shi, Aichi-ken, Japan	316,000,000	100%	316,000,000

APPENDIX IV
PROPERTY VALUATION

No.	Property	Capital value in existing state as at 31 December 2010	Interest attributable to the Group	Capital value attributable to the Group as at 31 December 2010
		<i>JPY</i>		<i>JPY</i>
44.	159-banchi-4, 159-banchi-2, 159-banchi-1, 159-banchi-3, Sumiyoshi-cho 2-chome, Handa-shi, Aichi-ken, Japan	435,000,000	100%	435,000,000
Sub-total:		<u>8,629,000,000</u>		<u>8,629,000,000</u>

Group VI — Property interest held for sale by the Group in the USA

No.	Property	Capital value in existing state as at 31 December 2010	Interest attributable to the Group	Capital value attributable to the Group as at 31 December 2010
		<i>JPY</i>		<i>JPY</i>
45.	Ala Wai Garden Plaza 2055 Ala Wai Boulevard Honolulu Hawaii 96815 USA	1,724,100,000	100%	1,724,100,000
Sub-total:		<u>1,724,100,000</u>		<u>1,724,100,000</u>
Grand-total:		<u>24,276,400,000</u>		<u>23,132,950,000</u>

VALUATION CERTIFICATE

Group I — Property interests held for sale by the Group in Japan

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010
				<i>JPY</i>
1.	116-ban 2, 116-ban 3, 116-ban 4, Roppongi 7-chome, Minato-ku, Tokyo-to, Japan	The property comprises a parcel of land with site area of approximately 289.24 sq.m. The property is held under title of Fee Simple Estate.	The property is currently vacant.	587,000,000 100% interest attributable to the Group: JPY587,000,000

Notes:

- The registered owner of the property is SBI Holdings, Inc. (SBIホールディングス株式会社)

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010
				<i>JPY</i>
2.	312-banchi, Kamimaezu 2-chome, Naka-ku, Nagoya-shi, Aichi-ken, Japan	The property comprises a whole 12-storey residential building completed in about 2001. The property has a total gross floor area of approximately 1,604.1 sq.m The property is held under title of Fee Simple Estate.	The property is currently rented to various independent third parties for various terms with the last expiry date on 26 November 2012 at an aggregate annual rent of approximately JPY37,877,172.	349,000,000 100% interest attributable to the Group: JPY349,000,000

Notes:

- The registered owner of the property is SBI Holdings, Inc. (SBIホールディングス株式会社)

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010
				<i>JPY</i>
3.	36-banchi-10, 36-banchi-11, Udagawacho, Shibuya-ku, Tokyo-to, Japan	The property comprises a parcel of land with site area of approximately 300.87 sq.m. The property is held under title of Fee Simple Estate.	The property is currently vacant.	229,000,000 79.7% interest attributable to the Group: JPY182,510,000

Notes:

1. The registered owner of the property is CEM Corporation (株式会社セムコーポレーション).
2. CEM Corporation is a 79.7% indirect-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010
				<i>JPY</i>
4.	39-ban9, 39-ban10, Ikebukuro, 18-ban5, Yaguchidai, Naka-ku, Yokohama-shi, Kanagawa-ken, Japan	The property comprises a parcel of land with a site area of approximately 280.44 sq.m. The property is held under title of Fee Simple Estate.	The property is currently vacant.	56,000,000 79.7% interest attributable to the Group: JPY44,630,000

Notes:

1. The registered owner of the property is CEM Corporation (株式会社セムコーポレーション).
2. CEM Corporation is a 79.7% indirect-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010
				<i>JPY</i>
5.	16-ban4, Dogenzaka1-chome, Shibuya-ku, Tokyo-to, Japan	The property comprises a whole 2-storey commercial building completed in about 1990s. The property has a total gross floor area of approximately 117.77 sq.m. The property is held under title of Fee Simple Estate.	The property is currently vacant and litigation of leasing matter is proceeding.	117,000,000 79.7% interest attributable to the Group: JPY93,250,000

Notes:

1. The registered owner of the property is CEM Corporation (株式会社セムコーポレーション).
2. CEM Corporation is a 79.7% indirect-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010
				<i>JPY</i>
6.	86-ban2, Sakuragaokacho, Shibuya-ku, Tokyo-to, Japan	The property comprises a whole 4-storey office building completed in about 1990. The property has a total gross floor area of approximately 429.92 sq.m. The property is held under title of Fee Simple Estate.	The property is currently rented to an independent third party with expiry date on 30 September 2011 at an annual rent of approximately JPY16,386,000.	190,000,000 79.7% interest attributable to the Group: JPY151,430,000

Notes:

1. The registered owner of the property is CEM Corporation (株式会社セムコーポレーション).
2. CEM Corporation is a 79.7% indirect-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010
				<i>JPY</i>
7.	1206-ban2, 1206-ban12, Sekimae5-chome, Musashino-shi, Tokyo-to, Japan	The property comprises a whole 2-storey residential building completed in about 1990. The property has a total gross floor area of approximately 362.99 sq.m. The property is held under title of Fee Simple Estate.	The property is currently vacant.	72,000,000 79.7% interest attributable to the Group: JPY57,380,000

Notes:

1. The registered owner of the property is CEM Corporation (株式会社セムコーポレーション).
2. CEM Corporation is a 79.7% indirect-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010 <i>JPY</i>
8.	3-ban52, Shibaura 2-chome, Minato-ku, Tokyo-to, Japan	<p>The property comprises a whole 4 -storey office building completed in about 1992.</p> <p>The property has a total gross floor area of approximately 665.32 sq.m.</p> <p>The property is held under title of Fee Simple Estate.</p>	<p>The property is currently occupied by previous owner. The Group is preparing to apply eviction order.</p>	<p>218,000,000</p> <p>79.7% interest attributable to the Group: JPY173,750,000</p>

Notes:

1. The registered owner of the property is CEM Corporation. (株式会社セムコーポレーション).
2. CEM Corporation is a 79.7% indirect-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010
				<i>JPY</i>
9.	570-ban 30, Nakameguro 3-chome, Meguro-ku, Tokyo-to, Japan	The property comprises a parcel of land with site are of approximately 374.45 sq.m. The property is held under title of Fee Simple Estate.	The property is currently vacant.	158,000,000 100% interest attributable to the Group: JPY158,000,000

Notes:

1. The registered owner of the property is SBI Property Advisors (SBIプロパティ・アドバイザーズ株式会社).
2. SBI Property Advisors is a direct wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010
				<i>JPY</i>
10.	27-banchi-4, Toeicho 6-chome, Mizuho-ku, Nagoya-shi, Aichi-ken, Japan	The property comprises a whole 3-storey residential building completed in about 2009. The property has a gross floor area of approximately 212.04 sq.m. The property is held under title of Fee Simple Estate.	The property is currently rented to various independent third parties for various terms at an aggregate annual rent of approximately JPY5,100,000.	44,000,000 100% interest attributable to the Group: JPY44,000,000

Notes:

1. The registered owner of the property is SBI Planners Co., Ltd. (SBIプランナーズ株式会社).
2. SBI Planners Co., Ltd. is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010
				<i>JPY</i>
11.	19-banchi-9-203, Daimancho 2-chome, Meito-ku, Nagoya-shi, Aichi-ken, Japan	The property comprises a unit on a 2nd floor of a 2-storey residential building completed in about 1973. The property has a total gross floor area of approximately 57.25 sq.m. The property is held under title of Fee Simple Estate.	The property was sold on 18 February 2011.	93,000,000 100% interest attributable to the Group: JPY93,000,000

Notes:

1. The registered owner of the property is SBI Planners Co., Ltd. (SBIプランナーズ株式会社).
2. SBI Planners Co., Ltd. is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Group II — Property interests held under development by the Group in Japan

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010
				<i>JPY</i>
12.	47-ban 37, 55-ban 8, Mejirodai 1-chome, Bunkyo-ku, Tokyo-to, Japan	<p>The property comprises a parcel of land with a site area of approximately 161.13 sq.m.</p> <p>As advised by the Company, the property is intended to be developed into a residential development with a total planned gross floor area of approximately 384.48 sq.m.</p> <p>The property is held under title of Fee Simple Estate.</p>	The property is currently a vacant site.	<p>76,000,000</p> <p>68.2% interest attributable to the Group: JPY51,830,000</p>

Notes:

1. The registered owner of the property is SBI Life Living, Co., Ltd. (SBIライフリビング株式会社).
2. SBI Life Living, Co., Ltd. is a 68.2% direct wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010 <i>JPY</i>
13.	1012-ban 1, 1012-ban 19, Ikebukuro 3-chome, Toshima-ku, Tokyo-to, Japan	<p>The property comprises a parcel of land with a site area of approximately 339.2 sq.m. on which a residential building is being constructed.</p> <p>As advised by the Group, the development is scheduled to be completed in early 2011.</p> <p>The total planned gross floor area of the property upon completion will be approximately 618.71 sq.m.</p> <p>As advised by the Group, the estimated development cost to completion of the property is JPY124,325,000 (excluding marketing, finance and other indirect costs, of which about JPY14,381,183 has been incurred up to date of valuation.</p> <p>The property is held under title of Fee Simple Estate.</p>	The property is currently under construction.	<p>126,000,000</p> <p>68.2% interest attributable to the Group: JPY85,930,000</p>

Notes:

1. The registered owner of the property is SBI Life Living, Co., Ltd. (SBIライフリビング株式会社).
2. SBI Life Living, Co., Ltd. is a 68.2% direct wholly-owned subsidiary of the Company.
3. The property has obtained a Construction Permit on 18 April 2008.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010 <i>JPY</i>
14.	99-ban2, Ebara 6-chome, Shinagawa-ku, Tokyo-to, Japan	<p>The property comprises a parcel of land with a site area of approximately 215 sq.m. on which a residential building is being constructed.</p> <p>As advised by the Group, the development is scheduled to be completed in early 2011.</p> <p>The total planned floor area of the property upon completion will be approximately 644.75 sq.m.</p> <p>As advised by the Group, the estimated development cost to completion of the property is JPY133,650,704 (excluding marketing, finance and other indirect costs, of which about JPY15,597,684 has been incurred up to date of valuation.</p> <p>The property is held under title of Fee Simple Estate.</p>	The property is currently under construction.	<p>132,000,000</p> <p>68.2% interest attributable to the Group: JPY90,020,000</p>

Notes:

1. The registered owner of the property is SBI Life Living, Co., Ltd. (SBIライフリビング株式会社).
2. SBI Life Living, Co., Ltd. is a 68.2% direct wholly-owned subsidiary of the Company.
3. The property has obtained a Construction Permit on 1 September 2010.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010 <i>JPY</i>
15.	112-ban6, Minamioi, Shinagawa-ku, Tokyo-to, Japan	<p>The property comprises a parcel of land with a site area of approximately 157.15 sq.m. on which a residential building is being constructed.</p> <p>As advised by the Group, the development is scheduled to be completed in early 2011.</p> <p>The total planned floor area of the property upon completion will be approximately 466.28 sq.m.</p> <p>As advised by the Group, the estimated development cost to completion of the property is JPY95,434,532 (excluding marketing, finance and other indirect costs, of which about JPY11,464,639 has been incurred up to date of valuation.</p> <p>The property is held under title of Fee Simple Estate.</p>	The property is currently under construction.	<p>95,000,000</p> <p>68.2% interest attributable to the Group: JPY64,790,000</p>

Notes:

1. The registered owner of the property is SBI Life Living, Co., Ltd. (SBIライフリビング株式会社).
2. SBI Life Living, Co., Ltd. is a 68.2% direct wholly-owned subsidiary of the Company.
3. The property has obtained a Construction Permit on 3 September 2010.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010 <i>JPY</i>
16.	32-ban55, Honmachi 2-chome, Shibuya-ku, Tokyo-to, Japan	<p>The property comprises a parcel of land with a site area of approximately 145.79 sq.m. on which a residential building is being constructed.</p> <p>As advised by the Group, the development is scheduled to be completed in early 2011.</p> <p>The total planned floor area of the property upon completion will be approximately 423.68 sq.m.</p> <p>As advised by the Group, the estimated development cost to completion of the property is JPY89,500,000 (excluding marketing, finance and other indirect costs, of which about JPY11,004,638 has been incurred up to date of valuation.</p> <p>The property is held under title of Fee Simple Estate.</p>	The property is currently under construction.	<p>97,000,000</p> <p>68.2% interest attributable to the Group: JPY66,150,000</p>

Notes:

1. The registered owner of the property is SBI Life Living, Co., Ltd. (SBIライフリビング株式会社).
2. SBI Life Living, Co., Ltd. is a 68.2% direct wholly-owned subsidiary of the Company.
3. The property has obtained a Construction Permit on 19 August 2010.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010 <i>JPY</i>
17.	76-ban8, 76-ban22, Yayoicho 4-chome, Nakano-ku, Tokyo-to, Japan	<p>The property comprises a parcel of land with a site area of approximately 418.83 sq.m. on which a residential building is being constructed.</p> <p>As advised by the Group, the development is scheduled to be completed in early 2011.</p> <p>The total planned floor area of the property upon completion will be approximately 1,146.35 sq.m.</p> <p>As advised by the Group, the estimated development cost to completion of the property is JPY196,506,588 (excluding marketing, finance and other indirect costs, of which about JPY22,196,160 has been incurred up to date of valuation.</p> <p>The property is held under title of Fee Simple Estate.</p>	The property is currently under construction.	<p>162,000,000</p> <p>68.2% interest attributable to the Group: JPY110,480,000</p>

Notes:

1. The registered owner of the property is SBI Life Living, Co., Ltd. (SBIライフリビング株式会社).
2. SBI Life Living, Co., Ltd. is a 68.2% direct owned subsidiary of the Company.
3. The property has obtained a Construction Permit on 30 November 2010.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010 <i>JPY</i>
18.	28-ban 10, 28-ban 11, Yayoicho 1-chome, Nakano-ku, Tokyo-to, Japan	<p>The property comprises a parcel of land with a site area of approximately 239.23 sq.m. on which a residential building is being constructed.</p> <p>As advised by the Group, the development is scheduled to be completed in early 2011.</p> <p>The total planned gross floor area of the property upon completion will be approximately 611.05 sq.m.</p> <p>As advised by the Group, the estimated development cost to completion of the property is JPY136,370,000 (excluding marketing, finance and other indirect costs, of which about JPY17,029,948 has been incurred up to date of valuation.</p>	The property is currently under construction.	<p>122,000,000</p> <p>68.2% interest attributable to the Group: JPY83,200,000</p>

Notes:

1. The registered owner of the property is SBI Life Living, Co., Ltd. (SBIライフリビング株式会社).
2. SBI Life Living, Co., Ltd. is a 68.2% direct owned subsidiary of the Company.
3. The property has obtained a Construction Permit on 12 May 2008.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010 <i>JPY</i>
19.	83-ban, Shinikecho-4 chome, Chikusa-ku, Nagoya-shi, Aichi-ken, Japan	<p>The property comprises a parcel of land with a site area of approximately 208.37 sq.m. on which a residential building is being constructed.</p> <p>As advised by the Group, the development is scheduled to be completed in early 2012.</p> <p>The total planned gross floor area of the property upon completion will be approximately 303.41 sq.m.</p> <p>As advised by the Group, the estimated development cost to completion of the property is JPY42,800,000 (excluding marketing, finance and other indirect costs, of which about JPY6,530,000 has been incurred up to date of valuation.</p> <p>The property is held under title of Fee Simple Estate.</p>	The property is currently under construction.	<p>42,000,000</p> <p>100% interest attributable to the Group: JPY42,000,000</p>

Notes:

1. The registered owner of the property is SBI Planners Co., Ltd. (SBIプランナーズ株式会社).
2. SBI Planners Co., Ltd. is an indirect wholly-owned subsidiary of the Company.
3. As advised by the Group, a Construction Permit is under application.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010 <i>JPY</i>
20.	901-ban, 902-ban, 903-ban, Tsurumai-2 chome, Showa-ku, Nagoya-shi, Aichi-ken, Japan	<p>The property comprises a parcel of land with a site area of approximately 910.21 sq.m. on which a residential building is being constructed.</p> <p>As advised by the Group, the development is scheduled to be completed in early 2013.</p> <p>The total planned gross floor area of the property upon completion will be approximately 4,335.36 sq.m.</p> <p>As advised by the Group, the estimated development cost to completion of the property is JPY621,320,000 (excluding marketing, finance and other indirect costs, of which about JPY8,600,000 has been incurred up to date of valuation.</p> <p>The property is held under title of Fee Simple Estate.</p>	The property is currency under construction.	<p>315,000,000</p> <p>100% interest attributable to the Group: JPY315,000,000</p>

Notes:

1. The registered owner of the property is SBI Planners Co., Ltd. (SBIプランナーズ株式会社).
2. SBI Planners Co., Ltd. is an indirect wholly-owned subsidiary of the Company.
3. As advised by the Group, a Construction Permit is under application.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010 <i>JPY</i>
21.	4-ban, Saiwaimachi-79 Chome, Tobata-ku, Kitakyuusyu-shi, Fukuoka-ken, Japan	<p>The property comprises a parcel of land with a site area of approximately 124.76 sq.m. on which a residential building is being constructed.</p> <p>As advised by the Group, the development is scheduled to be completed in early 2011.</p> <p>The total planned floor area of the property upon completion will be approximately 245.67 sq.m.</p> <p>As advised by the Group, the estimated development cost to completion of the property is JPY21,700,000 (excluding marketing, finance and other indirect costs, of which about JPY805,000 has been incurred up to date of valuation.</p> <p>The property is held under title of Fee Simple Estate.</p>	The property is currently under construction.	<p>10,300,000</p> <p>100% interest attributable to the Group: JPY10,300,000</p>

Notes:

1. The registered owner of the property is SBI Planners Co., Ltd. (SBIプランナーズ株式会社).
2. SBI Planners Co., Ltd. is an indirect wholly-owned subsidiary of the Company.
3. The property has obtained a Construction Permit on 27 December 2010.

VALUATION CERTIFICATE

Group III — Property interest held for future development by the Group in Japan

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010
				<i>JPY</i>
22.	902-ban 23, Momochihama 2-chome, Sawara-ku, Fukuoka-shi, Fukuoka-ken, Japan	The property comprises a portion of a land parcel with a site area of approximately 3,968 sq.m. As advised by the Company, the development of the property is currently under planning The property is held under title of Fee Simple Estate.	The property is currently a vacant site.	851,000,000 100% interest attributable to the Group: JPY851,000,000

Notes:

1. The registered owner of the property is Momochihama Property TMK (百地浜プロパティ特定目的会社).
2. Momochihama Property TMK is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010
				<i>JPY</i>
23.	430-ban 1, 578-ban 4, 578-ban 10, 1084-ban 2, Matsubara, Nakagawamachi, Chikushi-gun, Fukuoka-ken, Japan	The property comprises a parcel of land with a site area of approximately 7,682.43 sq.m. As advised by the Company, the development of the property is currently under planning. The property is held under title of Fee Simple Estate.	The property is currently vacant site.	329,000,000 100% interest attributable to the Group: JPY329,000,000

Notes:

- The registered owner of the property is SBI Holdings Inc. (SBIホールディングス株式会社).

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010
				<i>JPY</i>
24.	77-banchi, 76-banchi, 76-banchi 1, 76-banchi 2, 76-banchi 3, 76-banchi 4, 78-banchi, Nakasu 4-chome, Hakata-ku, Fukuoka-ken, Japan	The property comprises a parcel of land with a site area of approximately 414.20 sq.m. As advised by the Company, the development of the property is currently under planning. The property is held under title of Fee Simple Estate.	The old building is to be demolished prior to the commencement of the development.	525,000,000 100% interest attributable to the Group: JPY525,000,000

Notes:

- The registered owner of the property is SBI Holdings, Inc. (SBIホールディングス株式会社).

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010 <i>JPY</i>
25.	104-ban 7, Ginza 6-chome, Chuo-ku, Tokyo-to, Japan	The property comprises a parcel of land with a site area of approximately 183.19 sq.m. As advised by the Company, the development of the property is currently under planning. The property is held under title of Fee Simple Estate.	The old building is to be demolished prior to the commencement of the development.	818,000,000 100% interest attributable to the Group: JPY818,000,000

Notes:

- The registered owner of the property is SBI Holdings, Inc. (SBIホールディングス株式会社).

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010
				<i>JPY</i>
26.	76-ban 1, 76-ban 17, 77-ban 1, 77-ban 3, Ebisu 1-chome, Shibuya-ku, Tokyo-to, Japan	The property comprises a parcel of land with a site area of approximately 320.48 sq.m. As advised by the Company, the development of the property is currently under planning. The property is held under title of Fee Simple Estate.	The old building is to be demolished prior to the commencement of the development.	413,000,000 100% interest attributable to the Group: JPY413,000,000

Notes:

- The registered owner of the property is SBI Holdings, Inc. (SBIホールディングス株式会社).

VALUATION CERTIFICATE

Group IV — Property interests held as beneficial trust by the Group in Japan

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010
				<i>JPY</i>
27.	12-banchi-3, Miyahara 2-chome, Yodogawa-ku, Osaka-shi, Osaka-fu, Japan	The property comprises a whole 9-storey residential building completed in about 2007. The property has a total gross floor area of approximately 1,720.87 sq.m. The property is held under title of Fee Simple Estate.	The property is currently vacant.	629,000,000 100% interest attributable to the Group: JPY629,000,000

Notes:

- The registered owner of the property is Mizuho Trust & Banking Co., Ltd. (みずほ信託銀行).

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010 <i>JPY</i>
28.	4-banchi-5, 6-banchi-4, Higashi-Ogijima, Kawasaki-shi, Kanagawa-ken, Japan	<p>The property comprises a whole 4-storey industrial building completed in about 2008.</p> <p>The property has a total gross floor area of approximately 41,949.12 sq.m.</p> <p>The property is held under title of Fee Simple Estate.</p>	<p>The property is currently rented to various independent third parties for various terms with the last expiry date on 31 May 2013 at an aggregate annual rent of approximately JPY553,782,036.</p>	<p>7,068,000,000</p> <p>90% interest attributable to the Group: JPY6,361,200,000</p>

Notes:

- The registered owner of the property is The Chuo Mitsui Trust and Banking Company (中央三井信託銀行).

VALUATION CERTIFICATE

Group V — Property interests held for investment by the Group in Japan

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010
				<i>JPY</i>
29.	446-banchi-2, 446-banchi-1, Fujimidai 3-chome, Nerima-ku, Tokyo-to, Japan	The property comprises a whole 5-storey residential building completed in about 2008. The property has a total gross floor area of approximately 671.97 sq.m. The property is held under title of Fee Simple Estate.	The property is currently rented to various independent third parties at an aggregate annual rent of approximately JPY20,136,000.	257,000,000 100% interest attributable to the Group: JPY257,000,000

Notes:

1. The registered owner of the property is G.K. Arberich (合同会社アルベリヒ).
2. G.K. Arberich is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010 <i>JPY</i>
30.	13-banchi-36, 13-banchi-35, 13-banchi-27, 13-banchi-6, Megurohoncho 3-chome, Meguro-ku, Tokyo-to, Japan	The property comprises a whole 4-storey residential building completed in about 2008. The property has a total gross floor area of approximately 856.8 sq.m. The property is held under title of Fee Simple Estate.	The property is currently rented to various independent third parties at an aggregate annual rent of approximately JPY33,120,000.	480,000,000 100% interest attributable to the Group: JPY480,000,000

Notes:

1. The registered owner of the property is G.K. Arberich (合同会社アルベリヒ).
2. G.K. Arberich is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010
				<i>JPY</i>
31.	200-banchi-1, Ebara 4-chome, Shinagawa-ku, Tokyo-to, Japan	The property comprises a whole 4-storey residential building completed in about 2008. The property has a total gross floor area of approximately 710.54 sq.m. The property is held under title of Fee Simple Estate.	The property is currently rented to various independent third parties at an aggregate annual rent of approximately JPY29,052,000.	357,000,000 100% interest attributable to the Group: JPY357,000,000

Notes:

1. The registered owner of the property is G.K. Arberich (合同会社アルベリヒ).
2. G.K. Arberich is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010 <i>JPY</i>
32.	969-banchi-92, 969-banchi-45, Ikebukuro 3-chome, Toshima-ku, Tokyo-to, Japan	The property comprises a whole 4-storey residential building completed in about 2008. The property has a total gross floor area of approximately 499.93 sq.m. The property is held under title of Fee Simple Estate.	The property is currently rented to various independent third parties at an aggregate annual rent of approximately JPY16,164,000.	241,000,000 100% interest attributable to the Group: JPY241,000,000

Notes:

1. The registered owner of the property is G.K. Arberich (合同会社アルベリヒ).
2. G.K. Arberich is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010
				<i>JPY</i>
33.	128-banchi-1, Komazawa 3-chome, Setagaya-ku, Tokyo-to, Japan	The property comprises a whole 4-storey residential building completed in about 2008. The property has a total gross floor area of approximately 656.12 sq.m. The property is held under title of Fee Simple Estate.	The property is currently rented to various independent third parties at an aggregate annual rent of approximately JPY28,480,200.	359,000,000 100% interest attributable to the Group: JPY359,000,000

Notes:

1. The registered owner of the property is G.K. Arberich (合同会社アルベリヒ).
2. G.K. Arberich is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010
				<i>JPY</i>
34.	18-banchi-34, Nakamuraminami 3-chome, Nerima-ku, Tokyo-to, Japan	The property comprises a whole 4-storey residential building completed in about 2008. The property has a total gross floor area of approximately 936.75 sq.m. The property is held under title of Fee Simple Estate.	The property is currently rented to various independent third parties at an aggregate annual rent of approximately JPY25,356,000.	375,000,000 100% interest attributable to the Group: JPY375,000,000

Notes:

1. The registered owner of the property is G.K. Arberich (合同会社アルベリヒ).
2. G.K. Arberich is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010 <i>JPY</i>
35.	137-banchi-14, 137-banchi-4, 161-banchi-2, Mishuku 1-chome, Setagaya-ku, Tokyo-to, Japan	<p>The property comprises a whole 4-storey residential building completed in about 2008.</p> <p>The property has a total gross floor area of approximately 494.51 sq.m.</p> <p>The property is held under title of Fee Simple Estate.</p>	<p>The property is currently rented to various independent third parties at an aggregate annual rent of approximately JPY20,148,000.</p>	<p>270,000,000</p> <p>100% interest attributable to the Group: JPY270,000,000</p>

Notes:

1. The registered owner of the property is G.K. Arberich (合同会社アルベリヒ).
2. G.K. Arberich is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010 <i>JPY</i>
36.	609-banchi-9, Chucho 1-chome, Meguro-ku, Tokyo-to, Japan	<p>The property comprises a whole 4-storey residential building completed in about 2008.</p> <p>The property has a total gross floor area of approximately 602.53 sq.m.</p> <p>The property is held under title of Fee Simple Estate.</p>	<p>The property is currently rented to various independent thrid parties at an aggregate annual rent of approximately JPY25,848,000.</p>	<p>326,000,000</p> <p>100% interest attributable to the Group: JPY326,000,000</p>

Notes:

1. The registered owner of the property is G.K. Arberich (合同会社アルベリヒ).
2. G.K. Arberich is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010 <i>JPY</i>
37.	12-banchi-1, Toyotamakita 2-chome, Nerima-ku, Tokyo-to, Japan	<p>The property comprises a whole 4-storey residential building completed in about 2008.</p> <p>The property has a total gross floor area of approximately 845.44 sq.m.</p> <p>The property is held under title of Fee Simple Estate.</p>	<p>The property is currently rented to various independent third parties at an aggregate annual rent of approximately JPY28,127,400.</p>	<p>374,000,000</p> <p>100% interest attributable to the Group: JPY374,000,000</p>

Notes:

1. The registered owner of the property is G.K. Arberich (合同会社アルベリヒ).
2. G.K. Arberich is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010 <i>JPY</i>
38.	12-banchi-4, 12-banchi-5, 12-banchi-6, 42-banchi, Osawa 2-chome, Izumi-ku, Sendai-shi, Miyagi-ken, Japan	The property comprises a whole 3-storey commercial building completed in about 2009. The property has a total gross floor area of approximately 24,764.64 sq.m. The property is held under title of Fee Simple Estate.	The property is currently vacant.	1,859,000,000 100% interest attributable to the Group: JPY1,859,000,000

Notes:

1. The registered owner of the property is SBI Holdings Inc. (SBIホールディングス株式会社).
2. We are advised that the property suffered certain damage in the earthquake of 11 March 2011, but are unable to comment further on this.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010
				<i>JPY</i>
39.	10-banchi-36, 10-banchi-35, 20-banchi-20, 10-banchi-4, 10-banchi-3, Shimodori 1-chome, Kumamoto-shi, Kumamoto-ken, Japan	The property comprises a whole 8-storey commercial building completed in about 2009. The property has a total gross floor area of approximately 4,629.73 sq.m. The property is held under title of Fee Simple Estate.	The property is currently vacant.	1,273,000,000 100% interest attributable to the Group: JPY1,273,000,000

Notes:

- The registered owner of the property is SBI Holdings Inc. (SBIホールディングス株式会社).

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010
				<i>JPY</i>
40.	12-banchi-5, 12-banchi-3, 12-banchi-2, 12-banchi-1, 12-banchi-6, Zaimoku-cho 1-chome, Okazaki-shi, Aichi-ken, Japan	The property comprises a whole 14-storey residential building completed in about 2010. The property has a total gross floor area of approximately 7,042.97 sq.m The property is held under title of Fee Simple Estate.	The property is currently rented to various independent third parties for various terms with the last expiry date on 30 November 2012 at an aggregate annual rent of approximately JPY23,820,000.	982,000,000 100% interest attributable to the Group: JPY982,000,000

Notes:

1. The registered owner of the property is SBI Holdings Inc.(SBIホールディングス株式会社)

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010
				<i>JPY</i>
41.	88-banchi, 87-banchi-1, 87-banchi-2, Ohashi 1-chome, Minami-ku, Fukuoka-shi, Fukuoka-ken, Japan	The property comprises a whole 6-storey commercial building completed in about 2008. The property has a total gross floor area of approximately 2,714.05 sq.m. The property is held under title of Fee Simple Estate.	The property is currently vacant.	578,000,000 100% interest attributable to the Group: JPY578,000,000

Notes:

- The registered owner of the property is SBI Holdings Inc. (SBIホールディングス株式会社).

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010
				<i>JPY</i>
42.	512-banchi-2, Daimyo 1-chome, Chuo-ku, Fukuoka-shi, Fukuoka-ken, Japan	The property comprises a whole 4-storey retail building completed in about 2007. The property has a gross floor area of approximately 326.84 sq.m. The property is held under title of Fee Simple Estate.	The property is currently rented to various independent third parties for various terms with the last expiry date on 24 November 2012 at an aggregate annual rent of approximately JPY15,907,200.	147,000,000 100% interest attributable to the Group: JPY147,000,000

Notes:

1. The registered owner of the property is SBI Planners Co., Ltd. (SBIプランナーズ株式会社).
2. SBI Planners Co., Ltd. is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010 <i>JPY</i>
43.	57-banchi-1, 56-banchi-2, 34-banchi-1, Arai-cho 5-chome, Handa-shi, Aichi-ken, Japan	The property comprises a whole 8-storey residential building completed in about 2009. The property has a gross floor area of approximately 1,888.33 sq.m. The property is held under title of Fee Simple Estate.	The property is currently rented to various independent third parties for various terms at an aggregate annual rent of approximately JPY21,400,080.	316,000,000 100% interest attributable to the Group: JPY316,000,000

Notes:

1. The registered owner of the property is SBI Planners Co., Ltd. (SBIプランナーズ株式会社).
2. SBI Planners Co., Ltd. is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010
				<i>JPY</i>
44.	159-banchi-4, 159-banchi-2, 159-banchi-1, 159-banchi-3, Sumiyoshi-cho 2-chome, Handa-shi, Aichi-ken, Japan	The property comprises a whole 7-storey residential building completed in about 2009. The property has a gross floor area of approximately 2,602.4 sq.m. The property is held under title of Fee Simple Estate.	The property is currently rented to various independent third parties for various terms at an aggregate annual rent of approximately JPY42,238,632.	435,000,000 100% interest attributable to the Group: JPY435,000,000

Notes:

1. The registered owner of the property is SBI Planner Co. Ltd. (SBIプランナーズ株式会社).
2. SBI Planners Co., Ltd. is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Group VI — Property interests held for sale by the Group in the USA

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2010
				<i>JPY</i>
45.	Ala Wai Garden Plaza 2055 Ala Wai Boulevard Honolulu Hawaii 96815 USA	<p>The property comprises a 6-storey residential apartment building on a secured lot of approximately 23,750 sq.ft. (2,206.4 sq.m.) in proximity of Waikiki beach. The building consists of 44 identical one-bedroom apartments on four upper floors with access of each from an internal corridor with lift service. There are 46 car parks on two lower floors.</p> <p>The 44 residential units have a total net floor area of approximately 26,972 sq.ft. (2,505.8 sq.m.). The building is a concrete structure and was completed in 2009.</p>	The property is vacant and has been unoccupied since completion.	<p>1,724,100,000</p> <p>100% interest attributable to the Group: JPY1,724,100,000</p>

Notes:

1. The registered owner of the property is SBI Hawaii Property One, Inc.
2. SBI Hawaii Property One, Inc. is a direct wholly-owned subsidiary of the Company.

B. DETAILS OF SMALL PROPERTIES OWNED BY THE GROUP

Set out below are certain information relating to properties owned by the Company and its consolidated subsidiaries as at 31 December 2010.

Address	Usage
3885-banchi-1, 3885-banchi-2, 3886-banchi-1, 3895-banchi-1, Chuo 5-Chome, Hanyu-shi, Saitama-ken, Japan	Shop
10-ban 120, Hakusan 5-chome, Bunkyo-ka, Tokyo-to, Japan	Residence
285-banchi-4, 285-banchi-5, 287-banchi-1, 285-banchi-1, Nishigaoka 1-chome, Kita-ku, Tokyo-to, Japan	Residence
277-banchi-13, 276-banchi-13, Shimoshakujii 5-chome, Nerima-ku, Tokyo-to, Japan	Residence
Bunkyo-ku Tokyo, Japan	Parking
382- banchi Daimyo 1-chome chuo-ku, Fukuoka-shi, Fukuoka, Japan	Commercial

C. DETAILS OF LEASED PROPERTIES OF THE GROUP

Set out below are certain information relating to properties leased by the Company and its consolidated subsidiaries as at 31 December 2010.

	Address	Usage	Restriction on alienation	Tenancy Period
1.)	1-6-1 Roppongi, Minato-ku, Tokyo, Japan	Office	Yes	1-Apr-10 ~ 1-Jul-12
2.)	1-6-1 Roppongi, Minato-ku, Tokyo, Japan	Office	Yes	1-Apr-10 ~ 1-Jul-12
3.)	1-6-1 Roppongi, Minato-ku, Tokyo, Japan	Office	Yes	1-Apr-10 ~ 1-Jul-12
4.)	1-6-1 Roppongi, Minato-ku, Tokyo, Japan	Office	Yes	1-Apr-10 ~ 1-Jul-12
5.)	1-6-1 Roppongi, Minato-ku, Tokyo, Japan	Office	Yes	1-Apr-10 ~ 1-Jul-12
6.)	1-8-10 Kudankita, Chiyoda-ku, Tokyo-to, Japan	Office	Yes	1-Apr-10 ~ 1-Jul-12
7.)	2-17 Akasaka, Minato-ku, Tokyo, Japan	Office	Yes	1-Sep-06 ~ 1-Dec-09
8.)	4-5 Gobancho, Chiyoda-ku, Tokyo, Japan	Office	Yes	1-Dec-08 ~ 1-Nov-10
9.)	4-5 Gobancho, Chiyoda-ku, Tokyo, Japan	Office	Yes	1-Dec-08 ~ 1-Nov-10
10.)	1-7-27 Roppongi, Minato-ku, Tokyo, Japan	Office	No	1-Oct-09 ~ 1-Sep-11
11.)	1-25-11 Ohashi, Minami-ku, Fukuoka, Japan	Parking	Yes	1-Jun-08 ~ N.A. *
12.)	1-6-1 Roppongi, Minato-ku, Tokyo, Japan	Parking	Yes	1-Sep-10 ~ 1-Aug-11
13.)	2-6-1 Nishi-Shinjuku, Shinjyuku-ku, Tokyo, Japan	Office	Yes	1-Jan-10 ~ 1-Dec-11
14.)	6-1-1, Takashimadaira, Itabashi-ku, Tokyo, Japan	Warehouse	Yes	1-Dec-10 ~ 1-Nov-11
15.)	1-6-1 Roppongi, Minato-ku, Tokyo, Japan	Building	Yes	Aug-09 ~ 1-Jul-12
16.)	2-1-1 Ginza, Kumagaya-shi, Saitama, Japan	Building	Yes	1-Dec-07 ~ 1-Nov-37
17.)	1-8-10 Kudankita, Chiyoda-ku, Tokyo, Japan	Building	Yes	Aug-09 ~ 1-Jul-12
18.)	2-6-10 Kitazawa, Setagaya-ku, Tokyo, Japan	Building	Yes	1-Sep-08 ~ 1-Sep-10
19.)	1-1-5 Sekito, Tama-shi, Tokyo, Japan	Building	Yes	1-Apr-10 ~ 1-Mar-11
20.)	3-10 Beniya-cho, Hiratsuka-shi, Kanagawa, Japan	Building	Yes	1-Sep-08 ~ 1-Sep-11

* Renew automatically

APPENDIX IV
PROPERTY VALUATION

	Address	Usage	Restriction on alienation	Tenancy Period
21.)	8-8 Kawabe-cho, Ome-shi, Tokyo, Japan	Building	Yes	1-Mar-09 ~ 1-Mar-14
22.)	4-15 Honcho, Utsunomiya-shi, Tochigi, Japan	Building	Yes	1-Apr-09 ~ 1-Mar-11
23.)	1-19-5 Nishi-shinjuku, Shinjuku-ku, Tokyo, Japan	Building	Yes	1-Jan-10 ~ 1-Dec-11
24.)	1-25 Baba-cho, Aizu-wakamatsu-shi, Fukushima, Japan	Building	Yes	1-Apr-05 ~ 1-Mar-15
25.)	2-5-2 Fukashi, Matsumoto-shi, Nagano, Japan	Building	Yes	1-Apr-09 ~ 1-Mar-11
26.)	2-5-19 Nakamachi, Sakata-shi, Yamagata, Japan	Building	Yes	1-Jan-10 ~ 1-Dec-10
27.)	3214 Omachi, Omachi-shi, Nagano, Japan	Building	Yes	Aug-02 ~ 1-Jul-12
28.)	3448-16 Arai, Ina-shi, Nagano, Japan	Building	Yes	Aug-06 ~ 1-Jun-11
29.)	3-5361-6 Towa-cho, Iida-shi, Nagano, Japan	Building	Yes	1-Dec-09 ~ 1-Nov-11
30.)	2-1-23 Kamiooka-nishi, Konan-ku, Yokohama-shi, Kanagawa, Japan	Building	Yes	Feb-09 ~ 1-Jan-11
31.)	3-14-12 Kita, Katori-shi, Chiba, Japan	Building	Yes	Nov-09 ~ Oct-11
32.)	3-6-29 Nishiki, Naka-ku, Nagoya-shi, Aichi, Japan	Building	Yes	1-Sep-04 ~ 1-Sep-14
33.)	3-1-17 Chuo, Itami-shi, Hyogo, Japan	Building	Yes	Oct-08 ~ 1-Sep-10
34.)	1-6-1 Yagi-cho, Kashihara-shi, Nara, Japan	Building	Yes	1-Jun-09 ~ 1-May-12
35.)	1-1-1 Tenjin, Chuo-ku, Fukuoka-shi, Fukuoka, Japan	Building	Yes	1-Apr-10 ~ 1-Mar-12
36.)	2-30 Yamanoguchi-cho, Kagoshima-shi, Kagoshima, Japan	Building	Yes	1-Jun-09 ~ 1-Sep-11
37.)	18-19 Yanagawa-cho, Hakodate-shi, Hokkaido, Japan	Building	Yes	(1st floor) Dec-08 ~ Dec-10 (2nd Floor) Mar 10 ~ Mar 12
38.)	16-20 Minami-senba, Chuo-ku, Osaka-shi, Osaka, Japan	Building	Yes	1-Jan-10 ~ 1-Jan-20
39.)	13-14 Gakuen-minami, Nara-shi, Nara, Japan	Building	Yes	1-Feb-93 ~ 1-Feb-14
40.)	2-22-15 Shiba, Minato-ku, Tokyo, Japan	Office	Yes	1-Aug-09 ~ 31-Jul-11
41.)	2-22-15 Shiba, Minato-ku, Tokyo, Japan	Office	Yes	1-Mar-10 ~ 28-Feb-12
42.)	2-22-15 Shiba, Minato-ku, Tokyo, Japan	Parking	Yes	1-Jun-10 ~ 31-May-11
43.)	1-10 Gokenyashiki, Himeji-shi, Hyogo, Japan	Office	Yes	20-Jan-04 ~ 19-Jan-06
44.)	1-10 Gokenyashiki, Himeji-shi, Hyogo, Japan	Parking	Yes	1-Jun-04 ~ 31-May-05
45.)	1-16-5 Dogenzaka, Shibuya-ku, Tokyo, Japan	Office	Yes	1-Jan-06 ~ 1-Jan-12
46.)	7-17-2 Nishi-Gotanda, Shinagawa-ku, Tokyo, Japan	Corporate Housing	Yes	1-Mar-07 ~ 1-Feb-13
47.)	1-8-36, Daimyo, Chuo-ku, Fukuoka-shi, Fukuoka-ken, Japan	Shop	No	1-Jul-08 ~ 1-Jun-11

	Address	Usage	Restriction on alienation	Tenancy Period
48.)	1-8-36, Daimyo, Chuo-ku, Fukuoka-shi, Fukuoka-ken, Japan	Shop	No	1-Mar-09 ~ 1-Mar-11
49.)	1-8-36, Daimyo, Chuo-ku, Fukuoka-shi, Fukuoka-ken, Japan	Shop	No	1-Nov-08 ~ 1-Nov-10
50.)	ParkWest Building 6-12-1 Nishi-shinjuku, Shinjuku-ku, Tokyo, Japan	Office	Yes	1-Mar-10 ~ 28-Feb-12
51.)	ParkWest Building 6-12-1 Nishi-shinjuku, Shinjuku-ku, Tokyo, Japan	Office	Yes	1-Mar-10 ~ 28-Feb-12
52.)	ParkWest Building 6-12-1 Nishi-shinjuku, Shinjuku-ku, Tokyo, Japan	Office	Yes	1-Apr-09 ~ 31-Mar-11
53.)	ParkWest Building 6-12-1 Nishi-shinjuku, Shinjuku-ku, Tokyo, Japan	Office	Yes	17-Sep-09 ~ 16-Sep-11
54.)	ParkWest Building 6-12-1 Nishi-shinjuku, Shinjuku-ku, Tokyo, Japan	Office	Yes	23-Mar-09 ~ 22-Mar-11
55.)	Shinjuku Kokusai Building 6-6-2 Nishi-shinjuku, Shinjuku-ku, Tokyo, Japan	Office	Yes	1-Oct-09 ~ 30-Sep-11
56.)	7th floor /Shirokanedai ST Building 4-7-4 Shirokanedai, Minato-ku, Tokyo, Japan	Office	Yes	1-Oct-09 ~ 30-Sep-11
57.)	8th floor /Shirokanedai ST Building 4-7-4 Shirokanedai, Minato-ku, Tokyo, Japan	Office	Yes	1-Oct-09 ~ 30-Sep-11
58.)	Teikyo Univercity bioengineering labo center 907 Nogawa, Miyamae-ku, Kawasaki-shi, Kanagawa, Japan	Laboratory	Yes	1-Sep-08 ~ 31-Mar-09
59.)	My building 1-18-24 Meieki-minami, Nakamura-ku, Nagoya-shi, Aichi, Japan	Office	Yes	1-Oct-08 ~ 1-Mar-11
60.)	Central Building 1-10 Sakura-machi, Kariya-shi, Aichi, Japan	Office	Yes	1-Feb-10 ~ 1-Jan-13
61.)	Nissay Hakataekimae daini building 4-1-1 Hakataekimae, Hakata-ku, Fukuoka-shi, Fukuoka, Japan	Office	Yes	1-Jun-08 ~ 1-Mar-11
62.)	My building 1-18-24 Meieki-minami, Nakamura-ku, Nagoya-shi, Aichi, Japan	Parking	Yes	1-Sep-04~ renew annually*
63.)	1-11-24 Meieki-minami, Nakamura-ku, Nagoya-shi, Aichi, Japan	Parking	Yes	1-Feb-10 ~ 1-Mar-11
64.)	1-23-25 Naekiminami Nakamura-ku, Nagoya-shi, Aichi, Japan	Parking	Yes	1-Nov-10 ~ 1-Nov-11
65.)	4-9-12 Hakataekimae, Hakata-ku, Fukuoka -shi, Fukuoka, Japan	Parking	Yes	1-Nov-10 ~ 1-Nov-10 *
66.)	19-1 Kirito Nawamachi, Tokai-shi, Aichi, Japan	barn	No	1-Apr-10 ~ 1-Mar-11 *
67.)	139-18, Tokiwa-cho, Naka-ku, Hamamatsu-shi, Shizuoka-ken, Japan	Parking	Yes	1-Dec-09 ~ 1-Mar-11 *
68.)	2-312 Kamimaezu Naka-ku, Nagoya-shi, Aichi, Japan	Residence	Yes	1-Jun-10 ~ 1-Jun-12
69.)	2-4-4 Chiyo Hakata-ku, Fukuoka-shi, Fukuoka, Japan	Residence	No	1-Apr-10 ~ 1-Mar-11

* Renew automatically

APPENDIX IV
PROPERTY VALUATION

	Address	Usage	Restriction on alienation	Tenancy Period
70.)	1-17-14 Shinyokohama, Kouhoku-ku, Yokohama, Kanagawa, Japan	Residence	Yes	1-Jun-10 ~ 1-Jun-12
71.)	140-8 Tokiwacho, Naka-ku, Hamamatsu-shi, Shizuoka, Japan	Parking	Yes	1-Dec-09 ~ 1-Mar-11
72.)	138-13 Tokiwacho, Naka-ku, Hamamatsu-shi, Shizuoka, Japan	Parking	No	1-Jan-10 ~ 1-Dec-10
73.)	1-26-7, Yayoi-cho, Nakano-ku, Tokyo, Japan	Residence	Yes	1-Oct-10 ~ 1-Mar-11
74.)	3-36-7, Nishiogi-kita, Suginami-ku, Tokyo, Japan	Corporate Housing	Yes	1-Jan-11 ~ 1-Apr-11
75.)	2-109 Nagara-cho, Nakagawa-ku, Nagoya, Japan	Field Office	Yes	1-Oct-10 ~ 1-Apr-11
76.)	2-122-1, Nagara-cho, Nakagawa-ku, Nayoya, Japan	Parking	Yes	1-Nov-10 ~ 1-Apr-11
77.)	1-49, Kamioka-cho, Meito-ku, Nagoya, Japan	Field Office	Yes	1-Oct-10 ~ 1-Mar-11
78.)	2-1209, Tabata, Kita-ku, Nagoya, Japan	Parking	Yes	1-Nov-10 ~ 1-Mar-11
79.)	2-20-3 Ebisu-nishi, Shibuya-ku, Tokyo, Japan	Office	Yes	1-Feb-10 ~ 31-Jan-15 *
80.)	1st floor, 2-1, Asahi-machi 1-chome, Kashiwa-shi, Chiba, Japan	Office	Yes	1-Jun-09 ~ 31-May-12
81.)	1st floor 1-2-1 Asahi-machi, Kashiwa-shi, Chiba, Japan	Office	Yes	19-Nov-09 ~ 18-Nov-12
82.)	Nissay Ginza Building 2-6-8 Ginza, Chuo-ku, Tokyo, Japan	Office	Yes	22-Mar-08 ~ 31-Mar-10
83.)	11-1, Ekimae-honcho, Kawasaki-ku, kanagawa, Japan	Office	Yes	15-Jul-09 ~ 14-Jul-11
84.)	1000 Shinmachi, Chuou-ku, Chiba-shi, Chiba, Japan	Office	Yes	19-Dec-08 ~ 31-Mar-12
85.)	4-1-1 Minamikoshigaya, Koshigaya-shi, Saitama, Japan	Office	Yes	14-Jan-10 ~ 14-Jan-13
86.)	14-3 Hiyoshicho, Tokorozawa-Shi, Saitama, Japan	Office	Yes	20-Jan-10 ~ 19-Jan-12
87.)	2-27 Onoecho, Naka-ku, Yokohama-shi, Kanagawa, Japan	Office	Yes	1-Feb-10 ~ 31-Jan-12
88.)	3-17-2 Sanritto Kameari, Kameari, Katsushika-ku, Tokyo, Japan	Office	Yes	1-Jun-10 ~ 30-May-12
89.)	3-6-18 Minami-hachiman, Ichikawa-shi, Chiba, Japan	Office	Yes	1-Jul-10 ~ 30-Jun-13
90.)	2-15-19 Kamiosaki, Shinagawa-ku, Tokyo, Japan	Office	Yes	1-Jul-10 ~ 30-Jun-12
91.)	1st and 2nd floor Dai2 Yoshida Building 484-25, Fujisawa, Fujisawa-shi, Kanagaga, Japan	Office	Yes	1-Sep-10 ~ 31-Aug-13
92.)	3-2-5, Kudankita, Chiyoda-ku, Tokyo, Japan	Office	Yes	1-Nov-10 ~ 1-Nov-13
93.)	3F Aotomo Building 3-5-6 Kitaoyama, Minato-ku, Tokyo, Japan	Office	Yes	1-Feb-08 ~ 31-Jul-12

* Renew automatically

	Address	Usage	Restriction on alienation	Tenancy Period
94.)	8F Mirror Tower Building, 2-6-6 Kawaramachi, Chuo-ku, Osaka-Shi, Osaka, Japan	Office	Yes	1-Nov-10 ~ 31-Oct-13
95.)	308 Kitanihon-minami-odori Building, 14-1-13 Odorinishi, Chuo-ku, Sapporo-shi, Hokkaido, Japan	Shop	Yes	1-Mar-09 ~ 28-Feb-11
96.)	4F, Syougin Building 3-1-24 Chuo, Aoba-ku, Sendai-shi, Miyagi, Japan	Shop	Yes	1-May-09 ~ 30-Apr-11
97.)	1-43 Toriigaoka, Yamagata-shi, Yamagata, Japan	Shop	Yes	1-Dec-06 ~ 30-Nov-11
98.)	102 Panahouse 3-16-34 Yawata, Tagajo-shi, Miyagi, Japan	Shop	Yes	1-Apr-10 ~ 31-Mar-13
99.)	3-16-34 Yawata, Tagajo-shi, Miyagi, Japan	Parking	Yes	1-Apr-10 ~ 31-Mar-13 *
100.)	1-16-53 Nodamachi, Fukushima-shi, Fukushima, Japan	Shop	Yes	1-Aug-09 ~ 31-Jul-11
101.)	45 Hobaramachishironouchi, Date-shi, Fukushima, Japan	Shop	Yes	15-Sep-06 ~ 14-Sep-11
102.)	4-21 Sakaemachi, Nagai-shi, Yamagata, Japan	Shop	Yes	1-Dec-10 ~ 30-Nov-13
103.)	1-127-6 Haramachikunishikicho, Minamisoma-shi, Fukushima, Japan	Shop	Yes	16-Nov-09 ~ 15-Nov-11
104.)	1-120 Haramachikunishikicho, Minamisoma-shi, Fukushima, Japan	Parking	Yes	1-Dec-09 ~ 30-Nov-11
105.)	4-4-1 Omachi, Yonezawa-shi, Yamagata, Japan	Shop	Yes	1-Feb-10 ~ 29-Feb-12 *
106.)	4-4-1 Omachi, Yonezawa-shi, Yamagata, Japan	Parking	Yes	1-Feb-10 ~ 29-Feb-12
107.)	2F TEK Tuchiura Building 1-5-15 Minatomachi, Tuchiura-shi, Ibaraki, Japan	Shop	Yes	1-Mar-09 ~ 29-Feb-12
108.)	4F Leplex Ginza Tower 1/3, 1-3-13 Ginza, Chuo-ku, Tokyo, Japan	Shop	Yes	1-Jun-10 ~ 31-Jul-12
109.)	5F Clover Nishi-Shinjuku Building, 3-23-4 Yoyogi, Shibuya-ku, Tokyo, Japan	Shop	Yes	1-Jun-10 ~ 31-May-12
110.)	2F Sakaguchi Senkawa Building, 1-15-1 Sengawacho, Chofu-shi, Tokyo, Japan	Shop	Yes	7-Dec-09 ~ 6-Dec-12
111.)	602 G-dorong Fujiwara, 7-12-14 Honcho, Funabashi-shi, Chiba, Japan	Shop	Yes	10-Nov-10 ~ 9-Nov-12
112.)	1F TOPS Omiya Building 1-31-1, Takahanacho, Omiya-ku, Saitama-Shi, Saitama, Japan	Shop	Yes	1-May-09 ~ 30-Apr-12
113.)	201 M+K B.L.D 3-8-5 Saiwaicho, Kawaguchi-shi, Saitama, Japan	Shop	Yes	10-Sep-10 ~ 9-Sep-13
114.)	3F NIPPONKOA Insurance Bashamichi Building, 5-70 Bentendori, Naka-ku, Yokohama-shi, Japan	Shop	Yes	1-Mar-10 ~ 28-Feb-12

* Renew automatically

	Address	Usage	Restriction on alienation	Tenancy Period
115.)	202 KOJIMA BUILDING II, 1-13 Kugenumaishiue 2-chome, Fujisawa-shi, Kanagawa, Japan	Shop	Yes	1-Jan-10 ~ 26-Nov-12
116.)	2F Q:FACE, 320-23 Kajimachi, Naka-ku, Hamamatsu-shi, Shizuoka, Japan	Shop	Yes	2-Jul-09 ~ 1-Jul-12
117.)	2F RIVIERA Mansion No.3, 7-19 Takashimahoncho, Numazu-shi, Shizuoka, Japan	Shop	Yes	1-Feb-09 ~ 31-Jan-11
118.)	102 Mocal Nakajo, 1318-4 Nakajo, Hamakita-ku, Hamamatsu-shi, Shizuoka, Japan	Shop	Yes	26-Nov-08 ~ 30-Nov-11
119.)	1390 Nakajo, Hamakita-ku, Hamamatsu-shi, Shizuoka, Japan	Parking	Yes	1-Jan-11 ~ 31-Dec-11
120.)	2-4-5 Imanoura, Iwara-shi, Shizuoka, Japan	Shop	Yes	1-Apr-09 ~ 31-Mar-12
121.)	1F Arai 2nd Building 1-7-1 Minamichitose, Nagano-shi, Nagano, Japan	Shop	Yes	1-Mar-07 ~ 29-Feb-12
122.)	South room Shinohara Building, 71-3 Kuisseke, Chukuma-shi, Nagano, Japan	Shop	Yes	19-Feb-09 ~ 18-Feb-11
123.)	2F 3220 Tokuma, Nagano-shi, Nagano, Japan	Shop	Yes	5-Oct-10 ~ 4-Oct-12
124.)	Green Hills Takano Parking, 3259 Tokuma, Nagano-shi, Nagano, Japan	Parking	Yes	17-Oct-10 ~ 16-Oct-11
125.)	2-10-1 Shinkocho, Joetsu-shi, Niigata, Japan	Shop	Yes	1-Nov-10 ~ 31-Oct-11
126.)	2-488-6 Shinkocho, Joetsu-shi, Niigata, Japan	Parking	Yes	1-Feb-10 ~ 31-Jan-15
127.)	1-10-3 Asahicho, Myoko-shi, Niigata, Japan	Shop	Yes	1-Jan-09 ~ 31-Dec-11
128.)	2F Sunrime Arai 5-1-53, Kobari, Nishi-ku, Niigata-shi, Niigata, Japan	Shop	Yes	12-Aug-08 ~ 11-Aug-11
129.)	202 LaputaIII 285-78, 3-chome Higashi, Takadacho, Tokamachi-shi, Niigata, Japan	Shop	Yes	9-Oct-10 ~ 31-Oct-12
130.)	2-9-18 Tokiwagi Ueda-shi, Nagano, Japan	Shop	Yes	1-Mar-10 ~ 28-Feb-13
131.)	1F Sakuhira hills 355 Iwamura, Saku-shi, Nagano, Japan	Shop	Yes	1-Apr-09 ~ 31-Mar-12
132.)	596-2 Yoshida Ooaza Nakano-shi, Nagano, Japan	Shop	Yes	1-Sep-10 ~ 31-Aug-13
133.)	Yomiuri matsumoto koukoku Building Part 1 1F, 1-2-3 Josei Matsumoto-shi, Nagano, Japan	Shop	Yes	24-Sep-09 ~ 23-Sep-12
134.)	Yomiuri matsumoto koukoku Building Part 1 1F, 1-2-3 Josei Matsumoto-shi, Nagano, Japan	Parking	Yes	24-Sep-09 ~ 23-Sep-12
135.)	Narita Sakae Building 4F(partial), 1-9-19 Higashisakura Higashi-ku, Nagoya-shi, Aichi, Japan	Shop	Yes	18-Jan-09 ~ 17-Jan-11
136.)	Narita Sakae Building 4F(partial), 1-9-19 Higashisakura Higashi-ku, Nagoya-shi, Aichi, Japan	Shop	Yes	18-Jan-09 ~ 17-Jan-11

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	Address	Usage	Restriction on alienation	Tenancy Period
137.)	15-10 Mukaiyamadae cyo, Toyohashi-shi, Aichi, Japan	Shop	Yes	14-Nov-08 ~ 13-Nov-11
138.)	1F Grand Hotel Kosai 780 Washizu, Kosai-shi, Shizuoka, Japan	Shop	Yes	1-Dec-07 ~ 30-Nov-11
139.)	Grand Hotel Kosai 780 Washizu, Kosai-shi, Shizuoka, Japan	Parking	Yes	1-Dec-07 ~ 30-Nov-11
140.)	2F, 2-1B, 1 Kayamachi Taharacho, Tahara-shi, Aichi, Japan	Shop	Yes	15-Jun-07 ~ 14-Jun-13
141.)	52-6 Hieda Tahara-shi Aichi, Japan	Parking	Yes	1-Aug-10 ~ 31-Mar-11
142.)	52-6 Hieda Tahara-shi Aichi, Japan	Parking	Yes	1-Aug-10 ~ 31-Jul-11
143.)	1-61 Nomidoori Okazaki-shi , Aichi, Japan	Shop	Yes	1-Mar-10 ~ 28-Feb-11
144.)	1-61 Nomidoori Okazaki-shi , Aichi, Japan	Parking	Yes	1-Apr-10 ~ 31-Mar-11
145.)	5-38-1 Midorimachi Nishio-shi, Aichi, Japan	Shop	Yes	17-Oct-08 ~ 16-Oct-11
146.)	Yuki Building 2F, 4-10-12 Minamisenba, Chuo-ku, Osaka, Japan	Shop	Yes	10-Jan-09 ~ 9-Jan-11
147.)	Yutaka Building 2F, 234 Benkeicho, Nishiiribashi, Toorikarasumaru Takoyakushi Nakagyo-ku, Kyoto, Japan	Shop	Yes	15-Jan-09 ~ 14-Jan-11
148.)	346-2 Daigocho Kashiwara, Nara, Japan	Shop	Yes	1-Feb-09 ~ 31-Jan-12
149.)	53-19 Kitano Ooji Yoshinogun Oyodocho, Nara, Japan	Shop	Yes	1-Feb-09 ~ 31-Jan-12
150.)	50-30 Kitano Ooji Yoshinogun Oyodocho, Nara, Japan	Parking	Yes	3-Jun-10 ~ 31-May-11
151.)	2F EL Correction Miyadori 13-18 Motomachi, Fukuyama-shi, Hiroshima, Japan	Shop	Yes	1-Aug-09 ~ 31-Jul-11
152.)	ABC Building 4F , 1-8-61 Omotecho, Kita-ku, Okayama-shi, Okayama, Japan	Shop	Yes	1-Feb-09 ~ 31-Jan-12
153.)	1F Baselheim, Ooda 493 Tsuyama, Okayama, Japan	Shop	Yes	10-Dec-10 ~ 9-Dec-12
154.)	1F Daisan Jyugo building, 1226-6 Sasaoki, Kurashiki , Okayama, Japan	Shop	Yes	14-Apr-08 ~ 13-Apr-11
155.)	2F Mosaic Ginza Hankyu, 5-2-1 Ginza, Chuo-ku, Tokyo, Japan	Shop	Yes	1-Sep-09 ~ 31-Aug-11
156.)	9-12 Minamiitizyou, Chuo-ku, Sapporo, Hokkaido, Japan	Residence	Yes	1-Jul-09 ~ 30-Jun-11
157.)	2153 Kawaraguchi ,Kashiba Nara, Japan	Residence	Yes	1-Mar-10 ~ 28-Feb-11
158.)	2-10-10 Sangenjaya Setagaya-ku, Tokyo, Japan	Residence	Yes	20-May-09 ~ 19-May-11
159.)	2-12-11 Tamagawadai, Setagaya-ku, Tokyo, Japan	Residence	Yes	1-Sep-09 ~ 31-Aug-11
160.)	831 Xinzha Road Jing'an District Shanghai, the PRC	Office	No	10-Jul-10 ~ 5-Jul-11
161.)	Unit 7, Level 17, Office Tower 1, Oriental Plaza, No. 1 East Chang An Avenue, Beijing, the PRC	Office	Yes	1-Feb-10 ~ 1-Jul-11

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	Address	Usage	Restriction on alienation	Tenancy Period
162.)	Unit 1207, Investment Building, No. 6222 Dongfeng East Avenue, Weifang City, Shandong Province, the PRC	Office	Yes	1-Mar-10 ~ 1-Feb-11
163.)	Unit 1402, Level 14, Shanghai World Financial Center, No. 100 Century Avenue, Pudong New District, Shanghai, the PRC	Office	Yes	1-Jan-10 ~ 1-Dec-12
164.)	Shabolovka street 10, bldg 1, 119049, Moscow, Russia	Office	No	1-Sep-10 ~ 1-Jul-11
165.)	89 Lang Ha, Dong Da District, Hanoi, Vietnam	Office	Yes	17-Aug-10 ~ 17-Aug-13
166.)	Unit 35B, Block E2, Gemdale International Garden, No. 91 Jianguo Road, Chaoyang District, Beijing, the PRC	Residence	Yes	1-Jul-09 ~ 1-Jul-11
167.)	Unit 609, Block 1, HuaMao Center Apartment, No. 89 Jianguo Road, Chaoyang District, Beijing, the PRC	Residence	Yes	1-Aug-10 ~ 1-Aug-11
168.)	Unit 804, No. 5, 2 Nong, Weifang West Road, Pudong New District, Shanghai, the PRC	Residence	Yes	1-Aug-09 ~ 1-Jan-11
169.)	No. 108B Jianguo Road, Chaoyang District, Beijing, the PRC	Residence	Yes	1-Sep-09 ~ 1-Sep-11
170.)	Unit 1703, No. 27, 99 Nong, Puiming Road, Pudong New District, Shanghai, the PRC	Residence	Yes	1-Jul-10 ~ 1-May-12
171.)	B-16-3 AMAN East Tower, No.4, Jalan Kiara 2, Mont Kiara 50480 Kuala Lumpur	Residence	Yes	1-Jul-10 ~ 1-Jul-12
172.)	51 Xuan Dieu St, Tay Ho Dist, Hanoi, Vietnam	Residence	No	1-Aug-10 ~ 1-Dec-10
173.)	Apartment 46, building 8, 2-oySchipovsky per., Moscow, Russia	Residence	Yes	1-Jul-10 ~ 1-Jul-11
174.)	1201c 12 Floor , Leninsky Prospekt, 113/1, 117198, Moscow, Russia	Residence	Yes	1-Oct-10 ~ 1-Sep-15
175.)	7th floor of KT Tower, St 112, No23, Sangkat Phsar Depo3, Khan Tuol kok, Citi of Phnom Penh, Kingdom of Cambodia	Office	Yes	1-Sep-10 ~ 1-Jan-11
176.)	Unit 501 (5H), Block 6, No. 12, Shimao Binjiang Garden, 2 Nong, Weifang West Road, Shanghai, the PRC	Residence	No	10-Jun-10 ~ 10-Jun-11
177.)	Flat C on 4th Floor of No.41 Conduit Road, Hong Kong	Residence	Yes	1-Feb-10 ~ 1-Feb-12
178.)	Flat B, 32/F, Scholastic Garden, 48 Lyttelton Road, Mid-level West, Hong Kong	Residence	Yes	1-Oct-10 ~ 1-Sep-12
179.)	261 River Valley Road #04-28 (ASPEN HEIGHTS) Singapore 238307	Residence	Yes	1-Jun-09 ~ 1-May-11
180.)	20 Lincoln Road #12-02 Lincoln Modern. Singapore 308353	Residence	Yes	1-May-09 ~ 1-May-11
181.)	10 Gopeng Street, #11-26 Tower 2, THE ICON, Singapore 078878	Residence	Yes	1-Jun-09 ~ 1-Jun-11

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	Address	Usage	Restriction on alienation	Tenancy Period
182.)	#03-03 Riverwalk Apartments 20 Upper Circular Road Singapore 058416	Residence	Yes	1-Oct-10 ~ 1-Oct-11
183.)	1 Raffles Place, #18-03 One Raffles Place, Singapore 048616	Office	Yes	1-Apr-10 ~ 1-Mar-13
184.)	302, 3rd Floor, Vobgyor Towers, BKC, Bandra (E), Mumbai 400051, Maharashtra, India	Office	Yes	1-Apr-09 ~ 1-Apr-12
185.)	No151,Zhouzi St.,Neihu Dist.,Taipei City114, Taiwan	Office	No	1-Nov-10 ~ 31-Oct-13
186.)	No 601,Building A,Science Park Tower, TUS Park, Haidian Dist, Beijing, the PRC	Office	No	10-Oct-10 ~ 9-Oct-11
187.)	H-1051 Budapest Roosevelt Sq. 7/8., Hungary	Office,	Yes	1-Sep-09 ~ 1-Jun-13
188.)	H-1051 Budapest Roosevelt Sq. 5-6., Hungary	Parking	No	1-Oct-09 ~ Undefined term
189.)	H-1054 Budapest Szent István tér, Hungary	Parking	No	1-Oct-09 ~ Undefined term
190.)	20F Gangnam Finance Center, 737 Yeoksam-dong, Gangnam-Gu, Seoul, Korea	Office	Yes	1-May-10 ~ 30-Apr-13
191.)	8F, Seok Ju building 944-25 DaeChi-dong, Gangnam-gu, Seoul, 135-280, Korea	Office	Yes	1-Nov-10 ~ 31-Oct-11
192.)	8F, Seok Ju building 944-25 DaeChi-dong, Gangnam-gu, Seoul, 135-280, Korea	Office	Yes	1-Nov-10 ~ 31-Oct-11
193.)	8F, Seok Ju building 944-25 DaeChi-dong, Gangnam-gu, Seoul, 135-280, Korea	Office	Yes	1-Nov-10 ~ 31-Oct-11
194.)	1-9-9, Roppongi, Minato-ku, Tokyo, Japan	Office	Yes	1-Oct-09 ~ 31-Mar-12
195.)	9-28, Hiroshiba-cho, Suita-shi, Osaka, Japan	Office	Yes	1-Nov-09 ~ 31-Oct-11
196.)	9-28, Hiroshiba-cho, Suita-shi, Osaka, Japan	Parking	Yes	1-Nov-10 ~ 31-Oct-11
197.)	9-28, Hiroshiba-cho, Suita-shi, Osaka, Japan	Parking	Yes	23-Jun-10 ~ 22-Jun-11
198.)	4-65-1, Shin-matsudo, Matsudo-shi, Chiba-ken, Japan	Office	Yes	1-Nov-08 ~ 31-Oct-11
199.)	4-100, Shin-matsudo, Matsudo-shi, Chiba-ken, Japan	Parking	Yes	1-Nov-10 ~ 31-Oct-10
200.)	4-100, Shin-matsudo, Matsudo-shi, Chiba-ken, Japan	Parking	Yes	1-Jan-10 ~ 31-Dec-10
201.)	4-100, Shin-matsudo, Matsudo-shi, Chiba-ken, Japan	Parking	Yes	17-Sep-10 ~ 16-Sep-10
202.)	1-30-8, Nakamachi, Machida-shi, Tokyo, Japan	Office	Yes	12-Apr-10 ~ 11-Apr-13
203.)	3-12-9, Nakamachi, Machida-shi, Tokyo, Japan	Parking	Yes	15-Jun-10 ~ 14-Jun-12
204.)	3-12-9, Nakamachi, Machida-shi, Tokyo, Japan	Parking	Yes	28-Jul-10 ~ 27-Jul-12
205.)	3-12-9, Nakamachi, Machida-shi, Tokyo, Japan	Parking	Yes	17-Sep-10 ~ 16-Sep-12
206.)	2-26-6, Totsuka, Kawaguchi-shi, Saitama-ken, Japan	Office	Yes	26-Apr-10 ~ 25-Feb-11

	Address	Usage	Restriction on alienation	Tenancy Period
207.)	2-26-6, Totsuka, Kawaguchi-shi, Saitama-ken, Japan	Parking	Yes	26-Apr-10 ~ 25-Feb-11
208.)	2-15-3, Totsuka, Kawaguchi-shi, Saitama-ken, Japan	Parking	Yes	21-Jun-10 ~ 31-May-11
209.)	2-15-3, Totsuka, Kawaguchi-shi, Saitama-ken, Japan	Parking	Yes	28-Jul-10 ~ 30-Jun-11
210.)	2-8-1, Osone, Kita-ku, Nagoya-shi, Aichi-ken, Japan	Office	No	16-Apr-10 ~ 15-Apr-12
211.)	1-2237, Osone, Kita-ku, Nagoya-shi, Aichi-ken, Japan	Parking	No	1-Jul-10 ~ 30-Jun-11
212.)	1-2237, Osone, Kita-ku, Nagoya-shi, Aichi-ken, Japan	Parking	No	24-Sep-10 ~ 23-Sep-11
213.)	1316, Iida-cho, Ota-shi, Gunma-ken, Japan	Office	No	16-Sep-10 ~ 15-Sep-12
214.)	1316, Iida-cho, Ota-shi, Gunma-ken, Japan	Parking	Yes	1-Sep-10 ~ Monthly Tenancy*
215.)	3-3, Hanazono-cho, Akashi-shi, Hyogo-ken, Japan	Office	Yes	6-Aug-10 ~ 5-Aug-12
216.)	1-4-22, Matsunouchi, Akashi-shi, Hyogo-ken, Japan	Parking	Yes	16-Aug-10 ~ 15-Aug-11
217.)	1-4-22, Matsunouchi, Akashi-shi, Hyogo-ken, Japan	Parking	Yes	16-Aug-10 ~ 15-Aug-11
218.)	1-6-6, and 6-28, Matsunouchi, Akashi-shi, Hyogo-ken, Japan	Parking	Yes	20-Aug-10 ~ 19-Aug-11
219.)	16-22, Motomachi, Ota-shi, Gunma-ken, Japan	Residence	Yes	8-Oct-10 ~ 7-Oct-12
220.)	1399-1, Iida-cho, Ota-shi, Gunma-ken, Japan	Residence	Yes	30-Sep-10 ~ 29-Sep-12
221.)	1399-1, Iida-cho, Ota-shi, Gunma-ken, Japan	Parking	Yes	30-Sep-10 ~ 29-Sep-12
222.)	265-1, Nijima-cho, Ota-shi, Gunma-ken, Japan	Residence	Yes	30-Sep-10 ~ 29-Sep-12
223.)	265-1, Nijima-cho, Ota-shi, Gunma-ken, Japan	Parking	Yes	30-Sep-10 ~ 29-Sep-12
224.)	3-6, Yamaguchi-cho, Higashi-ku, Nagoya-shi, Japan	Residence	No	29-Aug-10 ~ 28-Aug-12
225.)	1222-1, Angyoryoke, Kawaguchi-shi, Saitama-ken, Japan	Residence	Yes	12-Jun-10 ~ 30-Jun-12
226.)	1-10-13, Heian, Kita-ku, Nagoya-shi, Aichi-ken, Japan	Residence	Yes	23-Apr-10 ~ 22-Apr-12
227.)	5-37-1, Ikejiri, Itami-shi, Hyogo-ken, Japan	Residence	Yes	16-Apr-10 ~ 15-Apr-12
228.)	4-78-1, Ikoma-cho, Kita-ku, Nagoya-shi, Aichi-ken, Japan	Residence	Yes	24-Apr-10 ~ 23-Apr-12
229.)	1-6-12, Zuiko, Yodogawa-ku, Osaka-shi, Osaka, Japan	Residence	Yes	26-Apr-10 ~ 25-Apr-12
230.)	2-2-29, Nishi-shinagawa, Shinagawa-ku, Tokyo, Japan	Residence	No	27-Sep-10 ~ 26-Sep-12

* Renew automatically

D. DETAILS OF SUB-LEASED PROPERTIES OF THE GROUP

Set out below are certain information relating to properties sub-leased by the Company and its consolidated subsidiaries as at 31 December 2010.

	Address	Usage	Restriction on alienation	Tenancy Period
1.)	5-14, Nakata 1-chome, Chikusa-ku, Nagoya, Japan	Residence	No	30-Mar-07 ~ 29-Mar-37
2.)	4-21, Kawanamicho, Atsuta-ku, Nagoya, Japan	Residence	No	26-Jan-07 ~ 25-Jan-37
3.)	20-13, Nagoya 1-chome, Nishi-ku, Nagoya, Japan	Residence	No	22-Feb-07 ~ 21-Feb-37
4.)	6-12, Ohson 1-chome, Kita-ku, Nagoya, Japan	Residence	No	15-Feb-07 ~ 14-Feb-37
5.)	18-1, Matsuba-cho 1-chome, Nakagawa-ku, Nagoya, Japan	Residence	No	1-Jun-07 ~ 31-May-37
6.)	8-13, Tyayagazaka 1-chome, Chikusa-ku, Nagoya, Japan	Residence	No	14-Mar-07 ~ 13-Mar-37
7.)	8-12, Chayagazaka 1-chome, Chikusa-ku, Nagoya, Japan	Residence	No	14-Mar-07 ~ 13-Mar-37
8.)	11-5, Izumi 3-chome, Higashi-ku, Nagoya, Japan	Residence and Parking	No	19-Apr-07 ~ 18-Apr-37
9.)	1-8, Imaike 4-chome, Chikusa-ku, Nagoya, Japan	Residence	No	30-Mar-07 ~ 29-Mar-37
10.)	803, Hara 4-chome, Tenpaku-ku, Nagoya, Japan	Residence	No	1-Jun-07 ~ 31-May-37
11.)	25, Sakaidocho, Nishi-ku, Nagoya, Japan	Residence and Parking	No	1-Apr-07 ~ 31-Mar-17
12.)	32-13, Noritake 2-chome, Nakamura-ku, Nagoya, Japan	Residence and Parking	No	1-Apr-07 ~ 31-Mar-17
13.)	20, Fukagawa-cho, Nakamura-ku, Nagoya, Japan	Residence	No	25-Jul-07 ~ 24-Jul-17
14.)	27-1, karasumori-cho 1-chome, Nakamura-ku, Nagoya, Japan	Residence	No	1-Jan-08 ~ 31-Dec-18
15.)	Otobashi 2-13-2, Nagoya Nakagawa-ku, Japan	Residence	No	26-Sep-07 ~ 25-Sep-17
16.)	4-23, Heiwa 2-chome, Naka-ku, Nagoya, Japan	Residence	No	19-Dec-07 ~ 18-Dec-17
17.)	12, Uchiyama 6-chome, Chikusa-ku, Nagoya, Japan	Residence	No	28-Mar-08 ~ 27-Mar-18
18.)	7-19, Chiyoda 2-chome, Naka-ku, Nagoya, Japan	Residence	No	28-Mar-08 ~ 27-Mar-18
19.)	18-13, Ohson 4-chome, Kita-ku, Nagoya, Japan	Residence	No	16-Dec-07 ~ 15-Dec-17
20.)	8-3, Kosaka 2-chome, Syowa-ku, Nagoya, Japan	Residence	No	31-Mar-08 ~ 30-Mar-18
21.)	2-5, Fukiage 2-chome, Chikusa-ku, Nagoya, Japan	Residence	No	7-Mar-08 ~ 6-Mar-18
22.)	24-3, Benikumo-cho, Kita-ku, Nagoya, Japan	Residence	No	26-Dec-08 ~ 25-Dec-18

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	Address	Usage	Restriction on alienation	Tenancy Period
23.)	13-17, Hama 2-chome, Minato-ku, Nagoya, Japan	Residence	No	5-Aug-08 ~ 4-Aug-18
24.)	Osada-cho 4-72, Kita-ku, Nagoya, Japan	Residence	No	3-Mar-09 ~ 2-Mar-19
25.)	30-7, Shin-sakae 2-chome, Naka-ku, Nagoya, Japan	Residence	No	12-Mar-09 ~ 11-Mar-19
26.)	30-6, Shin-sakae 2-chome, Naka-ku, Nagoya, Japan	Residence	No	12-Mar-09 ~ 11-Mar-19
27.)	Sanbonmatucho 10-6, Atsuta-ku, Nagoya, Japan	Residence	No	30-Mar-09 ~ 29-Mar-19
28.)	Sanbonmatu-cho 10-6, Nagoya Atsuta-ku, Japan	Residence	No	30-Mar-09 ~ 29-Mar-19
29.)	1-14, hananoki 3-chome, Nishi-ku, Nagoya, Japan	Residence	No	5-Feb-09 ~ 4-Feb-19
30.)	112-13, Kuromon-cho, Higashi-ku, Nagoya, Japan	Residence	No	30-Mar-09 ~ 29-Mar-19
31.)	Yuden 19, Miyoshi-cho Miyoshiazaka, Aichi Nishikamo-gun, Japan	Residence and Parking	No	1-Feb-03 ~ 31-Jan-33
32.)	23-1, Chiyoda 1-chome, Toba-shi, Gifu, Japan	Residence and Parking	No	1-Feb-03 ~ 31-Jan-33
33.)	Honmiya-cho 8-chome 16, Minato-ku, Nagoya, Japan	Residence and Parking	No	1-Oct-03 ~ 30-Sep-23
34.)	Honmiya-cho 8-chome 16, Minato-ku, Nagoya, Japan	Residence and Parking	No	1-Oct-03 ~ 30-Sep-23
35.)	Tayacho 2-chome 77, Aichi Tokoname-shi, Japan	Residence and Parking	No	1-Feb-05 ~ 31-Jan-25
36.)	Hojicho 5-chome 122, Aichi Tokoname-shi, Japan	Residence and Parking	No	1-Feb-07 ~ 31-Jan-27
37.)	134-1, Togocho 2-chome, Aichi Tokoname-shi, Japan	Residence and Parking	No	1-Mar-07 ~ 28-Feb-27
38.)	Morimiyaike 1-26, Higashiuramati Fujieaza, Aichi, Japan Titagun	Residence and Parking	No	1-Apr-07 ~ 31-Mar-27
39.)	34-2, Nakatacho 2-chome, Handa-shi Aichi, Japan	Residence and Parking	No	1-Feb-05 ~ 31-Jan-25
40.)	Taiseicho 2-chome 56, Aichi Toyota-shi, Japan	Residence and Parking	No	1-Apr-05 ~ 31-Mar-25
41.)	Suehirocho 2-chome 46, 47, 54, 59, Aichi Tokoname-shi, Japan	Residence and Parking	No	1-Feb-05 ~ 31-Jan-25
42.)	58-1, Asahicho 4-chome, Aichi Handa-shi, Japan	Residence	No	1-Oct-08 ~ 30-Sep-18
43.)	3-12, Takamichicho 3-chome, Nakamura-ku Nagoya, Japan	Residence and Parking	No	1-Mar-08 ~ 28-Feb-28
44.)	64-13, Nishinokuchi 8-chome, Tokoname-shi Aichi, Japan	Residence and Parking	No	25-Mar-09 ~ 24-Mar-19
45.)	16-3 Yuyamacho, Takahama-shi Aichi, Japan	Residence and Parking	No	31-Mar-09 ~ 28-Feb-39
46.)	6-6, Taiko 2-chome, Nakamura-ku Nagoya, Japan	Residence and Parking	No	1-Aug-09 ~ 31-Jul-19

	Address	Usage	Restriction on alienation	Tenancy Period
47.)	9-10-2, Jonan-cho 2-chome, Yasuhiro-shi Aichi, Japan	Residence and Parking	No	1-Feb-08 ~ 31-Jan-18
48.)	Sakae-cho 4-chome 6, Okazaki-shi Aichi, Japan	Residence and Parking	No	1-Oct-08 ~ 30-Sep-18
49.)	Ushikorobashi 38, Tosakicho, Okazaki-shi, Aichi, Japan	Residence and Parking	No	1-Oct-08 ~ 30-Sep-25
50.)	8-1, Nakayama-cho 2-chome, Konan-shi, Aichi, Japan	Residence and Parking	No	1-Oct-08 ~ 30-Sep-25
51.)	Araimae 32, Nakashima-cho, Okazaki-shi, Aichi, Japan	Residence and Parking	No	1-Nov-08 ~ 31-Oct-14
52.)	Murauchi 56, Kamioka-cho, Toyota-shi, Aichi, Japan	Residence	No	1-Sep-10 ~ 31-Aug-40

APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY, CERTAIN TSE AND OSE LISTING REGULATIONS AND JAPANESE CORPORATIONS LAW

This Appendix sets out a summary of certain provisions of the Articles of Incorporation of our Company, certain aspects of the Companies Act, a description of certain TSE and OSE Listing Regulations and a brief summary of other Japanese laws and policies that may be relevant to investors. As the information contained below is in summary form, it does not contain all the information that may be important to potential investors.

The Company was incorporated in Japan as a stock company (“*Kabushiki-Kaisha*”) on 8 July 1999. The Articles of Incorporation comprise the Company’s constitution. The provisions normally set out in the memorandum of association and articles of association of a Hong Kong incorporated company are generally either contained in a Japanese company’s articles of incorporation or stipulated in the Companies Act.

1. ARTICLES OF INCORPORATION

The Articles of Incorporation of our Company were executed by the incorporator of our Company and certified by a notary public on 7 July 1999 (the day prior to our incorporation). The Articles of Incorporation have been amended from time to time. The current Articles of Incorporation were last amended on 29 June 2010. An English translation of the Articles of Incorporation is available for inspection at the location specified in the “Documents Available for Inspection” in Appendix IX to this prospectus. The following is a summary of certain key provisions of our Articles of Incorporation and the Companies Act (as applicable).

(a) Objects

The Articles of Incorporation of our Company set out detailed and exhaustive lists of purposes for which the Company was formed, though they also allow our Company to undertake any business activities that are not explicitly stated in the Articles.

(b) Directors

(i) *Power to allot and issue Shares*

There are no specific provisions in our Articles of Incorporation relating to the power to allot and issue shares. However, the Articles do provide the total shares authorised to be issued by the Company (which was 34,169,000 Shares as at 29 June 2010).

Under the Companies Act, and subject to certain exceptions, our Company may issue and allot Shares to any party by resolution of the Board of Directors. For further details, see “— 3. Japanese Corporations Law — (j) Financing of companies — (1) Issuance of new shares” in this Appendix.

(ii) *Power to dispose of the assets of our Company or any subsidiary*

There are no specific provisions in our Articles of Incorporation relating to the power to dispose of the assets of our Company or any of our subsidiaries.

Under the Companies Act, a Representative Director or a Director who is authorised to execute certain operations has the power to dispose of the assets of our Company unless such assets are “significant assets” (whether an asset is considered significant is determined by, amongst other things, their value as

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compared to the company's assets as a whole, their purpose and the frequency of such transactions) of our Company. Alternatively, neither the Directors nor the Board of the Directors of the Company have the power to dispose of any assets of any subsidiary of our Company.

(iii) Compensation or payments to Directors for loss of office

There are no specific provisions in our Articles of Incorporation relating to compensation or payments to Directors for loss of office.

Under the Companies Act, a Director dismissed by resolution of the Shareholders meeting shall be entitled to demand damages arising from the dismissal from our Company, except in cases where there are justifiable grounds for such dismissal.

(iv) Loans and the giving of security for loans to Directors

There are no specific provisions in the Articles of Incorporation relating to the entry into, or the giving of security for, loans to Directors.

Under the Companies Act, loans and the giving of securities for loans to directors are not prohibited. However, if our Company makes loans to its Directors or gives security for loans to Directors, prior approval of the Board of Directors is required. For further details, see paragraph "Conflict of interest" in "— 3. Japanese Corporations Law — (g) Management / Corporate governance — (2) Directors and the board of directors" in this Appendix.

(v) Financial assistance to purchase shares of our Company or our holding company

There is no specific restriction under our Articles of Incorporation or the Companies Act on the provision of financial assistance by our Company to another person for the purchase of, or subscription for, our own or our holding company's shares. However, if our Company's act of giving financial assistance to another person is deemed to equate to the repurchase of our own shares on behalf of our Company, the regulations concerning the repurchase of a company's own shares will apply. For further details, see "— 3. Japanese Corporations Law — (c) Financial assistance to purchase shares of a company or its holding company" in this Appendix.

(vi) Disclosure of interests in contracts with our Company or any of our subsidiaries

There are no specific provisions in our Articles of Incorporation relating to Directors' disclosures of interests in contracts with our Company or our subsidiaries.

Under the Companies Act, if a Director is interested in any contract to be entered into by our Company, the disclosure to the Board of Directors of all material information regarding the transaction is required. For further details, see paragraph entitled "Conflict of interest" in "— 3. Japanese Corporations Law — (g) Management / Corporate governance — (2) Directors and the board of directors" in this Appendix. However, there are no specific provisions in the Companies Act concerning the disclosure of any interest by a Director in a contract to be entered into by a subsidiary of our Company.

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(vii) Remuneration

Under our Articles of Incorporation and the Companies Act, the total amount of remuneration of our Directors shall be determined by the resolution of the Shareholders' meeting. For further details, see paragraph entitled "Remuneration" in "— 3. Japanese Corporations Law — (g) Management / Corporate governance — (2) Directors and the board of directors" in this Appendix.

(viii) Retirement, appointment and removal

Our Directors are appointed (for a term of one calendar year) or dismissed on an annual basis at our annual general shareholders' meeting in accordance with the Companies Act. According to our Articles of Incorporation, our Company shall have not more than 19 Directors. The cumulative voting system for the election of Directors is excluded and the term of office of a Director will end at the close of an annual general shareholders' meeting unless such a director is re-elected. The Representative Director shall be appointed by a Resolution of the Board of Directors.

For further details, see paragraphs entitled "Appointment", "Term of office" and "Dismissal" in "— 3. Japanese Corporations Law — (g) Management / Corporate governance — (2) Directors and the board of directors" in this Appendix.

(ix) Proceedings of Directors

In accordance with our Articles of Incorporation, a Director (determined in advance by the Board of Directors) shall convene a meeting of the Board of Directors and shall act as the chairperson of the meeting. Notice of the convocation of a meeting of the Board of Directors shall be sent to each Director and Statutory Auditor at least three days prior to the scheduled date of such meeting; however, such period may be shortened in cases of urgency, and the notice period may be set aside if all Directors and Statutory Auditors consents.

A resolution of the Board of Directors shall be made by a majority of the Directors present at a meeting where the majority of the Directors entitled to participate in votes are present. The Directors may also pass written board resolutions. The operations of the Board of Directors follow the Regulations of the Board of Directors, in addition to the Companies Act.

(x) Borrowing powers

There are no specific provisions in our Articles of Incorporation concerning our Company's borrowing powers. Under the Companies Act, a representative director or a director who is authorised to execute certain operations has the power to determine the execution of any such operation such as borrowing unless such borrowing is of a large amount (taking into account, amongst other things, the amount compared to the value of the Company as a whole, its purpose and the frequency of such borrowings). For further details, see paragraphs entitled "Role of directors" and "Powers of the board of directors" in "— 3. Japanese Corporations Law — (g) Management / Corporate governance — (2) Directors and the board of directors" in this Appendix.

(xi) Qualification shares

There are no specific provisions in our Articles of Incorporation relating to qualification shares and under the Companies Act. Our Directors are not required to hold any Shares in our Company in order to be appointed as a Director.

(xii) Indemnity to Directors

In accordance with our Articles of Incorporation, our Company may indemnify our Directors by way of a resolution of a shareholders' meeting or a resolution passed in a meeting of the Board of Directors, or our Company may enter into an agreement with an external Director to the effect that his or her liability for damages shall be limited. If our Company enters into an indemnity with an external Director (being a director who has never been a representative director, an executive director, an executive officer or an employee of Group) then the maximum cap on his liability must be ¥1,000,000 (or such higher amount provided under Japanese law). For further details, see paragraph entitled "Exemption of liability" in "— 3. Japanese Corporations Law — (g) Management / Corporate governance — (2) Directors and the board of directors" in this Appendix.

(c) Alterations to constitutive documents

There are no specific provisions in our Articles of Incorporation concerning amendments to our Articles. Our Company may amend our Articles of Incorporation by a special resolution of a shareholders' meeting in accordance with the Companies Act.

(d) Alterations of capital

There are no specific provisions in the Articles of Incorporation concerning alterations of our Share capital. Share capital is increased at the time of the issuance of shares and may be reduced by a resolution of shareholders' meeting, according to the Companies Act. For further details, see "— 3. Japanese Corporations Law — (b) Share capital — (1) Share capital" in this Appendix.

(e) Variation of rights of existing shares or classes of shares

There are no specific provisions in our Articles of Incorporation relating to this heading and our Company has not issued any classes of shares other than ordinary shares. A company incorporated in Japan is required to amend its Articles of Incorporation in order to change the rights of our existing ordinary shares or to issue new classes of shares in accordance with the Companies Act.

(f) Special resolutions - majority required

There are no specific provisions in our Articles of Incorporation relating to voting thresholds. A special resolution shall be passed if (1) Shareholders having one-third or more of the outstanding voting shares of the Company vote at the shareholders' meeting; and (2) two-thirds or more of shareholders approve the transaction. A qualified special resolution shall be passed by (i) a majority of the shareholders entitled to exercise their votes at the shareholders' meeting, being a majority of two thirds or more of the votes of the shareholders, or (ii) a majority of all shareholders, being a majority

equating to three quarters or more of the votes of all shareholders according to the Companies Act. For further details, see “— 3. Japanese Corporations Law — (g) Management / Corporate governance — (1) The general shareholders’ meeting” in this Appendix.

(g) Voting rights and right to demand a poll

There are no specific provisions in our Articles of Incorporation relating to voting rights. Shareholders have, as a rule, one vote per share according to the Companies Act. For further details, see “— 3. Japanese Corporations Law — (b) Share capital — (4) Voting rights” in this Appendix.

The method of voting is not restricted under the Companies Act, and the chairperson generally may decide the voting method, which may include a vote by a show of hands or a standing or a poll, unless a resolution to adopt another voting method is made at the shareholders’ meeting.

(h) Requirements for AGMs

In accordance with our Articles of Incorporation, Company is required to convene an annual general shareholders’ meeting within three months after the end of each financial year under the Companies Act.

The annual general shareholders’ meeting of our Company shall be convened within three months after the day following the last day of each financial year by a resolution of the Board of Directors in accordance with our Articles of Incorporation. A Director who is nominated in advance by the Board of Directors shall convene the shareholders’ meeting and act as the Chairperson at that meeting. Our Company must send a convocation of our annual general Shareholders Meeting at least 14 days before the meeting. Our Company may also, when convening a shareholders’ meeting, use the Internet to disclose information relating to matters to be provided or indicated as reference materials for a shareholders’ meeting, including the convocation notice, business reports, financial statements, and consolidated financial statements (including accounting audit reports or audit reports relating to the consolidated financial statements).

(i) Accounts and audit

There are no specific provisions in our Articles of Incorporation relating to accounts and audit. Our Company prepares financial statements and other documents in accordance with the Companies Act. For further details, see “— 3. Japanese Corporations Law — (h) Accounting and auditing requirements” in this Appendix.

(j) Notices of Shareholders meetings and business to be conducted thereat

There are no specific provisions in our Articles of Incorporation relating to our Shareholders’ meeting notices and form. Under the Companies Act, in order to convene a shareholders’ meeting, directors must despatch the convocation notice to the shareholders no later than 14 days prior to the day of the shareholders’ meeting. The agenda for our Shareholders’ meeting is determined by the board of directors of the

**APPENDIX V SUMMARY OF THE CONSTITUTION OF OUR COMPANY,
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Company and included in the convocation notice. For further details, see paragraph “Convocation of a shareholders’ meeting” in “— 3. Japanese Corporations Law — (g) Management / Corporate governance — (1) The shareholders’ meeting” in this Appendix.

(k) Transfer of Shares

There are no specific provisions in our Articles of Incorporation relating to transfers of Shares. Shares issued by our Company are freely transferable. A transfer of Shares in our Company will only become effective through a book-entry transfer in accordance with the Book-Entry Act. For further details, see “— 3. Japanese Corporations Law — (b) Share capital — (8) Transfer of shares” in this Appendix.

(l) Power for our Company to purchase its own Shares

In accordance with our Articles of Incorporation, the Companies Act and the FIEA, our Company may repurchase our Shares by a resolution of the general meeting of its Shareholders. In certain cases, our Company may do so by way of a resolution of the Board of Directors according to the Articles of Incorporation. For further details, see “— 3. Japanese Corporations Law — (d) Repurchase of shares by a company” in this Appendix.

(m) Power of any subsidiary to own securities in our Company

There are no specific provisions in our Articles of Incorporation concerning any of our subsidiaries holding our Shares. Our subsidiaries may not acquire our Shares, subject to certain exceptions, such as their acquisition of them through Statutory Transactions governed by the Companies Act. Under the Companies Act, if any of our subsidiaries acquires our Shares through such a transaction, it would not be entitled to vote at any shareholders’ meeting and is required to dispose of the acquired Shares at the earliest and most advantageous time. For further details, see “— 3. Japanese Corporations Law — (b) Share capital — (11) Shares owned by subsidiaries” in this Appendix.

(n) Dividends and other methods of distribution

In accordance with our Articles of Incorporation and the Companies Act, our Company is entitled to pay out dividends from surplus by a resolution passed at a shareholders’ meeting and, in certain cases, may also do so by a resolution of Board of Directors (provided the Accounting Auditor provides an audit certificate and there are no qualifications to the Accounting Auditors’ report). For further details, see “— 3. Japanese Corporations Law — (e) Dividends and distributions” in this Appendix. In accordance with our Articles of Incorporation, our Company is released from any obligation to pay dividends which have not been claimed after the lapse of three full years from the day on which such payment was made available. Further, the record dates for the payment of annual dividends and interim dividends are 31 March and 30 September of each year respectively (although the Company is also entitled to pay dividends from surplus by setting a record date).

(o) Proxies

In accordance with our Articles of Incorporation, a Shareholder may exercise his or her voting rights by proxy through another Shareholder who has voting rights in our Company. In this case, the Shareholder or his or her proxy must submit a document proving such authority to the Company at each shareholders’ meeting.

(p) Calls on shares and forfeiture of shares

There are no specific provisions in our Articles of Incorporation concerning calls on shares and forfeiture of Shares. Under the Companies Act, the Company cannot issue partly paid Shares, and therefore, the Company cannot make a call upon the Shareholders to pay any money unpaid on the Shares held by them. According to the Companies Act, a special resolution of the shareholders' meeting is required if the Company wishes to merge or conduct other structural changes to the Company that may entail the forfeiture of any Shares in the Company. In order to protect minority shareholders, the Companies Act provides that in general, such shareholders who object to such a special resolution are entitled to receive the fair market value of such forfeited Shares from the relevant company.

(q) Inspection of register of members

Shareholders are entitled to inspect and make a copy of the Company's shareholders register during the business hours of our Company by giving reasons (which cannot be for an improper purpose) pursuant to the Companies Act. For further details, see "— 3. Japanese Corporations Law — (l) Inspection of corporate records — (1) Shareholder registry" in this Appendix. Pursuant to the Articles of Incorporation, our Company has entrusted the administration of our shareholder register to our shareholders register administrator, Mizuho Trust & Banking Co., Ltd.

(r) Inspection of register of Directors

There is no concept of a "register of directors" under Japanese law. However, Shareholders may obtain information regarding our Directors from our securities reports or quarterly reports submitted to the FSA under the FIEA. In addition, the names of Directors and the names and addresses of the Representative Directors are registered in the commercial register in accordance with the Companies Act.

(s) Quorum for meetings and separate class meetings

A quorum for the general meeting of shareholders is provided by the Companies Act. However, our Articles of Incorporation have amended the quorum requirements under the Companies Act with respect to ordinary resolutions and special resolutions as follows:

(i) Ordinary resolution

The quorum requirement for an ordinary resolution has been removed by our Articles of Incorporation (save for a shareholders' meeting at which the appointment or dismissal of our Directors, or the appointment of our Statutory Auditors, is to be considered). An ordinary resolution of a shareholders' meeting of our Company shall be made by a majority of the voting rights of the Shareholders present at the meeting who are entitled to exercise their voting rights.

(ii) Special resolution

The quorum requirement for a special resolution is Shareholders holding one-third of the outstanding Shares who are entitled to exercise their voting rights being present at the meeting.

For further details regarding a resolution of a general meeting of shareholders, see paragraph “Types of resolutions” in “ — 3. Japanese Corporations Law — (g) Management / Corporate governance — (1) The general shareholders’ meeting” in this Appendix.

Our Company has not issued any class of shares other than ordinary shares and there are no provisions in our Articles of Incorporation relating to class meetings.

(t) Rights of the minorities in relation to fraud or oppression

There are no specific provisions in our Articles of Incorporation concerning specific minority shareholders’ rights. Certain rights of minority shareholders such as rights for demanding that the directors call a shareholders’ meeting, rights to demand that the directors include certain matters in the agenda of the shareholders’ meeting, and rights to demand that the directors notify shareholders of the summary of the proposals to be presented at a shareholders’ meeting, are provided under the Companies Act. For further details, see “— 3. Japanese Corporations Law — (f) Rights of minority shareholders” in this Appendix.

(u) Procedures on liquidation

There are no specific provisions in our Articles of Incorporation concerning our Company’s liquidation. Procedures on liquidation are provided by the Companies Act. For further details, see “— 3. Japanese Corporations Law — (m) Dissolution and liquidation — (2) Liquidation” in this Appendix.

(v) Untraceable members

There are no specific provisions in the Articles of Incorporation concerning untraceable members. In cases where notices have not reached a shareholder for five consecutive years and the shareholder of such shares has not received dividends of surplus for five consecutive years, a company shall be entitled to sell or auction the shares of such a shareholder according to the Companies Act. For further details, see “— 3. Japanese Corporations Law — (b) Share capital — (12) Untraceable shareholders” in this Appendix.

(w) Statutory Auditors

Our Articles of Incorporation provide the framework for the role played by the Statutory Auditors and the Board of Statutory Auditors. Our Articles of Incorporation specifically provide that the Company will have Statutory Auditors, a Board of Statutory Auditors and an Accounting Auditor, and that our Company shall have at least three Statutory Auditors.

The Statutory Auditors of our Company may be elected by the passing of a resolution by a majority of shareholders holding at least one-third of the voting rights of the Company. Their remuneration must also be similarly approved. Statutory Auditors are appointed for a four year term and at least one of them must be a full-time Statutory Auditor. Statutory Auditors have the same rights to receive indemnification as the Directors, as noted at (b)(xii) above.

Notice of the convocation of a meeting of the Board of Statutory Auditors shall be sent to each Statutory Auditor at least three days before the scheduled date of such meeting; however, such period may be shortened in cases of urgency, and the notice period may be set aside if all Statutory Auditors give their consent. The operations of the Board of Statutory Auditors must follow the Rules and Standards, in addition to the Companies Act.

(x) Other key provisions

In addition to the provisions described above, our Articles of Incorporation provide, among other things, the following:

(i) Method of public notice

Our Company is entitled to distribute our public notices electronically, although the Company must publish an announcement in the Nihon Keizai Shimbun newspaper in the event that such electronic distribution is impossible.

(ii) Record date for voting

Our Company treats a Shareholder who is stated or recorded in the shareholder registry and who holds voting right(s) on the last day of each financial year as a Shareholder who is entitled to exercise his rights as a Shareholder at the annual general shareholders' meeting for that financial year.

(iii) Financial year

The financial year of our Company commences on 1 April of each year and ends on 31 March of the next year.

2. TSE AND OSE LISTING REGULATIONS

Shares of the Company are listed on the TSE and the OSE and the Company is subject to the rules and regulations of the TSE and the OSE. The following is a summary of certain rules and regulations of the TSE and the OSE that may be relevant to investors.

Disclosure Requirements

To ensure the formation of fair market prices and to foster the sound development of a securities market, the TSE and OSE require companies whose shares are listed on them to disclose in a timely manner all material information concerning corporate matters that may influence the investment decision making of investors under the Listing Rules of the TSE ("**TSE Listing Regulations**") and the Listing Rules of the OSE ("**OSE Listing Regulations**").

The following is a summary of the matters that must be disclosed by a listed company under the TSE Listing Regulations and OSE Listing Regulations. In each case they need to be disclosed immediately pursuant to the provisions of the enforcement rules of the TSE Listing Regulations and OSE Listing Regulations (unless they are items that the TSE and the OSE deem as matters whose effect on investors' investment decisions is of minor significance). The scope of the necessary disclosure obligations imposed by the TSE Listing Regulations and the OSE Listing Regulations are substantially the same. Where there are material differences in disclosure requirements between the TSE Listing Regulations and the OSE Listing Regulations, we have identified them in the following summary.

Decisions taken by a listed company (including where decisions are taken to not carry out the matters relating to the relevant decision)

- (a) An offering of shares issued by a listed company or Treasury Shares to be disposed of by a listed company to persons who will subscribe for such shares, an offering of subscription warrants, or a secondary offering of shares or subscription warrants;
- (b) Shelf-registration (including its withdrawal) concerning to an offering or secondary offering prescribed in (a) above or commencement of a demand survey for such offering or secondary offering;
- (c) A decrease in amount of capital;
- (d) A decrease in amount of capital reserve or profit reserve;
- (e) Repurchase of Shares;
- (f) A gratis allotment of shares or a gratis allotment of subscription warrants;
- (g) Stock split or reverse stock split;
- (h) Dividend from surplus;
- (i) Share exchange;
- (j) Share transfer;
- (k) Merger;
- (l) Demerger;
- (m) Transfer or acquisition of all or part of the business;
- (n) Dissolution (excluding dissolution by means of a merger);
- (o) Commercialisation of a new product or new technology;
- (p) Business alliance or dissolution of business alliance;
- (q) A transfer or acquisition of shares or equity interest leading to an entity becoming or ceasing to be a subsidiary;
- (r) Transfer or acquisition of fixed assets;
- (s) Lease of fixed assets;
- (t) Suspension or abolition of all or part of the business;
- (u) Application for delisting or withdrawal of registration of Shares to a Japanese stock exchange or an overseas stock exchange;
- (v) Petition for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, or commencement of reorganisation proceedings;

- (w) Commencement of a new business (including commercialisation of sales of new products or provision of new services);
- (x) A takeover bid;
- (y) Request for a bid or any other onerous acquisition to compete with a takeover bid or an announcement of an opinion or a representation to shareholders concerning a takeover bid;
- (z) Issue of subscription warrants to officers or employees of a listed company or its subsidiaries, or any other grant of anything deemed to be a stock option or an issue of shares;
- (aa) Change in representative directors or representative executive officers (including officers who should represent a cooperative structured financial institution);
- (ab) Rationalisation such as a reduction in personnel;
- (ac) Change in a trade name or a corporate name;
- (ad) Change in the number of shares for a share unit of a stock or abolition or introduction of the provisions for the number of shares for a share unit;
- (ae) Change in the end date of the business year;
- (af) Petition pursuant to the provisions of the Deposit Insurance Act of Japan (Act No. 34 of 1971, as amended);
- (ag) Petition for mediation in accordance with specified mediation procedures on the basis of the Act on Specified Mediation for Promoting Adjustment of Specified Liabilities, etc. of Japan (Act No.158 of 1999);
- (ah) Early redemption of all or part of a listed bond, listed convertible bond or listed exchangeable corporate bond or convocation of a bondholders meeting and any other important matters relating to rights concerning a listed bond, listed convertible bond or a listed exchangeable corporate bond;
- (ai) Matters accompanied by an increase in the total number of units of ordinary equity contributions⁽¹⁾;
- (aj) Change in certified public accountants who prepare audit certification of financial statements or quarterly financial statements contained in a securities report or a quarterly report;

- (ak) Putting notes on matters relating to the going concern assumption in financial statements, etc. or quarterly financial statements, etc.;
- (al) Shareholder services will not be entrusted to a shareholder services agent approved by the TSE or the OSE;
- (am) Submission of internal control reports containing content to the effect that there is a material deficiency in the internal control system or that the evaluation result of the internal control system cannot be stated;
- (an) Amendment to the articles of incorporation;
- (ao) Change in contents and other schemes of a listed stock without voting rights, a listed stock with voting rights (limited to such stock issued by a company which issues multiple classes of stocks with voting rights), or a listed preferred stock (excluding a stock whose dividends are linked to a subsidiary)⁽¹⁾;
- (ap) Change in the agreement regarding the business plan and specified business of a company listed on the Private Finance Initiative market at the OSE⁽²⁾; or
- (aq) In addition to the matters referenced in (a) through to the preceding (ap) (as applicable to the TSE or the OSE), important matters related to operation, business or assets of such listed company or such listed stock, etc. which have a remarkable effect on investors' investment decisions.

***Facts arising relative
to a listed company***

- (a) Damage arising from a disaster or damage which occurs in the course of business execution;
- (b) Change in major shareholders;
- (c) A fact which causes delisting of a specified security or options pertaining to a specified security;
- (d) Where a lawsuit of a claim relating to property rights is raised or a judgment is made as to such lawsuit or all or part of the action pertaining to such lawsuit is completed without a judicial decision;
- (e) Where a petition for a provisional disposition order seeking suspension of a business or any other disposition corresponding thereto is made, or there is a judicial decision on such petition, or all or part of the procedures for such petition are completed without a judicial decision;

- (f) Cancellation of a license, suspension of a business or any other disciplinary action corresponding to these on the basis of laws and regulations by an administrative agency or accusation of violation of laws and regulations by an administrative agency;
- (g) Change in controlling shareholders or other affiliated companies;
- (h) Petition or notification for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, or commencement of reorganisation proceedings, or execution of an enterprise mortgage by a creditor or any person other than such listed company (“**Bankruptcy**”);
- (i) Dishonor of a bill or a cheque (limited to where the reason is a shortage of funds to be paid) or suspension of trading by a clearing house (“**Dishonor**”);
- (j) Petition for commencement of bankruptcy proceedings, etc. pertaining to a parent company;
- (k) As a result of an occurrence of a Dishonor, Bankruptcy or a fact corresponding to these pertaining to a debtor or a main debtor concerning guarantee obligations, default of a right to obtain reimbursement against such main debtor is likely to occur where accounts receivable, loans or other receivables or such guarantee obligations against such debtors;
- (l) Suspension of trade with a main business partner (meaning a business partner with more than 10% of the total sales or of the total purchase amount in the previous business year; the same shall apply hereinafter) or suspension of trade with two or more business partners for the same reason or in the same period;
- (m) Exemption of obligations or extension of a repayment deadline (limited to an extension that the TSE or the OSE deems equivalent to exemption of obligations) by a creditor or assumption or fulfillment of obligations by a third party;
- (n) Discovery of resources;
- (o) Claim for suspension of issue of a stock or a subscription warrant or disposition of treasury stock by shareholders;
- (p) Demand for convocation of a general shareholders’ meeting by shareholders;

- (q) Market value of all or part of the securities held (limited to securities listed on a domestic stock exchange other than a share of a subsidiary of such listed company) falls below book values as of the end of a business year or a quarterly accounting period (an amount of value calculated on the basis of the closing prices of a stock exchange on such day (where no such closing prices are available, the closing prices of a stock exchange on a preceding day)) (limited to where such listed company adopts cost method as an evaluation method of securities);
- (r) Acceleration of obligations pertaining to a corporate bond;
- (s) Convocation of a meeting of bondholders for a listed bond, listed convertible bond or listed exchangeable corporate bond and other important facts pertaining to rights of a listed bond, listed convertible bond or listed exchangeable corporate bond;
- (t) Change in certified public accountants who prepare an audit certification, of financial statements, or quarterly financial statements, contained in a securities report or a quarterly report (excluding a case of disclosing the details pursuant to the provisions of the preceding item, where a body of a listed company which decides its business execution makes a decision on changing such certified public accountants, (including cases where the body makes a decision that it will not carry out matters pertaining to such decision));
- (u) A securities report or a quarterly review report to which audit reports or quarterly review reports prepared by two (2) or more certified public accountants or audit firms (including audit reports or interim audit reports pertaining to certification corresponding to audit certification by certified public accountants or audit firms) are attached is not expected to be submitted within the period specified in the FIEA or has not been submitted within such period (except cases where the company has disclosed that such report is not expected to be submitted within such period), was submitted after such disclosure had been made, or has received approval related to extension of such period;

- (v) The fact that an audit report attached to financial statements, or a quarterly review report attached to quarterly financial statements has come to contain a “qualified opinion with exceptions” or “qualified conclusion with exceptions” of certified public accountants with making issues concerning a going concern assumption as exceptions, or an “adverse opinion”, “negative conclusion”, or a fact that “opinions are not expressed” or a fact “conclusions are not expressed” by a certified public accountant (in cases of a specified business company, these shall include a “qualified opinion with exceptions”, an “opinion that interim financial statements, etc. do not provide useful information”, and a fact that “opinions are not expressed” by a certified public accountant, etc. with making issues concerning a going concern assumption as exceptions);
- (v-2) An internal control audit report regarding an internal control report has come to contain an “adverse opinion” or a fact that “opinions are not expressed”;
- (w) Where a notice of canceling a shareholder services agent agreement is received, there is a likelihood that the shareholder services will not be entrusted to a shareholder services agent approved by the TSE or the OSE, or it has decided not to entrust that the shareholder services will not be entrusted to a shareholder services agent approved by the TSE/OSE;
- (x) Change in the basic agreement among shareholders regarding the specified business of a company listed on the Private Finance Initiative market at the OSE⁽²⁾; or
- (y) In addition to the facts referenced in (a) through to the preceding (x), matters relating to operation, business or assets of such listed company or important matters related to a listed stock, etc. which have a remarkable effect on investors’ investment decisions.

Decisions taken by subsidiaries, etc. of a listed company (including where decisions are taken not carry out the matters relating to such decision)

- (a) Share exchange;
- (b) Share transfer;
- (c) Merger;
- (d) Demerger;
- (e) Transfer or acquisition of all or part of the business (unless, immediately after the transfer or acquisition, (i) net assets will not change by 30%, (ii) revenue will not change by 10%, (iii) current profit will not change by 30% and (iv) net profit will not change by 30%);

- (f) Dissolution (excluding dissolution by means of a merger);
- (g) Commercialisation of a new product or new technology;
- (h) Business alliance or dissolution of business alliance;
- (i) Transfer or acquisition of shares or equity interest leading to an entity becoming or ceasing to be a subsidiary;
- (j) Transfer or acquisition of fixed assets;
- (k) Lease of fixed assets;
- (l) Suspension or abolition of all or part of the business;
- (m) Petition for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, or commencement of reorganisation proceedings;
- (n) Commencement of a new business;
- (o) A takeover bid;
- (p) Change in a trade name or a corporate name;
- (q) Petition pursuant to the provisions of the Deposit Insurance Act;
- (r) Petition of arbitration by specific mediation procedures on the basis of the law on specified mediation for promoting adjustment of specified obligations, etc.;
- (s) Change in the agreement regarding the specified business of a company listed on the Private Finance Initiative market at the OSE⁽¹⁾; or
- (t) In addition to the matters referenced in (a) through to the preceding (s), important matters related to operation, business or assets of a subsidiary of such listed company which have a remarkable effect on investors' investment decisions.

***Facts arising relative
to subsidiaries, etc. of
a listed company***

- (a) Damage arising from a disaster or damage which occurs in the course of business execution;
- (b) Where a lawsuit of a claim relating to property rights is raised or a judgment is made as to such lawsuit or all or part of the action pertaining to such lawsuit is completed without a judicial decision;
- (c) Where a petition for a provisional order seeking suspension of a business or any other disposition corresponding to this is made or there is a judicial decision on such petition or all or part of the proceedings for such petition are completed without a judicial decision;
- (d) Cancellation of a license, suspension of a business or any other disciplinary action corresponding to them on the basis of laws and regulations made by an administrative agency or accusation of violation of laws and regulations made by an administrative agency;
- (e) Petition for the commencement of Bankruptcy proceedings, by a creditor or any other person other than such subsidiary;
- (f) Dishonor;
- (g) Petition for the commencement of Bankruptcy proceedings, pertaining to a sub-subsidiary;
- (h) As a result of an occurrence of a Dishonor, Bankruptcy procedures, or a fact corresponding to these pertaining to a debtor or a main debtor concerning guarantee obligations, default of a right to obtain reimbursement against such main debtor is likely to occur where these are accounts receivable, loans or other receivables or such guarantee obligations against such debtors;
- (i) Suspension of trade with a main business partner or suspension of trade with two or more business partners for the same reason or in the same period;
- (j) Exemption of obligations or extension of a repayment deadline (limited to an extension that the TSE/OSE deems equivalent to exemption of obligations) by a creditor or assumption or fulfillment of obligations by a third party;
- (k) Discovery of resources;
- (l) Change in the basic agreement among shareholders regarding the specified business of a consolidated subsidiary of a company listed on the Private Finance Initiative market at the OSE⁽²⁾; or

- (m) In addition to the facts referenced in (a) through to the preceding (l) (as applicable to the TSE or the OSE), important matters relating to operation, business or assets of such subsidiary which have a remarkable effect on investors' investment decisions.
- Decisions taken by a linked subsidiary of a listed company / Facts arising relative to a linked subsidiary of a listed company⁽¹⁾***
- (a) Where a body which decides the business execution of a linked subsidiary decides to carry out certain transactions with such linked subsidiary; or
- (b) on the occurrence of certain events to a linked subsidiary.
- Information concerning the settlement of accounts of a listed company***
- (a) The details of the account settlement (annual and quarterly) using Earnings Reports (*Kessan Tanshin*) (Summary) or Quarterly Earnings Reports (*Kessan Tanshin*) (Summary)
- (b) Difference in estimated values newly calculated by a listed company or certain subsidiary of it compared to the last estimated values calculated by the listed company or the subsidiary with respect to sales, operating profits, ordinary profits or net income
- (c) The details of an estimated value of dividend calculated by a listed company

Notes:

- (1) Notes a matter not included in the OSE Listing Regulations.
- (2) Notes a matter not included in the TSE Listing Regulations.

Although the TSE Listing Regulations and the OSE Listing Regulations provide an extensive list of disclosure requirements, the TSE Listing Regulations and the OSE Listing Regulations also require listed companies to disclose important matters related to the operations, business or assets of such a listed company or its listed stock which have a remarkable effect on investors' investment decisions. This broad disclosure requirement means that issuers listed on the TSE and the OSE are required to announce any material events affecting them.

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Corporate matters to be disclosed under the TSE Listing Regulations and the OSE Listing Regulations shall generally be carried out using Timely Disclosure Network (“**TDnet**”). TDnet is an electric disclosure system and information disclosed under the TSE Listing Regulations and the OSE Listing Regulations by a listed company must be made available for public inspection for five years from the date of disclosure through the TDnet database service, such inspection being subject to fees. If the TSE or the OSE deem that a listed company has breached the provisions regarding timely disclosure, such company may be delisted.

Criteria for Delisting

A listed issuer on the TSE or the OSE may be delisted based on its own application and also under certain conditions as set forth in the criteria for delisting stocks in the TSE Listing Regulations and the OSE Listing Regulations.

In particular, the TSE and the OSE may delist a listed issuer if the listed issuer imposes restrictions on transfers of its shares.

The TSE and the OSE may also see fit to delist a listed issuer in the event that:

- (a) the listed issuer commits a material breach of the TSE Listing Regulations or the OSE Listing Regulations, as the case may be;
- (b) the number, market capitalisation or public float of shares falls below the prescribed level;
- (c) the issuer has liabilities in excess of assets as of the end of the business year and the liabilities in excess of assets are not cleared within a year;
- (d) the issuer suspends its business activities; or
- (e) the TSE or the OSE deems that delisting of the securities is appropriate for the public interest or the protection of investors.

Protection of Minority Shareholders

The TSE Listing Regulations and the OSE Listing Regulations require a listed company to establish a policy to protect minority shareholders (“**Policy for Protection of Minority Shareholders**”) when the company has Controlling Shareholders (as defined below and such definition only applies to this section). The Policy for Protection of Minority Shareholders is required to include (i) a policy for establishment of a corporate structure; (ii) a decision making process; and (iii) a utilisation of external independent bodies, for the purpose of protection of minority shareholders, in accordance with the Guide on Preparation of Corporate Governance Reports.

A “Controlling Shareholder” under the TSE Listing Regulations and the OSE Listing Regulations means a parent company or a main shareholder (other than the parent company) who holds the majority of voting rights of a listed company after combining the voting rights held for its own account and the voting rights held by any of the entities specified in the following items:

- (a) a close relative of said main shareholder (meaning a relative within the second degree of kinship); and

- (b) a company (including a company, designated corporation, partnership, or other similar entities (including foreign entities that are equivalent to these entities)) whose majority voting rights are held by said main shareholder or a close relative specified in (a) above, and a subsidiary of said company.

Further, the TSE Listing Regulations and the OSE Listing Regulations require listed companies to disclose certain matters regarding Controlling Shareholders, including the company's policy towards them and details of transactions with them, in the corporate governance report ("**Corporate Governance Report**") and other disclosure documents. The TSE and the OSE also requires a listed company to submit a report without delay any change has occurred in the information in a Corporate Governance Report. Furthermore, the TSE and the OSE require a listed company that has Controlling Shareholders to disclose matters including the following within three months from the last day of the fiscal year:

- (a) the trade name or corporate name of the parent company, the holding ratio of the parent company with respect to the voting rights of the listed company, and where applicable the trade name or corporate name of the stock exchange in Japan on which the stocks issued by the parent company or the foreign stock exchange on which the stocks issued by the parent company are listed or continuously traded;
- (b) in cases where the TSE or the OSE approve exemption from disclosure of certain matters regarding Controlling Shareholders of the parent company, the reason for such approval;
- (c) the position of the parent company within the corporate group and relationship with the other parent companies;
- (d) matters related to transactions with the Controlling Shareholder (including its close relatives and its subsidiaries); and
- (e) the implementation status of the Policy for Protection of Minority Shareholders.

It is conventional to disclose the following in respect of transactions with Controlling Shareholders: (i) name or trade name, (ii) location of head office, (iii) capital stock, (iv) description of business, (v) ratio of holding of voting rights, (vi) relationship with the reporting company, (vii) details of transaction, (viii) the amount of transaction, and (ix) other information such as trade balance at end of the financial year.

Furthermore, where a listed company has Controlling Shareholders and makes a decision to conduct certain material transactions between certain related persons including the Controlling Shareholders, the TSE Listing Regulations and the OSE Listing Regulations require the listed company to obtain an opinion from a person who has no interest in such Controlling Shareholder that any decision on the matters will not be detrimental to the interests of minority shareholders of the listed company.

In addition, under the TSE Listing Regulations and the OSE Listing Regulations, if a third-party allotment that causes a dilution ratio of voting rights in excess of 300% is determined by the board of directors of a listed company, the company will be delisted, unless the TSE or the OSE deem that the risk of such third-party allotment has little likelihood of harming the interests of investors. Under the TSE Listing Regulations and the OSE Listing Regulations, the dilution ratio is, as a general rule, calculated by the following formula:

$$\text{Dilution ratio} = \frac{\text{the number of votes concerning shares to be issued by the third party allotment in question (including the number of potential voting rights)}}{\text{the number of votes concerning issued and outstanding shares before the third party allotment}} \times 100.$$

In addition to the above, the TSE Listing Regulations and the OSE Listing Regulations require a listed company to (i) obtain an opinion from a person who is independent from the management of the company regarding the necessity and appropriateness of any third-party allotment, or (ii) confirm the intention of the shareholders by any means such as a shareholders' meeting in the case of a third-party allotment (1) that causes a dilution ratio of voting rights of 25% or more, or (2) when there is an expectation of a change of a Controlling Shareholder due to such allotment, unless the TSE or the OSE deems that it is difficult for the listed company to conduct any of the procedures under (1) or (2) above due to reasons such as rapidly deteriorating financial situations.

Corporate Structure Requirements

Under the TSE Listing Regulations and the OSE Listing Regulations, a domestic company listed on the TSE or the OSE must establish and appoint (i) a board of directors; (ii) a board of auditors or the three committees (meaning a committee specified in the Companies Act, including a nomination committee, an audit committee and a compensation committee); and (iii) accounting auditors. For the protection of general investors, the TSE Listing Regulations and the OSE Listing Regulations also require a domestic listed company on the TSE or the OSE to appoint at least one independent director/auditor (meaning an outside director (subject to certain requirements under the Companies Act) or outside auditor (subject to certain requirements under the Companies Act) who is unlikely to have conflicts of interest with general investors).

3. JAPANESE CORPORATIONS LAW

Our Company is principally governed by the Companies Act. The Companies Act sets out the legal basis of a company and provides for substantive laws and procedural matters with which a company must comply including matters relating to its establishment, conduct of business, powers of the management and supervisory boards, share capital, the rights and obligations of shareholders and the dissolution of a company. Our Company is also subject to the FIEA, which regulates securities law in Japan and provides rules for the regulation of, amongst other things, stock exchanges, public tender offers, public disclosure, internal control and financial services. Set out below is a brief summary of the Companies Act and the FIEA, as is applicable, and certain related laws and legislation, each as currently in effect.

(a) Types of companies

(1) *Types of companies under the Companies Act*

Under the Companies Act, companies are categorised into stock companies (*kabushiki kaisha*) and partnership-type companies (*mochibun kaisha*). A partnership-type company (Part 3

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of the Companies Act) is a generic concept that embraces so-called personal companies (*jinteki kaisha*) (that is, companies where there are strong personal connections between its members and where a high degree of flexibility in structuring corporate governance within the organisation is recognised), such as a partnership company (*gomei kaisha*), a limited partnership company (*goshi kaisha*) and a limited liability company (*godo kaisha*). Our Company was formed as a stock company (*kabushiki kaisha*) and descriptions in this section are principally regarding a stock company.

(2) *Categories of companies*

Under the Companies Act, companies are categorised into public or non-public companies, and large or other companies.

A public company (*kokai kaisha*) is defined as a company whose articles of incorporation do not require the approval of the company for the transfer of any share of one or more classes of the company's stock. On the other hand, a non-public company (*kabushiki joto seigen kaisha*) is a company where regarding each class of stock issued by it, transfer of any share is restricted under the articles of incorporation. Under the Companies Act, there are certain differences in governance between public companies and non-public companies. Our Company is categorised as a public company.

Companies whose balance sheet for the most recent fiscal year shows a capital of ¥500 million or more, or total liabilities of ¥20 billion or more are defined under the Companies Act as large companies (*daigaisha*). There are certain differences in governance between large companies and other companies. Our Company is categorised as a large company.

Under the Companies Act, a company may select several types of corporate governance structures. However, under the listing rules of the Japanese stock exchange, a listed company is required to be either (i) a company with a board of statutory auditors or (ii) a company with three committees. Our Company is a company with a Board of Statutory Auditors.

(b) **Share capital**

(1) *Share capital*

The share capital of a company is divided into shares. The amount of share capital is the amount paid in by those who are to become shareholders at the time of the establishment of the company, or the issuance of shares. Up to half of this amount is not required to be capitalised, but this amount has to be kept as a capital reserve. The amount of the share capital is subject to registration.

(2) *Share certificates*

The Companies Act defines a "Company Issuing Share Certificates" as a company the articles of incorporation of which have provisions to the effect that a share certificate representing its shares (or, in the case of a company with class shares, shares of all classes) shall be issued. A company which does not have provisions in its articles of incorporation to the effect that a share certificate represents its shares will be hereinafter referred to as a "Company Not Issuing Share Certificates". Our Company is categorised as a Company Not Issuing Share Certificates.

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In addition, under the Book-Entry Act and the listing rules of stock exchanges, a company listed on the Japanese stock exchange may not issue share certificates. The Shares of our Company are listed on the TSE and the OSE, and the Company does not issue any share certificates.

(3) Unit Share System

Shareholders have, in principle, one vote per share. However, if a company adopts a unit share system, a vote is given not to each share, but to a unit of shares set by its articles of incorporation. One unit of shares cannot exceed 1,000 shares. Shareholders who hold shares below a unit are entitled to require the company to purchase these shares.

Our Company has not adopted a unit share system. In order to adopt a unit share system, a company is required to amend its articles of incorporation by a special resolution of a shareholders' meeting. However, such special resolution of a shareholders' meeting is not required to amend the articles of incorporation in the case where (i) such adoption is made at the same time as a stock split and (ii) the voting rights of each shareholder are not reduced as a result of such stock split and adoption unit share system.

(4) Voting rights

Shareholders (excluding (i) a shareholder who is prescribed as an entity in a relationship that may allow the company to have substantial control of such entity through the holding of one quarter or more of the votes of all shareholders of such entity or other reasons, (ii) the company itself in respect of the treasury stock, (iii) a shareholder who has less than one share unit, (iv) a class shareholder whose class shares do not carry voting rights and (v) a shareholder whose shares are to be repurchased pursuant to Paragraph 3 of Article 140, Paragraph 4 of Article 160 and Paragraph 2 of Article 175 of the Companies Act) have one vote per share.

Exercise of voting rights by a proxy is permitted under the Companies Act.

(5) Variation of rights of existing shares

In order to change the rights of existing shares, a company is required to amend its articles of incorporation, which requires a special resolution of a shareholders' meeting, as a rule.

(6) Classes of shares

The Companies Act permits a company to issue shares with specified rights that are not held by all shares. Classes of shares permitted under the Companies Act include shares with rights in respect of the following matters:

- (a) payment of dividends;
- (b) distribution on liquidation;
- (c) restriction on voting rights;
- (d) restriction on share transfer;
- (e) appointment of officers at a meeting of shareholders of a certain class; and
- (f) matters to be approved at a meeting of shareholders of a certain class as well as a general meeting of shareholders.

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In addition to the above, the following types of shares are recognised as permissible classes of shares:

- (a) shares with the right to claim for repurchase (*shutoku seikyuken-tsuki kabushiki*);
- (b) shares with repurchase clauses (*shutoku joko-tsuki kabushiki*); and
- (c) shares with clauses to repurchase all shares of a certain class (*zenbu shutoku joko-tsuki kabushiki*).

Shares with the right to claim for repurchase (*shutoku seikyuken-tsuki kabushiki*) are shares with respect to which the shareholders have put options exercisable against the company. In the event such options are exercised, the company may deliver bonds, share acquisition rights, bonds with share acquisition rights, shares or other assets as consideration, as specified in the articles of incorporation. Shares with repurchase clauses (*shutoku joko-tsuki kabushiki*) are shares with respect to which a company has call options exercisable against the shareholders when a certain trigger event occurs. Similarly, in the event such options are exercised, the company may deliver bonds, share acquisition rights, bonds with share acquisition rights, shares or other assets as consideration, as specified in its articles of incorporation. Shares with clauses to repurchase all shares of a certain kind are shares with respect to which a company has options to purchase all the shares of a certain class (*zenbu shutoku joko-tsuki kabushiki*) by a special resolution of a shareholders' meeting.

In order to issue the above classes of shares, the details and the number of such shares as can be issued need to be specified in the articles of incorporation.

(7) *Stock split, gratuitous allocation of stock and reverse stock split*

Stock Split

A company may at any time split shares on issue into a greater number by a resolution of the board of directors. Under the Book-Entry Act, on the effective date of the stock split, the numbers of shares recorded in all accounts held by the company's shareholders at Account Managing Institutions will be increased in accordance with the applicable ratio.

Gratuitous Allocation of stock

Under the Companies Act, a company may allot any class of shares to the company's existing shareholders without any additional contribution by resolution of the board of directors, or gratuitous allocation; provided that, although treasury stock may be allotted to shareholders, any such gratuitous allocation will not accrue to any treasury stock. On the effective date of the gratuitous allocation, the number of shares registered in accounts held by the company's shareholders at Account Managing Institutions will be increased in accordance with a notice from the company to JASDEC according to the Book-Entry Act.

Reverse Stock Split

A company may at any time consolidate its shares into a smaller number of shares by a special resolution of the general meeting of shareholders. Under the Book-Entry Act, on the effective date of the reverse stock split, the numbers of shares recorded in all accounts held by the Company's shareholders at Account Managing Institutions will be decreased in accordance with the applicable ratio.

(8) Transfer of shares

In principle, shares are freely transferable, but companies may place a restriction on the transfer of shares, for example, by making such transfer subject to the approval of the company. Transfer can be restricted to all the shares, or to a specific class of shares. Shares listed on a Japanese stock exchange are required to be freely transferable according to their relevant listing rules and our Company has not placed any transfer restriction on our shares.

Transfer of shares in a Company Issuing Share Certificates shall not become effective unless the share certificates representing the shares are delivered; however, this shall not apply to the transfer of shares arising out of the disposition of Treasury Shares (meaning shares in a company owned by that company itself). The subscriber for Treasury Shares in a Company Issuing Share Certificates shall become the shareholder of the shares on the day when the subscriber has paid contribution for the shares. The transfer of shares in a Company Issuing Share Certificates shall not be perfected against the company unless the name and address of the person who acquires those shares is stated or recorded in the shareholder registry.

Transfer of shares in a Company Not Issuing Share Certificates will become effective by the parties manifesting their intention to do so, and the transfer of shares shall not be perfected against the company and other third parties unless the name and address of the person who acquires those shares is stated or recorded in the shareholder registry. Where Treasury Shares are disposed of, the subscriber for Treasury Shares in a Company Not Issuing Share Certificates shall become the shareholder of the shares on the day when the subscriber has paid contribution for the shares.

If the Book-Entry Act applies to a company (for example, it applies to listed shares of companies listed on Japanese stock exchanges), any transfer of shares becomes effective only through book-entry, and the title to the shares passes to the transferee at the time when the transferred number of shares is recorded in the transferee's account opened at an Account Managing Institution, which may be a financial instrument trader (i.e. a securities firm), bank, trust company or other financial institution that meets the requirements prescribed by the Book-Entry Act.

(9) Share Acquisition Rights (Shinkabu yoyakuken)

The Companies Act defines a SAR as a right by the exercise of which the holder is entitled to receive shares of the issuing company.

SARs do not need to be combined with bonds. It is possible to grant SARs on their own as well as in combination with other financial products.

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In order to offer a SAR, certain details need to be approved by a special resolution of the shareholders' meeting, including: (i) its details and number; (ii) whether it is issued in a gratuitous manner or not; and, (iii) if not, the amount of payment or the method of its calculation, etc. However, in public companies, the board of directors may make this decision with certain exceptions described below.

If SARs are issued in a gratuitous manner and they comprise an especially favourable term to the subscriber, or if the issue price is especially favourable to the subscriber, the board of directors must explain why the SARs need to be issued in such a manner at the shareholders' meeting. In public companies, the terms of such issuance must be reported at the general shareholders' meeting and approved by a special resolution in such cases. According to a case from the Tokyo District Court on 30 June 2006, whether or not the issuance of SARs is made at an "especially favourable price/especially favourable conditions" is determined based on the price of the SARs at the time of issuance, calculated pursuant to the option pricing theory and considering factors such as the market price of the shares, exercise price of the SARs, exercise period of the SARs, interest rate, and volatility of the price of the shares ("**Fair Option Price**"). When the amount to be paid in upon issuance (or substantive consideration for SARs when they are issued without consideration) is significantly below the Fair Option Price, then in principle, the price or condition of the SARs is interpreted to be "especially favourable."

SARs may be issued to the existing shareholders with or without consideration. In such cases, shareholders are entitled to subscribe to the share acquisition rights in proportion to their shareholding.

(10) Reduction of share capital

A special resolution of a shareholders' meeting is, as a rule, required to reduce share capital. However, where the share capital is reduced in order to cover the deficit, an ordinary resolution at the annual shareholders' meeting will suffice.

When reducing the share capital (and the reserves), a procedure to protect the interests of creditors needs to be followed. The company must publicise the proposed reduction and inform creditors of their entitlement to an objection within a fixed period of no less than one month in the official gazette. The company also must individually notify known creditors, but this can be exempted under certain circumstances.

(11) Shares owned by subsidiaries

Subsidiaries may not acquire shares of a parent company, with certain exceptions such as acquisition through certain mergers and acquisitions transactions, acquisition without consideration, and acquisition as distribution of surplus from a company other than the parent company. When they acquire shares of the parent company through such exception, they are not entitled to vote at any meeting of shareholders and are required to dispose of them at an appropriate time.

(12) Untraceable shareholders

The Companies Act provides that in cases where notices have not reached a shareholder for five consecutive years and the shareholders of such shares have not received dividends of surplus for five consecutive years, the company shall be entitled to sell or auction the shares of such a shareholder. In exercising this right, a company is required to make a public notice and make a demand to a shareholder or a registered pledgee of shares seeking no objection to such action at least 3 months before such sale or auction.

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(c) Financial assistance to purchase shares of a company or its holding company

There is no specific restriction under the Companies Act on the provision of financial assistance by the company to another person for the purchase of, or subscription for, its own or its holding company's shares. However, if a company's act of financial assistance to another person is deemed to equate to an acquisition of Treasury Shares by the company for the accounts of the company, the regulations concerning the repurchase of its shares as stated in "(d) Repurchase of shares by a company" below apply to that act.

Although there are no established rules as to the "acquisition for the accounts of the company," in general, this should be determined from a comprehensive review as follows:

- (i) terms of the financial assistance by the company to another person such as the creditworthiness of the person and collectability of the receivables including the collateral and interest;
- (ii) whether or not the terms of the purchase of, or subscription for, a company's shares (including the selection of the person from whom the shares are purchased, the price of the shares, and the timing of the purchase) are determined by that company's decision; and
- (iii) whether or not the control over the acquired shares in the company (including the authority to dispose of the shares and the right to receive dividends of surplus) belongs to that company.

(d) Repurchase of shares by a company

Shares can be purchased from shareholders with their consent (i) from the market, (ii) via the tender offer procedure as provided by the FIEA, (iii) from all shareholders, or (iv) from a specific shareholder.

With respect to cases (i) and (ii) above, companies with a board of directors may, by the decision of the board of directors if the articles of incorporation allow, repurchase shares from the market or via the takeover bid procedure as provided by the FIEA. If the shares are repurchased from all shareholders (case (iii) above), an ordinary resolution of a shareholders' meeting is sufficient (listed companies however may not use this method of repurchase according to the FIEA and are required to conduct the takeover bid procedure.) If the purchase is from a specific shareholder (case (iv) above), a special resolution of a shareholders' meeting is required. In case (iv) above, the name of this shareholder needs to be disclosed and approved at a general shareholders' meeting. Other shareholders are entitled to ask the company to include them as a seller, with certain exceptions. The source of funds for carrying out the share repurchase is restricted to the Distributable Amount as defined below.

(e) Dividends and distributions

Under the Companies Act, the distribution of dividends takes the form of the distribution of surplus and the distribution of surplus may be made in cash and/or in kind, with no restrictions on the timing and frequency of such distributions.

In order to pay out dividends, an ordinary resolution of a shareholders' meeting is required. In companies that (i) have an accounting auditor, (ii) where the term of directors terminates on or prior to the close of the general meeting of shareholders relating to the last fiscal year ending

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within one year from the election of the director, and (iii) which have a board of statutory auditors or three committees (being a remuneration committee, nomination committee and audit committee), matters regarding the payout of cash dividends can be delegated to the board of directors by the articles of incorporation.

Dividends can be paid out from the distributable amount which is determined in accordance with the Companies Act (“**Distributable Amount**”). Distributable Amount is the aggregate amount of other capital surplus and other retained earnings surplus at the end of the last fiscal year with a certain adjustment deducted by a certain amount such as the book value of the treasury stock. When paying dividends, the smaller amount of (i) 10% of the surplus so distributed, or (ii) an amount equal to one quarter of its share capital less the aggregate amount of capital reserve and profit reserve as at the date of such distribution needs to be set aside either as capital reserve or profit reserve until the aggregate amount of its capital reserve or profit reserve reaches one quarter of its share capital.

If the net assets of a company are less than ¥3 million, the company cannot pay dividends.

If the company paid dividends while the company did not have a Distributable Amount, directors and others responsible for the payment are under an obligation to pay back the company the amount paid out, unless that person proves that he was not negligent in carrying out his duties.

(f) Rights of minority shareholders

(1) *Rights to demand that directors call a shareholders’ meeting*

Shareholders holding shares consecutively for the preceding six months or more (or, where a shorter period is prescribed in the articles of incorporation, that period or more) not less than three hundredths (3/100) (or, where a lesser proportion is prescribed in the articles of incorporation, that proportion) of the votes of all shareholders may demand that the directors, by illustrating the matters which shall be the purpose of the shareholders’ meeting (limited to matters on which the shareholders may exercise their votes) and providing the reason for the calling of the shareholders’ meeting.

In cases where (i) the calling procedure is not effected without delay after the demand stated above or where (ii) a notice is not despatched for the calling of the shareholders’ meeting which designates, as the day of the shareholders’ meeting, a day falling within the period of eight weeks (or, where any period less than that is provided for in the articles of incorporation, that period) from the day of the demand, the shareholders who made the demand may proceed to call the shareholders’ meeting with the court’s permission.

(2) *Rights to demand that directors add certain matters to the agenda of a shareholders’ meeting*

At a company with board of directors, only shareholders holding consecutively for the preceding six months or more (or, where a shorter period is prescribed in the articles of incorporation, that period or more) not less than one hundredth (1/100) (or, where a lesser proportion is prescribed in the articles of incorporation, that proportion) of the votes of all shareholders or not less than three hundred (or, where a lesser number is prescribed in the articles of incorporation, that number) votes of all shareholders may demand that the directors include certain matters in the purpose of the shareholders’ meeting. In those cases, that demand shall be submitted no later than eight weeks (or, where a shorter period is prescribed in the articles of incorporation, that period or more) prior to the day of the shareholders’ meeting.

(3) *Rights to demand that directors include a proposal in a convocation notice*

Shareholders may demand that the directors, no later than eight weeks (or, where any period less than that is provided for in the articles of incorporation, that period) prior to the day of the shareholders' meeting, notify shareholders of the summary of the proposals which the demanding shareholders intend to submit with respect to the matters that are the purpose of the shareholders' meeting; however, for a company with board of directors, only shareholders holding consecutively for the preceding six months or more (or, where a shorter period is prescribed in the articles of incorporation, that period or more) not less than one hundredth (1/100) (or, where a lesser proportion is prescribed in the articles of incorporation, that proportion) of the votes of all shareholders or not less than three hundred (or, where a lesser number is prescribed in the articles of incorporation, that number) votes of all shareholders may make the demand.

(4) *Derivative action*

In a derivative action, shareholders are allowed to pursue the liability of directors *vis-à-vis* the company on its behalf. In addition to the recovery of the loss to the company, this system also functions as a deterrent against neglect of duties and wrongdoing by directors and other officers of the company. Shareholders who have held a share for six months or more (or, where a shorter period is prescribed in the articles of incorporation, that period or more) before taking action are entitled to require the company, in writing, to initiate an action to pursue the liability of directors, accounting adviser, statutory auditors, senior executive officers, accounting auditors, incorporators, directors and statutory auditors in the establishment procedure, and liquidators. However, if the action is intended for the unjust benefit of the plaintiff shareholder, or a third party, or to cause damage to the company, this does not apply. If the company does not take any action within sixty days of the request, the shareholder who made the request is entitled to initiate an action in pursuit of liability of the above people. If, by waiting sixty days, there is a likelihood of irrecoverable loss caused to the company, the shareholder may initiate an action straight away. Liability of directors can be capped (i) by a resolution of the general shareholders' meeting after the incident, or (ii) by the articles of incorporation in advance. However, if shareholders holding not less than three hundredths (3/100) (or, where a lesser proportion is prescribed in the articles of incorporation, that proportion) of the votes of all shareholders (excluding officers subject to the liability) state objections to such a cap during a specified period of time, the company shall not effect the exemption pursuant to those provisions of the articles of incorporation.

(g) Management/Corporate governance

(1) *The shareholders' meeting*

General

The shareholders' meeting is empowered to decide upon matters provided for in the Companies Act as well as all matters concerning the organisation, management, administration, etc. of the company. In companies with a board of directors, the general shareholders' meeting is empowered to decide only upon matters provided for in the Companies Act and in the articles of incorporation.

Annual shareholders' meeting

A company is required to convene an annual shareholders' meeting within three months after the end of each financial year.

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Convocation of a shareholders' meeting

Notice of convocation of a shareholders' meeting setting forth the time, place, purpose thereof and certain other matters set forth in the Companies Act and relevant ordinances, together with business report and financial results must be mailed to each shareholder having voting rights at least two weeks prior to the date set for such meeting. Such notice may be given to shareholders by electronic means, subject to the consent of the relevant shareholders. Further, certain items to be included in the business report and notes to financial results may be provided on the company's website, rather than mailed directly to individual shareholders pursuant to the provisions of its articles of incorporation.

Types of resolutions

There are the following types of resolution: an ordinary resolution (*futsu ketsugi*), a special resolution (*tokubetsu ketsugi*), and a qualified special resolution (*tokushu ketsugi*).

In an ordinary resolution (*futsu ketsugi*), the resolution shall be made by a majority of the voting rights of the shareholders present who are entitled to exercise their voting rights. Shareholders representing more than half of the votes need to be present. Quorum can be set by the articles of incorporation. In a resolution to appoint or dismiss directors, statutory auditors, etc., even by the articles of incorporation, the quorum cannot be set below one third.

In a special resolution (*tokubetsu ketsugi*), the resolution shall be made by a majority of two thirds (where a higher proportion is provided for in the articles of incorporation, that proportion) or more of the votes of the shareholders present at the meeting where the shareholders holding a majority (where a proportion of one third or more is provided for in the articles of incorporation, that proportion or more) of the votes of the shareholders entitled to exercise their votes at the shareholders' meeting are present. A special resolution is required in certain matters, including:

- reverse stock split;
- issuance of new shares at a particularly favourable subscription price;
- issuance of share acquisition rights at a particularly favourable subscription price or particularly favourable conditions;
- distribution of dividend in kind without giving shareholders the rights to demand distribution in cash;
- acquisition at any time within two years after the incorporation of the company of assets that existed prior to such incorporation and which continue to be used for its business (*Jigo-Seturitu*);
- merger;
- corporate split;
- share exchange and share transfer;
- assignment of the entire business or a significant part of the business; and
- dissolution of the company.

TRANSACTIONS REQUIRING SHAREHOLDER APPROVAL UNDER THE COMPANIES ACT

	Type of Transaction	Required Resolution	Quorum Requirement
Shareholders Approval Transaction	Certain corporate acts such including: (i) Distribution of surplus (Article 454 of the Companies Act); (ii) repurchase of shares (Article 156(1) of the Companies Act); (iii) reduction of the amount of stated capital (Article 447(1) of the Companies Act); (iv) Reduction of the amount of reserves (Article 448(1) of the Companies Act); (v) Increase of the amount of stated capital by way of reduction of the amount of surplus (Article 450 of the Companies Act); (vi) Increase of the amount of reserves by way of reduction of the amount of surplus (Article 451); and (vii) Appropriation of its surplus, including disposition of loss and funding of voluntary reserves (Article 356(1) of the Companies Act).	An ordinary resolution, to be passed by a majority vote of shareholders entitled to exercise votes at a general meeting.	Shareholders holding a majority of the votes (of those entitled to vote) at a general meeting.
Special Shareholders Approval Transaction	<p>The following transactions constitute special shareholders approval transactions:</p> <p>(i) Acquisition at any time within two years after the incorporation of the company of assets that existed prior to such incorporation and continues to be used for its business (<i>Jigo-Seturitu</i>) (Article 467(1)(v) of the Companies Act);</p> <p>(ii) Merger (absorption by another company) (Article 783(1), 795(1), 804(1) of the Companies Act);</p> <p>(iii) Corporate split (separation of an existing company into two constituent parts)(Article 783(1), 795(1), 804(1) of the Companies Act);</p> <p>(iv) Share exchange and share transfer (acquisition of the entire issued share capital of a target company in exchange for shares in a target company) (Article 783(1), 795(1), 804(1) of the Companies Act); and</p> <p>(v) Assignment of entire business or significant part of business (Article 467(1), (2) of the Companies Act)¹.</p>	A special resolution, to be passed by no less than a two-thirds majority vote of shareholders entitled to exercise votes at a general meeting.	Shareholders holding a majority of the votes (of those entitled to vote) at a general meeting.

	Type of Transaction	Required Resolution	Quorum Requirement
	<p>In addition, certain corporate acts including the following constitute special shareholders approval transactions: (i) Reverse stock split (Article 180(2) of the Companies Act); (ii) Issuance of new shares at unfair subscription price (Article 199(2), (3) of the Companies Act); (iii) Issuance of share acquisition rights at unfair subscription price or unfair conditions (Article 238(2), (3) of the Companies Act); (iv) Distribution of dividend in kind without giving shareholders the rights to demand distribution in cash (Article 454(4) of the Companies Act); (v) Dissolution of the company (Article 471(iii) of the Companies Act).</p>		
Special Particular Shareholders Approval Transaction	<p>Mergers or share transfers involving the restructuring of the shares of a company such that they contain transfer restrictions, and amendments to a company's articles of incorporation to install pre-emption rights or other transfer restrictions constitute special shareholders approval transactions.</p>	<p>A special particular resolution passed by no less than a two thirds majority vote of shareholders entitled to exercise votes at a general meeting.</p>	<p>At least half or more of the shareholders who are entitled to exercise their votes at a general meeting.</p>
Unanimous Shareholders Approval Transaction	<p>The following corporate acts constitute unanimous shareholders approval transactions: (i) Amendments to the articles of incorporation reclassifying all of the shares of the Company into shares subject to a statutory call option of the company (similar to redeemable shares) (Article 110 of the Companies Act); (ii) Amendments to the articles of incorporation restricting certain shareholders from being entitled to require the company to purchase their shares on a share repurchase (Article 164(2) of the Companies Act); (iii) Conversion to unlimited commercial partnership, limited commercial partnership company or limited liability partnership company (Article 776(1) of the Companies Act); and (iv) Merger or share transfers in which all or part of consideration to the shareholders of a company to be absorbed or wholly acquired is the equity of an unlimited commercial partnership, limited commercial partnership company or limited liability partnership company (Article 783(2) of the Companies Act); and (v) Incorporation type merger in which each of unlimited commercial partnership, limited commercial partnership company or limited liability partnership company will be established.</p>	<p>A special particular resolution passed unanimously by the shareholders of the Company.</p>	<p>None.</p>

1 In addition, with respect to assignments of business, if a business assignee, together with its wholly-owned entity(ies), if any, holds 90% or more of the aggregate number of voting rights of a business assignor, approval at a shareholders' meeting of business assignor is not required.

In a qualified special resolution (*tokushu ketsugi*), the resolution shall be made by (i) a majority (where a higher proportion is provided for in the articles of incorporation, that proportion) or more of the shareholders entitled to exercise their votes at the shareholders' meeting, being a majority of two thirds (where a higher proportion is provided for in the articles of incorporation, that proportion) or more of the votes of the shareholders, or (ii) half or more (where a higher proportion is provided for in the articles of incorporation, that proportion or more) of all shareholders, being a majority equating to three quarters (where a higher proportion is provided for in the articles of incorporation, that proportion) or more of the votes of all shareholders. Resolutions which require a type (i) qualified special resolution include the resolution to introduce restraints on transfer of shares. A type (ii) qualified special resolution is for the resolution to introduce or change differential treatment of shareholders with respect to distribution of surplus or residual assets, or voting rights, of a company whose articles of incorporation provides a transfer restriction on all of its shares. There are also cases where all shareholders' consent is required, for example, where the liability of directors, statutory auditors, etc. *vis-à-vis* the company is discharged.

(2) Directors and the board of directors

General

It is mandatory for each company to have a director. Public companies, companies with three committees, and companies with a board of statutory auditors must have a board of directors. In these companies, there must be at least three directors.

Appointment

Directors are appointed at the general shareholders' meeting. Shareholders representing over one-third of the votes need to be present, and an ordinary resolution of shareholders' meeting is required. The same applies to dismissals of Directors. When the appointment of two or more directors is on the agenda, shareholders may propose resorting to the cumulative voting system, but this can be excluded by the articles of incorporation. In almost all listed companies, it is excluded.

Term of office

The term of office of a director terminates at the close of the general meeting of shareholders relating to the last fiscal year ending within two years from the election of the director. However, such term may be shortened by the articles of incorporation or a resolution of a general meeting of shareholders.

Qualifications of directors

Certain persons such as a juridical person may not become a director of a company. However, a public company may not limit the qualifications of directors by requiring such directors to be one of its shareholders.

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Dismissal

Directors can be dismissed any time at the general shareholders' meeting by an ordinary resolution. In companies that issued shares with a veto right regarding the dismissal of directors, such dismissal must also be approved at the meeting of shareholders of this class. In companies with shares to appoint a certain number of directors, dismissal of such directors so appointed requires the approval of this class of shareholders.

Remuneration

Financial benefits received from a company as consideration for the execution of duties, such as compensation and bonuses of directors shall be determined by a resolution of the shareholders' meeting. The total amount of the directors' compensation may be determined by the resolution of a shareholders' meeting and each director's compensation may be determined by the board of directors or a director who has been authorised to determine it.

Relationship with the company

There is a mandate relationship between the company and the officers (the directors, the accounting adviser, and statutory auditors). As such, directors and others have a duty to act as good managers. Directors owe a fiduciary duty *vis-à-vis* the company: i.e., the duty to comply with the law, articles of incorporation, and the resolutions of the general shareholders' meeting, and loyally carry out their duties.

Exemption of liability

If a director shall be liable to a company for damages arising as a result of neglect of his/her duties, there are some measures of indemnity available to directors under the Companies Act:

- an exemption from liability may be given with the consent of all shareholders; or
- a partial exemption from liability may be given by a resolution of the board of directors if the relevant director acted without knowledge and was not grossly negligent in performing his/her duties by a provision of the articles of incorporation.

In addition, a company may enter into an agreement with an external director to the effect that liability for damages shall be limited to a certain amount within the amount prescribed by the Companies Act.

Conflict of interest

In the following cases, directors must disclose all the material facts regarding the transactions to the board of directors and seek its approval:

- effecting a transaction within the area of business of the company for himself or for the benefit of a third party.
- effecting a transaction with the company for himself or for the benefit of a third party.

- effecting a transaction on behalf of the company with a third party in cases where there is a conflict of interests between the company and the director, such as in cases where the company guarantees the debt of the director to a lender.

Upon execution of the transaction, the director executing the transaction shall also report promptly the material information regarding such transaction to the board of directors.

Corporate Representative

The board of directors must appoint representative directors from among the directors. Representative directors are empowered to carry out all judicial and extra-judicial acts involving the business of the company.

In companies with three committees within the board of directors, instead of representative directors, there are executive officers (*shikkō-yaku*) who are appointed by the board of directors, but not necessarily from among the directors, and representative executive officers who are appointed by the board of directors from among executive officers to represent the company. Executive officers make decisions on the matters delegated to them by the decision of the board of directors, and execute the business of the company.

Role of directors

The role of directors differs in companies with a board of directors and without a board of directors. In companies with a board of directors, only the representative director and other directors selected by the board of directors execute the business of the company, while in companies without a board of directors, directors execute the business of the company. In companies with three committees within the board of directors, directors, as a rule, do not execute the business of the company. The board of directors in those companies is intended to perform a supervisory role.

Powers of the board of directors

The board of directors (except in companies with three committees within the board of directors) has the power to:

- determine the execution of the business of the company;
- supervise the carrying out of duties by directors; and
- appoint and dismiss representative directors.

Matters which fall within exclusive jurisdiction of the board of directors (decision-making in significant matters involving the execution of business) include the following:

- disposal or acquisition of significant assets;
- borrowing of a large amount;
- appointment and dismissal of important employees;
- establishment, change, and abolition of branches and other organisational units;
- significant matters involving the issuing of bonds; and

- introduction of a system to ensure compliance of directors carrying out duties with the law and the articles of incorporation.

(3) Statutory auditors and board of statutory auditors

General

Companies with a board of directors (except for companies with three committees) must have a statutory auditor. In addition, large companies must have a board of statutory auditors comprised of three or more statutory auditors.

Statutory auditors

Statutory auditors are appointed and dismissed by the general shareholders' meeting. However, in order to dismiss a statutory auditor, a special resolution of the shareholders' meeting is required.

The term of office of a statutory auditor terminates at the close of the general meeting of shareholders relating to the last fiscal year ending within four years from the election of the statutory auditor. However, such term may not be shortened even by the articles of incorporation.

Statutory auditors are responsible for auditing the executive actions of the directors, including ensuring the continuance of a sound corporate governance system, and additionally they have broad authority to oversee the company's audit functions, including: independently reviewing corporate documentation and financial statements; sharing information with, co-ordinating with and interviewing the accounting auditors; and dealing with any issues arising from the company's audit. In order to fulfill such responsibilities, the statutory auditors are given various authorities, such as the right to request that directors report to them regarding the company's business, the right to investigate the company's business and assets, and the right to demand that directors cease certain acts which are outside the scope or the purpose of the company, in violation of laws and regulations, or the articles of incorporation, if such acts are likely to cause substantial detriment to the company.

The Companies Act provides exemptions from liability for statutory auditors similar to those available to directors.

The compensation and other benefits for statutory auditors are determined by a resolution of a shareholders' meeting.

Board of statutory auditors

The board of statutory auditors functions to facilitate the conduct by the statutory auditors of their duties and enables them to share information, allocate responsibilities among themselves and to determine auditing policy and their methods of investigation. In addition the board of statutory auditors is given the authority to consent to the appointment of statutory auditors and accounting auditors, and is required to prepare audit reports which are subject to inspection by shareholders and creditors. More specifically, the board of statutory auditors receives explanations from the company's accounting auditors on the company's annual auditing plan and other matters based on the annual audit report, when financial statements for the second quarter and full fiscal year are prepared.

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The board of statutory auditors elects full-time statutory auditors from among its members.

(h) Accounting and auditing requirements

Regulation of accounting in the Companies Act is intended to (i) set the limit for paying out surplus; and (ii) provide information on the financial state of the company to creditors and shareholders.

Companies must prepare accurate accounting documents in a timely manner and keep them for ten years. Accounting must comply with the “practice of corporate accounting which is generally accepted as fair and appropriate.”

Companies are mandated to prepare financial statements and other documents for each financial year. These are:

- a balance sheet;
- a profit and loss report;
- a report on the changes of the amount of share capital during the financial year; and
- a business report.

Financial statements are subject to the audit of statutory auditors and accounting auditors when it has accounting auditors, and approval of the board of directors. They are then submitted to the general shareholders’ meeting for the approval of shareholders (in the case where the company has an accounting auditor and fulfills certain requirements, the financial statement is not required to be approved by a shareholders’ meeting and is required to be reported only.).

The Companies Act mandates large companies which are subject to the obligation to submit annual securities reports according to the FIEA to prepare consolidated financial statements.

(i) M&A (Mergers, corporate split, share exchange, share transfer, business transfers and business assumption)

(1) Mergers (gappei)

Absorption type mergers (*kyushu gappei*) and new incorporation type mergers (*shinsetsu gappei*) are the two types of mergers available under the Companies Act. An absorption type merger is a merger whereby an existing company absorbs one or more other existing companies, while a new incorporation-type merger is a merger whereby a new company is incorporated to absorb one or more existing companies.

The company must seek a special resolution (which will pass if (1) shareholders having 1/3 or more of outstanding shares of the Company vote at the shareholders meeting, and (2) 2/3 or more voting shareholders approve the transaction under the Companies Act and the Articles of the Company at the general shareholders meeting if it conducts a merger, unless:

- (i) the company is the surviving entity in relation to the merger and the consideration to be paid to the shareholders of the counterparty (absorbed entity) is 20% or less of the net asset of the company,
- (ii) the company has 90% or more of the outstanding shares of the counterparty, or
- (iii) the counterparty has 90% or more of the outstanding shares of the company.

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Shareholders who are opposed to the planned merger are entitled to require the respective company to purchase their shares at a fair price. Shareholders who have voting rights and have informed the company of their objection before the general shareholders' meeting and have voted against the merger, or shareholders who do not have voting rights, may exercise these rights. The appraisal right must be exercised within twenty days before the date the merger takes effect and the day before this date.

Since creditors may be affected by the merger, there is a procedure for the protection of creditors. The merging companies are under an obligation to publicly announce the merger in the official gazette and also to invite known creditors to come forward, if they object to the merger. By the articles of incorporation, companies may decide not to notify known creditors individually, but instead make an announcement in the daily papers, or notify the creditors by electronic means, in addition to the announcement in the official gazette.

If a creditor objects to the merger, the company needs to either (i) repay the debt even if it is not due, (ii) instead, provide collateral, or (iii) deposit an appropriate amount with a trust company or banks involved in trust business. However, the novelty since the 1997 amendments is that if there is no likelihood of the merger harming the creditors, these measures are not required.

Under the Companies Act, it has become permissible to use the stock of the parent of the surviving company as consideration in an acquisition or disposal, thereby enabling triangular mergers.

In mergers by setting up a new company, the merger takes effect by registration. In mergers by absorption, the rights and obligations of the extinguishing company are transferred to the surviving company in a comprehensive manner on the agreed date on which the merger takes effect.

Japanese law requires that certain general information is included in a convocation notice for an extraordinary shareholders' meeting ("**EGM**"), as well as certain other information, the content of which depends on the transaction(s) that is (or are) being contemplated. Regardless of the nature of the transaction any convocation notice must include (i) the date of the EGM; (ii) the place of the EGM and (iii) a list of matters to be resolved at the EGM.

In addition to the general content requirements for convocation notices noted above, for convocation notices which relate to gaining consent for merger contracts, the convocation notice must include the following key content requirements: (i) the reason for the proposed merger; (ii) the terms and conditions of the merger contract, (iii) the appropriateness of the consideration to be paid or received; (iv) the counterparty's financial documents (balance sheet / profit and loss statement / business report / auditor's report) of the latest financial year and (v) the counterparty's material subsequent events after the end of the latest financial year.

(2) *Corporate split (kaisha bunkatsu)*

A corporate split is a process whereby a stock company or a limited liability company (*godo kaisha*) transfers all or part of the rights and obligations pertaining to a certain division of the company to another existing company or a newly established company. The separation of rights and obligations pertaining to a division of such a company to an existing company is called *kyushu bunkatsu* (absorption type corporate split), while the separation of rights and obligations pertaining to a division of such a company to a newly established company is called *shinsetsu bunkatsu* (new incorporation type corporate split). In each type of corporate split, as consideration for the separation of rights and obligations, the separating company will issue or pay shares, bonds, share acquisition rights, cash or other assets to the other company.

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In a new incorporation type corporate split or an absorption type corporate split, the procedure is (i) the preparation of a plan for the split, or a contract of split; (ii) the making available of relevant documents for inspection; (iii) the approval by a general shareholders' meeting, (iv) the procedure for the protection of creditors; and (v) registration.

The plan or the contract of a split must be made available for inspection by shareholders and creditors in the same manner as mergers. The plan or the contract is subject to approval at the general shareholders' meeting of the splitting company and, in cases of spin-off to another existing company, also by shareholders of that company by a special resolution of a shareholders' meeting. Shareholders who are opposed to the split are granted an appraisal right as with a merger. The procedure for the protection of creditors of those companies is also available.

The company must seek a special resolution at the general shareholders' meeting if it conducts a corporate split unless:

- (i) the "corporate split" results in an establishment of a new company, and the company is the splitting entity in relation to the corporate split, and the net assets to be transferred are 20% or less of the total assets of the company,
- (ii) the "corporate split" results in a consolidation with an existing company, and the company is the splitting entity in relation to the corporate split, and the net assets to be transferred is 20% or less of the total asset of the company,
- (iii) the "corporate split" results in a consolidation with an existing company ("Merging Entity"), and the company is the Merging Entity, and the consideration to be paid to the counterparty (splitting entity) in relation to the corporate split is 20 or less of the net asset of the company,
- (iv) the "corporate split" results in a consolidation with an existing company, and the company has 90% or more of the outstanding shares of the counterparty, or
- (v) the "corporate split" results in a consolidation with an existing company, and the counterparty has 90% or more of the outstanding shares of the company.

As a rule, rights and obligations of the splitting company are transferred either to the newly established company or to the absorbing company. This also applies to employment contracts.

Japanese law requires that certain general information is included in a convocation notice for an EGM, as well as certain other information, the content of which depends on the transaction(s) that is (or are) being contemplated. Regardless of the nature of the transaction any convocation notice must include (i) the date of the EGM; (ii) the place of the EGM and (iii) a list of matters to be resolved at the EGM.

In addition to the general content requirements for convocation notices noted above, for convocation notices which relate to gaining consent for corporate splits, the convocation notice must include the following key content requirements: (i) the reason for the proposed corporate split; (ii) the terms and conditions of the corporate split contract or plan; (iii) the appropriateness of the consideration to be paid or received, (iv) the counterparty's financial documents (balance sheet / profit and loss statement / business report / auditor's report) of the latest financial year; (v) the counterparty's material subsequent events after the end of the latest financial year and (vi) the articles of incorporation, directors, statutory auditors and accounting auditor of the newly-established corporation.

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(3) *Share exchange (kabushiki kokan) and share transfer (kabushiki iten)*

A share transfer (*kabushiki iten*) is a transaction whereby one or more companies create a new company and transfer all of their outstanding shares to that new company (i.e., creation of a newly incorporated company as their 100% parent) in return for shares, bonds, share acquisition rights, bonds with share acquisition rights or other assets of the new company.

A share exchange (*kabushiki kokan*) is a transaction whereby a stock company transfers all of its outstanding shares to an existing stock company or a limited liability company (*godo kaisha*) (i.e., conversion of an existing stock company to a wholly-owned subsidiary of another existing stock company or limited liability company (*godo kaisha*)) in return for shares, bonds, share acquisition rights, bonds with share acquisition rights or other assets of the company that will become a new parent of such stock company.

The company must seek a special resolution at the general shareholders' meeting if it conducts a share exchange unless:

- (i) the company is the squeezing entity in relation to the share exchange and the consideration to be paid to the shareholder of the counterparty (target entity) is 20% or less of the net assets of the company,
- (ii) the company has 90% or more of the outstanding shares of the counterparty, or
- (iii) the counterparty has 90% or more of the outstanding shares of the company.

The company must seek a special resolution at the general shareholders' meeting if it conducts a share transfer.

Japanese law requires that certain general information is included in a convocation notice for an EGM, as well as certain other information, the content of which depends on the transaction(s) that is (or are) being contemplated. Regardless of the nature of the transaction any convocation notice must include (i) the date of the EGM; (ii) the place of the EGM and (iii) a list of matters to be resolved at the EGM.

In addition to the general content requirements for convocation notices noted above, for convocation notices which relate to gaining consent for share exchange contracts, the convocation notice must include the following key content requirements: (i) the reason for the proposed share exchange; (ii) the terms and conditions of the share exchange contract; (iii) the appropriateness of the consideration to be paid or received, (iv) the counterparty's financial documents (balance sheet / profit and loss statement / business report / auditor's report) of the latest financial year and (v) the counterparty's material subsequent events after the end of the latest financial year.

Further, in addition to the general content requirements for convocation notices noted above, for convocation notices which relate to gaining consent for share transfer plans, the convocation notice must also include the following key content requirements: (i) the reason for the proposed share transfer plan; (ii) the terms and conditions of the share transfer; (iii) the company's financial documents (balance sheet / profit and loss statement / business report / auditor's report) of the latest financial year; (iv) the company's material subsequent events after the end of the latest financial year and (v) the articles of incorporation, directors, statutory auditors and accounting auditor of the newly-established corporation.

(4) *Business transfer (jigyo joto)*

A business transfer (*jigyo joto*) is a transaction whereby a stock company transfers all or a portion of its "business" (*jigyo*) to another entity. According to the judicial precedents, the term

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“business” (*jigyo*) is regarded to mean “a combination of assets and liabilities organised for a certain commercial purpose including a contractual relationship with its customers.” Based on this standard, bare assets which do not by themselves constitute business operations are not regarded as “business” (*jigyo*).

The contract by a stock company to transfer all of or a significant portion of its “business” (*jigyo*) to another entity is subject to the special resolution of a shareholders’ meeting unless;

- (i) the consideration to be paid by the transferee to the stock company is 20 % or less of the total assets of the stock company, or
- (ii) the transferee has 90% or more of the outstanding shares of the stock company.

Shareholders who opposed to the business transfer (*jigyo joto*) are given appraisal rights.

Japanese law requires that certain general information is included in a convocation notice for an EGM, as well as certain other information, the content of which depends on the transaction(s) that is (or are) being contemplated. Regardless of the nature of the transaction any convocation notice must include (i) the date of the EGM; (ii) the place of the EGM and (iii) a list of matters to be resolved at the EGM.

In addition to the general content requirements for convocation notices noted above, for convocation notices which relate to gaining consent for business transfers, the convocation notice must include the following key content requirements: (i) the reason for the proposed business transfer; (ii) the terms and conditions of the business transfer contract and (iii) the appropriateness of the consideration to be received.

(5) Business assumption (jigyo yuzuriuke)

A business assumption (*jigyo yuzuriuke*) is a transaction whereby a stock company assumes all or a portion of its “business” (*jigyo*) from another entity. According to the judicial precedents, the term “business” (*jigyo*) is regarded to mean “a combination of assets and liabilities organised for a certain commercial purpose including a contractual relationship with its customers.” Based on this standard, bare assets which do not by themselves constitute business operations are not regarded as “business” (*jigyo*).

The contract by a stock company to assume all of the “business” (*jigyo*) from another entity is subject to the special resolution of a shareholders’ meeting unless;

- (i) the consideration to be paid by the stock company to the transferor is 20 % or less of the net assets of the stock company, or
- (ii) the transferor has 90% or more of the outstanding shares of the stock company.

Shareholders who opposed to the business assumption (*jigyo yuzuriuke*) are given appraisal rights.

Japanese law requires that certain general information is included in a convocation notice for an EGM, as well as certain other information, the content of which depends on the transaction(s) that is (or are) being contemplated. Regardless of the nature of the transaction any convocation notice must include (i) the date of the EGM; (ii) the place of the EGM and (iii) a list of matters to be resolved at the EGM.

In addition to the general content requirements for convocation notices noted above, for convocation notices which relate to gaining consent for business assumptions, the convocation notice must include the following key content requirements: (i) the reason for the proposed business assumption; (ii) the terms and conditions of the business assumption contract and (iii) the appropriateness of the consideration to be paid.

(j) Financing of companies

Other than borrowing, companies may take measures to finance themselves as follows.

(1) Issuance of new shares

The issuance of shares and the disposal of treasury shares are covered in the same section of the Companies Act as the offering of shares. When offering newly-issued shares or treasury shares that are being disposed of, either to the public or a third party, a company is required to determine the following:

- the number of offered shares;
- the price to be paid or the method of calculating it;
- if there is an in-kind contribution, the content of the contribution and its value;
- the date or period of payment; and
- matters related to the increase of the capital and capital reserve when issuing shares.

These matters need to be decided at the general shareholders' meeting, but this can be delegated to the board of directors by a special resolution of a shareholders' meeting. In such cases, the maximum number of shares to be issued or disposed and the minimum amount of payment need to be determined. In public companies, the above matters can be determined by the board of directors. However, this does not apply when the shares are issued or disposed of at an especially favourable price to the subscribers (whether or not a price is "especially favourable to the subscribers" is determined based on a reasonable balance between the interests of the company's existing shareholders and its own interest in achieving effective capital financing, considering various factors including: the company's share price prior to the date when the issue price is set; volatility of that share price; past trading volumes in the company's shares; the company's financial condition, profitability and level of dividends; the number of the company's issued shares and the number of new shares to be issued; trends in stock market conditions; and the estimated potential of the market to absorb these new shares, according to precedent court case (Supreme Court, 8 April 1975)). In such case, a special resolution of the shareholders' meeting is required.

If the issuance of shares or the disposal of treasury shares is against the law or the articles of incorporation or was substantially unfair, shareholders are entitled to seek an injunction. Shareholders are also entitled to contest the validity of the issuance. In order to ensure the above rights of shareholders, where a public company offers shares to the public or a third party, the offer has to be publicised, or notified to shareholders at least two weeks prior to the date of paying in.

There are three types of issuances of new shares, depending on the allocation of newly-issued shares: (i) an allotment to shareholders, (ii) an allotment to a specified third party, and (iii) a public offer. The Board of Directors is entitled to decide to adopt either of the three methods above at its discretion.

In the case of an allotment to shareholders, upon resolution of the Board of directors to give, at its discretion, existing shareholders the right to subscribe newly-issued shares in proportion to

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shareholding ratio. In the case of an allotment to a specified third party, shares may be offered to a specific third party. The party to whom the shares are to be allocated can be determined by the board of directors. In a public offer, newly-issued shares are offered to many unspecified people. The shares are underwritten by securities firms.

(2) Issuance of bonds

The Companies Act defines a bond as any monetary claim owed by a company by allotment under the provisions of the Companies Act and which will be redeemed in accordance with the provisions on the matters listed in the items of the Companies Act.

There are straight bonds and bonds with share acquisition rights. The latter are bonds with share acquisition rights which are inseparable from the bond itself.

In cases where a company will issue bonds, the company must specify a bond manager and entrust the receipt of payments, the preservation of rights of a claim on behalf of the bondholders, and other administration of the bonds to that manager, unless the value of each bond is ¥100 million or more, or the total amount of the bonds divided by the minimum price of the bond is less than 50.

(k) Amendment of Articles of Incorporation

A company may amend its articles of incorporation by a special resolution of a shareholders' meeting, as a rule.

(l) Inspection of corporate records

(1) Shareholder registry

A company shall keep the shareholder registry at its head office (or, in cases where there is a shareholder registry administrator, at its business office). Shareholders and creditors may make a request to inspect or copy the shareholder registry at any time during the company's business hours by giving reasons. The company is not entitled to refuse the request unless (i) the shareholder or creditor makes this request to pursue goals other than the investigation for the protection or exercise of his or her rights, (ii) the shareholder or creditor makes this request to obstruct the company's execution of business and to harm the joint interests of shareholders, (iii) the shareholder or creditor is in a business substantially in concurrence with the company, or is involved in the business, (iv) the shareholder or creditor makes the request in order to report facts to third parties for profit, knowledge of which is acquired by inspecting or copying the shareholder registry, or (v) the shareholder or creditor is a person who has reported facts, knowledge of which was acquired by inspecting or copying the shareholder registry, to third parties for profit during the last two years.

If it is necessary in order to exercise the rights of a member of the parent company of a company, he or she may, with the court's permission, make the request stated above with respect to the shareholder registry. In such cases, the reasons for the request shall be disclosed.

(2) Accounting documents

Shareholders who have 3% (or, where a lesser proportion is prescribed in the articles of incorporation, that proportion) or more of the voting rights in the company, or of the issued shares are entitled to inspect and make a copy of the accounting documents by giving reasons. The company is not entitled to refuse the request unless (i) the shareholder makes this request to pursue goals other than the investigation for the protection or exercise of his or her rights, (ii) the shareholder makes this request to obstruct the company's execution of business and to harm the

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joint interests of shareholders, (iii) the shareholder is in a business substantially in concurrence with the company, or is involved in the business, (iv) the shareholder makes the request in order to report facts which he/she learns by inspecting or copying the account books or materials relating thereto to third parties for profit, or (v) the shareholder is a person who has reported facts which he/she has come to learn by inspecting or copying the account books or materials relating thereto to third parties for profit during the last two years.

If it is necessary in order to exercise the rights of a member of the parent company of a company, he or she may, with the court's permission, make the request stated above with respect to the account books or materials relating thereto. In those cases, the reasons for the request shall be disclosed.

(3) Commercial register

A stock company is required to register certain matters such as (i) the purpose of the company, (ii) its trade name, (iii) the location of the company, (iv) its share capital, (v) the total number of authorised shares, (vi) the details of shares, (vii) the the number of share unit (if any), (viii) the total number of issued shares, (ix) the name, address and business office of the administrator of the shareholder registry (if any), (x) the matters regarding share acquisition rights, (xi) the names of directors, (xii) the names and addresses of representative directors, (xiii) if the company is a company with a board of directors, a company with accounting auditors, a company with statutory auditors, and/or a company with a board of statutory auditors, a statement to that effect, (xiv) if there are provisions in the articles of incorporation with regard to exemptions from liability of directors, accounting advisers, statutory auditors, executive officers or accounting auditors, such provisions of the articles of incorporation, (xv) there are provisions in the articles of incorporation with regard to the agreements for the limitation of liabilities assumed by outside directors, accounting advisers, outside statutory auditors or accounting auditors, such provisions of the articles of incorporation, (xvi) the URL for disclosure of certain information to be included in financial statements, and (xvii) the matters regarding public notice. In addition to the above, certain corporate actions such as acquisitions and disposals are also registered.

Anyone may inspect the commercial register at the legal affairs bureau having jurisdiction over the company.

(m) Dissolution and liquidation

(1) Dissolving

Under the Companies Act, a company may adopt to dissolve itself by a special resolution at a shareholders' meeting. Upon dissolution of the company, its director(s) will cease to serve in such directorial capacity and the former director(s) will become the liquidator(s) of the stock company by default, unless otherwise provided for in its articles of incorporation or determined by a resolution at the shareholders' meeting.

After the company is dissolved, it will continue to exist as a corporate entity. However, its sole purpose will be to liquidate itself. In other words, the dissolved company is not able to operate its business in the same manner as it did prior to the dissolution.

(2) Liquidation

Once the company is dissolved, it will then proceed to liquidate itself. Liquidation is a procedure for the company to wind-up its affairs and eventually cease to be a corporate entity. During this process, liquidators will act as representatives of the company, replacing such representatives who were the company's representative directors before the dissolution.

4. EXCHANGE CONTROL

The Foreign Exchange and Foreign Trade Act of Japan (Act No. 228 of 1949, as amended) and the cabinet orders and ministerial ordinances thereunder (collectively, the “**Foreign Exchange Act**”), govern certain matters relating to the issuance of equity-related securities by us and the acquisition and holding of shares of common stock by “exchange non-residents” and by “foreign investors” as hereinafter defined.

“Exchange non-residents” are defined under the Foreign Exchange Act as individuals who are not resident in Japan and corporations whose principal offices are located outside Japan. Generally branches and other offices of Japanese corporations located outside Japan are regarded as exchange non-residents, but branches and other offices located within Japan of non-resident corporations are regarded as residents of Japan. “Foreign investors” are defined to be (i) individuals not resident in Japan, (ii) corporations which are organized under the laws of foreign countries or whose principal offices are located outside Japan and (iii) corporations of which (a) 50% or more of the shares are held by (i) and/or (ii) above, (b) a majority of officers consists of non-resident individuals or (c) a majority of the officers having the power of representation consists of non-resident individuals. Under the Foreign Exchange Act, dividends paid on, and the proceeds of sales in Japan of, shares of common stock held by exchange non-residents in general may be converted into any foreign currency and repatriated abroad.

Under the Foreign Exchange Act, an acquisition of shares of a Japanese company listed on any Japanese stock exchange or traded on the over-the-counter market (“**OTC**”) in Japan, or the listed shares, by an exchange non-resident from a resident of Japan is generally not subject to a prior filing requirement.

In the case of a foreign investor acquiring listed shares (whether from a resident of Japan or an exchange non-resident, from another foreign investor or from or through a designated securities company) and as a result of such acquisition the number of shares held directly or indirectly by such foreign investor (including shares held by persons who agree to act in concert with such foreign investor in connection with the exercise of shareholders’ rights) would become 10% or more of our total issued shares, such acquisition constitutes a direct inward investment and the foreign investor is required to make a subsequent report on such acquisition to the Minister of Finance and other Ministers having jurisdiction over the business of the subject company, or to the competent ministers by the 15th day of the month following the month containing the date of acquisition. If a foreign investor (possibly including HDR Holders) has failed to make a subsequent report or makes a false subsequent report, the foreign investor shall be punished by imprisonment with work for not more than 6 months or a fine of not more than ¥500 thousand. Also, in the case of a company, if the representative person of the company such as a director, or an agent, employee, or other worker of the company has failed to make a subsequent report or makes a false subsequent report with regard to the business or property of the company, the offender shall be punished by imprisonment for not more than 6 months or by a fine of not more than ¥500 thousand, and the company is liable to be punished by a fine of not more than ¥500 thousand. In certain exceptional cases, a prior filing is required and the competent ministers may recommend the modification or abandonment of the proposed acquisition and, if the foreign investor does not accept the recommendation, order its modification or prohibition. If a foreign investor (possibly including HDR Holders), without the prior filing, has made a share acquisition or prior filing containing a misstatement, the foreign investor shall be punished by imprisonment for not more than 3 years or by a fine of not more than ¥1 million, or both. Also, in the case of a company, if the representative person of the company such as a director, or an agent, employee, or other worker of the company, without the prior filing, has made a share acquisition or prior filing containing a misstatement with regard to the business or property of the company, the offender shall be punished by imprisonment for not more than 3 years or by a fine of not more than ¥1 million, or both, and the company is liable to be punished by a fine of not more than ¥1 million.

5. TAXATION

The discussion of Japanese taxation set forth below is intended only as a summary and does not purport to be a complete analysis or discussion of all the potential Japanese tax consequences for HDR Holders (evidencing HDSs representing shares of our common stock) who are non-resident individuals or non-Japanese corporations not having a permanent establishment in Japan (collectively referred to as “non-resident HDR Holders” in this section). As tax laws are frequently revised, the tax treatments described in this summary are subject to any future changes in applicable Japanese laws and/or double taxation conventions. This summary is not an exhaustive treatment of all possible tax considerations which may apply to specific investors under particular circumstances.

A non-resident HDR Holder is generally subject to a Japanese withholding tax on cash dividends. Split-up of shares and allotment of shares without consideration, in general, are not subject to Japanese withholding tax since they are characterised merely as an increase in the number of shares (as opposed to an increase in the value of the shares) from a Japanese tax perspective.

In the absence of any applicable treaty or agreement reducing the maximum rate of withholding tax, the standard rate of Japanese withholding tax applicable to dividends paid by Japanese corporations to non-resident HDR Holders is generally 20%. However, with respect to dividends paid on HDRs representing listed shares issued by a Japanese corporation to non-resident HDR Holders, except for any individual HDR Holder who holds 5% or more of the shares issued by the relevant Japanese corporation, the aforementioned standard 20% withholding tax rate is reduced to (i) 7% for dividends due and payable on or before December 31, 2011 and (ii) 15% for dividends due and payable on or after January 1, 2012.

The 2011 tax reform outline (“**2011 Tax Reform Proposals**”) which were approved by the Cabinet of the Japanese Government on December 16, 2010 has been discussed at the National Diet (as defined below) of Japan. Based on the 2011 Tax Reform Proposals, (a) the period when the reduced withholding tax rate of 7% applies is proposed to be extended from December 31, 2011 to December 31, 2013 and (b) the threshold of shareholding for the individual shareholders is proposed to be changed from 5% to 3%. However, whether or not the 2011 Tax Reform Proposals will be enacted by the National Diet is not predictable as of the date of this prospectus.

Japan has income tax treaties, conventions or agreements whereby the above-mentioned withholding tax rate is reduced. For Japanese tax purposes, a treaty rate generally supersedes the tax rate under domestic tax law. However, due to the so-called “preservation doctrine” under the respective tax treaties, and/or due to the Act on Special Measurement for the Income Tax Act, Corporation Tax Act and Local Taxes Act with respect to the Implementation of Tax Treaties (Act No. 46 of 1969, as amended), if the tax rate under domestic tax law is lower than the treaty rate (which is currently the case with respect to the respective tax treaties), the domestic tax rate applies. The Treaty was signed on November 9, 2010. However, the Treaty has not yet become effective as of the date of this prospectus. The Treaty will enter into force 30 days after both Japan and Hong Kong have ratified it (in Japan this will occur when the Treaty is approved by the legislature of Japan (the “**National Diet**”), and notified the other party of the completion of domestic ratification procedures. The Treaty will be effective, with respect to taxes withheld at source in Japan, for amounts taxable on or after January 1 in the calendar year following the year in which the Treaty becomes effective.

If the Treaty becomes effective, the Japanese withholding tax rate that applies to dividends payable to a beneficial owner of shares who is a Hong Kong resident will be reduced to 10%, provided that if the beneficial owner is a company that has directly or indirectly owned, for the

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six-month period ending on the date on which entitlement to the dividend is determined, at least 10% of the outstanding voting shares of the Japanese company that is paying the dividends, the tax rate will be reduced to 5%. As a general rule, a beneficial owner who is entitled to a reduced rate of Japanese withholding tax on payments of dividends is required to submit an Application Form for Income Tax Convention Regarding Relief from Japanese Income Tax on Dividends (together with other required forms and documents) in advance, through the withholding agent to the relevant tax authority before the payment of dividends. A beneficial owner who does not submit an application in advance will be entitled to claim a refund of withholding taxes withheld in excess of the rate under an applicable tax treaty, from the relevant Japanese tax authority by complying with certain subsequent filing procedures. A standing proxy for the beneficial owner may provide the application. The Treaty would apply to a non-resident HDR Holder who is a resident of Hong Kong if the Treaty becomes effective.

Gains derived from the sale outside Japan of HDSs of the Company by a non-resident HDR Holder are in general not subject to Japanese income or corporation taxes, except for any HDR Holder who substantially holds (i) 25% or more of the shares issued by the relevant Japanese corporation at any time during the taxable year of the sale or during two preceding years and (ii) transfers of 5% or more of the outstanding Shares within one taxable year.

Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired HDSs as a legatee, heir or donee even though neither the individual nor the deceased nor the donor is a resident of Japan.

6. TAKEOVER REGULATION IN JAPAN

Compulsory Takeover Bid

A takeover bid (*koukai kaitsume*) is regulated by the FIEA. If a party intends to purchase shares of companies that are required to submit annual security reports (including listed companies and OTC companies) or that issue specified listed securities, this must be done by public offering (as described below) in the following cases (with several exceptions):

- (i) If the purchase is made outside the stock exchange market (including the OTC security market) and, after the purchase, the aggregate voting rights held by a purchaser making a takeover bid (the “**takeover bidder**”) and the certain related persons of the takeover bidder divided by the total voting rights of the target company (“**Total Voting Ratio**”) exceeds 5%. An exception applies if the aggregate number of sellers in the contemplated share purchase and the sellers of shares to the takeover bidder outside the stock exchange market (“**Total Sellers**”) equals ten or less in the 60 days before the day the purchase is made.
- (ii) If the purchase is made outside the stock exchange market (including the OTC security market), the number of Total Sellers is ten or less and the Total Voting Ratio exceeds one-third after the purchase.
- (iii) If the Total Voting Ratio exceeds one-third after the purchase, and the purchase is made by the methods of purchase prescribed by the Prime Minister (including purchasing through Tokyo Stock Exchange Trading Network System (ToSTNeT) of the TSE and certain off-floor trading methods).
- (iv) If, within three months:
 - over 5% of the voting shares are purchased outside the stock exchange market (including the OTC security market) or by the methods of purchase prescribed by the Prime Minister mentioned above;

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- a total of over 10% of the voting shares are obtained through the purchase (including purchases described in the preceding bullet point) or the issuance of new shares; and
 - the Total Voting Ratio exceeds one-third after the purchase or the issuance.
- (v) If, during the period in which another party's public offering is made, a party, whose Total Voting Ratio before the purchase exceeds one-third, purchases over 5% of the voting shares.
- (vi) In other specified cases set out in the relevant cabinet order.

Procedures for Takeover Bid - Public Offering

The takeover bidder commences the takeover bid procedures by first providing public notice of the commencement of the takeover bid (*koukai kaitsuke kaishi koukoku*) and then filing the takeover bid registration statement (*koukai kaitsuke todokedesho*). The takeover bid registration statement sets forth each of the following: (i) the purpose of the acquisition, (ii) a description of negotiations related to the takeover bid, (iii) the floor offer price, (iv) an agreement with the target company and its directors, (v) information about the takeover bidder and the target company and (vi) any other information which would have a material effect on a shareholder's decision.

The takeover bidder solicits tenders from shareholders by delivering the takeover bid explanation statement (*koukai kaitsuke setsumeisho*) to them. On the other hand, the target company publicly announces its position for the takeover bid by filing the position statement report (*iken hyoumei houkokusho*) within ten (10) business days from the public notice for commencement of the takeover bid. When the target company puts questions to the takeover bidder in such position statement, the takeover bidder must file the report for responding to the questions (*tai shitsumon kaitou houkokusho*). The takeover bidder makes a public announcement of the results of the takeover bid on the day following the end of the offering period, files the takeover bid report (*koukai kaitsuke houkokusho*) and notifies the shareholders who tendered their shares for the takeover bid of such results. Finally the takeover bid is completed by exchanging the shares and the consideration on the settlement date.

Regulations of Terms of Takeover Bid

(i) Offer Price

As a general rule, the terms and conditions of a takeover bid (including the offer price) must be uniform for all shareholders of the target company. Other than this general rule, no price restrictions are imposed under the FIEA. In particular, there is no requirement to offer a premium over the market price (a discounted takeover bid is also possible).

(ii) Offering Period

An offering period must not be less than 20 business days or more than 60 business days. Within this range, the takeover bidder may extend the initial offering period. The target company may request to extend the offering period if the initial period is less than 30 business days, and if it does so, the offering period will automatically become 30 business days.

(iii) Cap and Floor on the Number of Shares

The takeover bidder may put a cap and/or a floor on the number of shares to be purchased in a takeover bid. If the number of shares tendered exceeds the cap, a pro-rata purchase from the tendered shareholders is required. However, if the Total Voting Ratio is two-thirds or more, the takeover bidder may not set a cap and must purchase all the shares tendered.

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(iv) Withdrawal of Takeover Bid

The takeover bidder is generally prohibited from withdrawing a takeover bid. However, if the takeover bidder stipulates in the public notice for commencement of the takeover bid and the takeover bid registration statement that it may withdraw the takeover bid if any important changes occur to the business or property of the target company or its subsidiary, or any other circumstances occur that would significantly impede the achievement of the purpose of the takeover bid, it may withdraw the takeover bid when such matters actually occur.

(v) Change in Terms of a Takeover Bid

Generally, the takeover bidder may only change the terms and conditions of a takeover bid when such changes are not unfavourable to shareholders of the target company. Decreasing an offer price, increasing a floor on the number of shares, decreasing a cap on the number of shares and shortening an offer period are all deemed to be changes that are unfavourable to shareholders and are therefore generally prohibited. However, for example, if the takeover bidder stipulates in the public notice for commencement of the takeover bid and the takeover bid registration statement that it may reduce the offer price when the target company conducts a share split or issues shares or stock acquisition rights to the existing shareholders for no value, it may reduce the offer price when such matters actually occur. The offering period should have at least 10 business days remaining after any change to the terms and conditions of a takeover bid, otherwise the offering period must be extended.

(vi) Prohibition of Purchase Outside a Takeover Bid

Generally, certain parties, including the takeover bidder, certain related persons of the takeover bidder and the securities company handling procedural matters for the takeover bid may not purchase shares of the target company outside the takeover bid during the offering period. However, for example, they may purchase the shares if the agreement for such purchase has already been disclosed in the public notice for commencement of the takeover bid and the takeover bid registration statement or if such purchase is made by the exercise of stock acquisition rights.

If a person (might include HDR Holders) has failed to submit a takeover bid registration statement, the person shall be punished by imprisonment for not more than 5 years or by a fine of not more than ¥5 million, or both, and in the case of a company, if the representative person of the company such as a director, or an agent, employee, or other worker of the company has failed to submit a takeover bid registration statement with regard to the business or property of the company, the offender shall be punished by imprisonment for not more than 5 years or by a fine of not more than ¥5 million, or both, and the company is liable to be punished by a fine of not more than ¥500 million. Also, if a person (might include HDR Holders) submits a takeover bid registration statement containing a misstatement, the person shall be punished by imprisonment for not more than 10 years or by a fine of not more than ¥10 million, or both, and in the case of a company, if the representative person of the company such as a director, or an agent, employee, or other worker of the company submits a takeover bid registration statement containing a misstatement with regard to the business or property of the company, the offender shall be punished by imprisonment for not more than 10 years or by a fine of not more than ¥10 million, or both, and the company is liable to be punished by a fine of not more than ¥700 million.

HDR Holders

In the event that a takeover bid is made to the Shares, each of the Shareholders (as defined in the Companies Act and the Book Entry Act) of the Company will be entitled to exercise their rights as Shareholders in respect of the takeover bid under the FIEA. Upon receiving notice of the

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takeover bid, HDR Holders will be entitled to exercise rights in respect of the takeover bid by instructing the Depository as to whether to take up the offer or not. Accordingly, the Depository would instruct the Custodian, as the holder of the shares underlying the HDRs, to act in accordance with the instructions of such HDR Holder(s). The Custodian will be a normal Shareholder of the Company holding the underlying shares in JASDEC and will be entitled to the same protections offered under Japanese law as any other Shareholder of the Company.

7. LARGE SHAREHOLDING REPORT

Disclosure Obligations

Persons who acquire title, or a call option, to equity securities including shares, SARs, bonds with SARs and similar securities issued or to be issued by a listed company (**equity securities**) representing more than 5% of the outstanding voting rights (**Large Volume Holder**), are required to submit a large shareholding report (**Large Shareholding Report**) in the form provided by the Cabinet Office Ordinance concerning Disclosure of Status of Large Volume Holding of Share Certificates (Ordinance of the Ministry of Finance No. 36 of 1990, as amended), to the director-general of the local finance bureau, and a copy thereof to the issuer of such equity securities and stock exchanges on which such shares are listed, within five (5) business days from the date on which such person has come to be a Large Volume Holder, pursuant to Article 27-23 of the FIEA. The Large Shareholding Report submitted by such Large Volume Holder must include (a) the identity of the Large Volume Holder and its joint holders (together, **Disclosing Parties**); (b) the purpose for acquiring such equity securities; (c) the number and ratio of equity securities held by the Disclosing Parties; (d) details of the transaction regarding equity securities within a 60 day period; (e) material contracts regarding equity securities; and (f) details of the funds used by the Disclosing Parties to acquire such equity securities.

If a material change in any of the matters disclosed in a Large Shareholding Report occurs or holdings of equity securities increase or decrease by 1% or more, the Large Volume Holder must submit an amendment to the Large Shareholding Report within five (5) business days of such change.

If a person has failed to submit a Large Shareholding Report or amendment thereto or submits such report or amendment containing a misstatement of material matters, that person is liable to be punished by imprisonment for not more than five (5) years or issued a fine of not more than five million Yen, or both, and they will be liable to pay to the national treasury a surcharge equivalent to 1/100,000 of the total market value of the shares.

Timing and Method of Disclosure

As mentioned above, Large Shareholding Reports and amendments thereto must be submitted within five (5) business days of the relevant person or entity becoming a Large Volume Holder, or on the occurrence of a material change or a change in their holding ratio of 1% or more, respectively. All Large Shareholding Reports and amendments thereto are required to be submitted through the EDINET (it is deemed by operation of law that a copy thereof is submitted to the stock exchange when such report is submitted through EDINET) and must be made available for public inspection for five (5) years by the stock exchanges upon which the company's securities are listed and by the FSA.

Further, with respect to institutional investors such as banks, trust companies and insurance companies, there are exceptional reporting rules under the FIEA. Institutional investors may elect to submit a Large Shareholding Report and amendment thereto in the simplified special form within five (5) business days after the record date (either the 2nd and 4th Monday (and 5th Monday, if any) of each month or the 15th day and the last day of each month) elected by such

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institutional investors. Such institutional investors must satisfy certain requirements such that the purpose of the institutional investors in obtaining the shareholding must not be to control the business of the company and the aggregate shareholding of the institutional investors and its joint holder must not exceed 10%, to use this exceptional reporting rule.

8. SALE-PURCHASE REPORT AND SHORT-SWING REGULATION

Under the FIEA each shareholder of a company having 10 % or more of outstanding voting rights (“**Major Shareholders**”) is subject to the following requirements and obligations:

(a) Sale-purchase Report (Article 163)

If a Major Shareholder sells or purchases (including derivative transactions with physical settlement or cash settlement) shares of a company, he/she is obliged to file a Sale-purchase Report setting forth details of such sale or purchase with the FSA by the 15th day of the month immediately following such sale or purchase. If a Major Shareholder (might include HDR Holders) fails to submit a report or submits a report containing a misstatement, the Major Shareholder shall be punished by imprisonment for not more than 6 months or by a fine of not more than ¥500 thousand, or both. Also, in the case of a company, if the representative person of the company such as a director, or an agent, employee, or other worker of the company has failed to submit a report or submits a report containing a misstatement with regard to the business or property of the company, the offender shall be punished by imprisonment for not more than 6 months or by a fine of not more than ¥500 thousand, or both, and the company is liable to be punished by a fine of not more than ¥500 thousand.

(b) Short-swing Regulation (Article 164)

If a Major Shareholder earns profits from either (i) purchase of the shares and sale of the shares conducted within a 6 month period, or (ii) sale of the shares and purchase of the shares conducted within a 6 month period, the company is entitled to make a claim for the profits from such purchase and sale or sale and purchase, as the case may be, (“**Profits**”) against the Officer or Major Shareholder. (Note: **purchase** and **sale** to include derivative transactions with physical settlements or cash settlements.)

Moreover, if the company does not make a claim for the Profits within 60 days after receipt of demand by a shareholder of the company, the shareholder may make a claim for the Profits against the Officer or Major Shareholder, as the case may be, on behalf of the company.

If the FSA considers that an Officer or Major Shareholder earned the Profits based on the Sale-purchase Report, the FSA will deliver the portion of the Sale-purchase Report, relevant to the Profits (“**Profit-related Document**”), to the Major Shareholder, and if he/she does not raise any objections on the basis of lack of sale or purchase as described in the Profit-related Document within 20 days, it will deliver the Profit-related Document to the company. The FSA will publicise the Profit-related Document 20 days after the delivery to the company.

(c) Short-selling Regulation (Article 165)

A Major Shareholder is prohibited from short-selling of the shares beyond the amount of the shares owned by such Major Shareholder.

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9. NOTIFICATION REQUIREMENT UNDER THE ANTI-MONOPOLY ACT

When a corporate investor (might include HDR Holders) that fulfils certain criteria, such as domestic turnover prescribed by the Anti-Monopoly Act, acquires shares (might include HDRs) exceeding 20% or 50% of voting rights, the corporate investor is required to file a report to the JFTC prior to such acquisition. For more information, see “Supervision and Regulation — Anti-Monopoly Act.”

10. DISCLOSURE OF MATERIAL TRANSACTIONS WITH RELATED PARTIES IN THE FINANCIAL STATEMENTS

Under the FIEA and the Regulation for Terminology, Forms and Preparation of Consolidated Financial Statements (the Ordinance of the Ministry of Finance No.28 of 1976), the notes to financial statements which are disclosed pursuant to the FIEA, must include the details of “material” transactions with related parties (“**Related Party Transactions**”), including any controlling shareholders.

The Related Parties of a Japanese company include:

- (a) the parent companies of the company;
- (b) the unconsolidated subsidiaries of the company;
- (c) corporations, etc. that have the same parent company as the company;
- (d) other related companies (meaning a corporation, etc. which, or the subsidiaries of which, are able to effect material influence on the company’s financial and operating or business decision, through its relationship on capital contribution, personnel affairs, finance, technology or transactions);
- (e) affiliated companies of the company (meaning a corporation, etc. whose financial and operating or business decisions could be materially influenced by the company or a subsidiary of the company through its relationship on capital contribution, personnel affairs, finance, technology or transactions);
- (f) major shareholders of the company (meaning a shareholder who holds voting rights exceeding 10 per cent. of the voting rights held by all the shareholders in the name of him/herself or another person) and their close relatives (meaning relatives within the second degree of kinship);
- (g) officers of the company and their close relatives;
- (h) officers of the parent companies of the company and their close relatives;
- (i) officers of the material subsidiaries of the company and their close relatives;
- (j) a corporation in which the majority of voting rights are held by any one of the persons prescribed in (f) through (i) for his/her own account, and the subsidiaries of such corporation; and
- (k) the corporate pension provider for the employees of the company.

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The items to be disclosed include:

- (a) in cases where the related parties are corporations, etc., the name, address, amount of capital stocks or contributions, content of business and the holding ratio of the voting rights that the company holds in the corporation, etc., or the holding ratio of the voting rights that the corporation, etc. holds in the company;
- (b) in cases where the related parties are individuals, the name, the occupation and the holding ratio of the voting rights that the related party holds in the company;
- (c) the relationship between the company and the related party;
- (d) the details of the transactions;
- (e) transaction amounts for each category of the transactions;
- (f) conditions of the transactions or policy of the determination thereof;
- (g) the balance, as of the end of a fiscal year, of the debts and credits generated by the relevant transactions for each account classification;
- (h) in cases where there has been an amendment to the conditions of the transactions, a note to that effect, details of the amendment and details of the influences on the consolidated financial statements caused by the amendment;
- (i) in cases where receivables owed by the related parties are classified as (i) receivables owed by a company that is not yet failed but has a substantial problem with payment or has high possibility thereof (kashidaore kenen saiken) or (ii) receivables that are a claim in bankruptcy or receivables owed by a company under rehabilitation, etc. (kousei saiken tou), the balance of the provision for possible loan loss as of the end of the relevant fiscal year, provision for doubtful accounts, etc. realised during the relevant fiscal year and bad-debt loss, etc. realised during the relevant fiscal year; and
- (j) in case where certain reserves are set relating the transaction between the company and the related party, and it is considered appropriate to be included in the notes to financial statements, items equivalent to the items prescribed in (i) above.

11. INSIDER TRADING REGULATIONS

Under the FIEA, any person (i) who is a company-related person, etc. of a company listed on the Japanese stock exchange, etc., (the “Listed Company, etc.”), (ii) who has become aware of any material facts concerning business operations, etc., in connection with such Listed Company, etc. and (iii) who, prior to the time when the material facts concerning business operations, etc. have been publicly disclosed, trades, etc. in the specified securities, etc. of such Listed Company, etc. is subject to criminal penalty for insider trading.

The terms “company-related person”, “material facts concerning business operations, etc.”, “publicly disclosure”, “trades, etc.” and “specified securities, etc.” above are defined under the FIEA, and the brief summary of them is as follows:

- (a) Company-related Person, etc. (Persons Subject to the Insider Trading Regulations)

The term “company-related person” includes (i) the officer, agent, employee, part-time worker, temporary worker, etc. of the of the Listed Company, etc. (including its parent company or subsidiary; hereinafter the same in this paragraph (a)), (ii) any shareholder of the

Listed Company, etc. who has the right to request inspection of account books or a member of the Listed Company, etc.'s parent company who has the right, by obtaining permission from the court, to request inspection of account books under the Companies Act, (iii) any person having authority pursuant to any applicable law or regulation (such as public officers, etc., having authority pursuant to any applicable law or regulation, the right of permission, approval, etc. and the right of entry and inspection); (iv) any person who has concluded a contract or is involved in contractual negotiations with the Listed Companies, etc. and (v) officer, etc., of a corporation who has the right to request inspection of account books (as mentioned in item (ii) above), or a corporation of who has concluded a contract or is involved in contractual negotiations (as mentioned in item (iv) above).

In addition to the "company-related person", any person for whom one year has not lapsed since the day on which he/she ceased to be a "company-related person" ("former company-related person") is subject to the insider trading regulations. Moreover, (i) any person who has been informed of any material facts concerning business operations, etc. by the "company-related person" or "former company-related person" ("recipient") and (ii) an officer, etc. of a juridical person to which a recipient of information in the course of business belongs, who obtained knowledge of material facts concerning business operations, etc. during the performance of duties regarding such recipient are also subject to the insider trading regulations.

(b) Material Facts concerning Business Operations, etc.

"Material facts concerning business operations, etc." can be classified as follows:

(i) A fact that has been determined by a company ("fact decided")

A "fact decided" includes the decision regarding an issuance of shares, subscription warrants, stock split, dividend from surplus, etc. and all of "facts decided" are similar to and, as a general rule, covered by the matters to be disclosed as "Decisions taken by a listed company (including where decisions is taken for not carrying out the matters relating to such decision)" and "Decisions taken by subsidiaries, etc. of a listed company (including where decisions is taken for not carrying out the matters relating to such decision)" under the TSE Listing Regulations and OSE Listing Regulations.

(ii) A fact that has occurred, irrespective of the intention of the company ("fact occurrence")

A "fact occurrence" includes a change in major shareholders, dishonor of a bill or a check or suspension of trade with a main business partner, etc., and all "facts occurrences" are similar to and, as a general rule, covered by the matters to be disclosed as "Facts arising relative to a listed company" and "Facts arising relative to subsidiaries, etc. of a listed company" under the TSE Listing Regulations and OSE Listing Regulations.

(iii) A fact in connection with information regarding account settlement of a company ("Information regarding account settlement")

"Information regarding account settlement" is regarding sales, ordinary income, net income or dividend, etc., and, as a general rule, all of "Information regarding account settlement" is covered by the matters to be disclosed as "Information concerning the settlement of accounts of a listed company" under the TSE Listing Regulations and OSE Listing Regulations.

(iv) Other material fact ("comprehensive provision")

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Other material fact is a comprehensive provision that includes any material fact pertaining to the operations, business or assets of the company, which would have a significant effect on the investment decisions of investors.

Please see “Summary of the Constitution of our Company, certain TSE and OSE Listing Regulations and Japanese Corporations Law — The TSE and OSE Listing Regulations” in this Appendix for a summary of matters to be disclosed by a listed company under the TSE Listing Regulations and OSE Listing Regulations.

(c) Public Disclosure

If a director who represents a Listed Company, etc. or a person who is authorised by that director publicly discloses a material fact concerning business operations, etc. to two or more news media, and if 12 hours have elapsed since such public disclosure, this conduct is considered “public disclosure.”

In addition, (i) if a securities report, etc. containing a statement regarding a material fact concerning business operations, etc. is made available for public inspection, or (ii) if a Listed Company, etc. reports a material fact concerning business operations, etc. in accordance with the regulations of the relevant stock exchange and such material fact is made available for public inspection on the homepage operated by such exchange, this conduct is also considered “public disclosure.”

(d) Trades, etc.

“Trades, etc.” include (i) the purchase, sale or other transfer or acquisition for value and (ii) securities index futures, security option trading, securities futures on a foreign financial instruments market or over-the-counter securities derivatives transactions.

(e) Specified Securities, etc.

Specified securities, etc. consist of “specified securities” and “related securities.” “Specified securities” include (i) shares, corporate bonds, preferred securities, share warrants and share subscription rights, etc., and (ii) certificates, instruments or depositary receipts issued by a foreign juridical person, which have the nature of the above category (i), and which are listed on a Japanese stock exchange, etc. “Related securities” include certificates or instruments representing an option with respect to specified securities and the following securities: (i) investment trust beneficiary securities or investment securities, of which the trust assets are limited to specified securities of the relevant Listed Company, etc.; and (ii) other bonds redeemable with another company’s shares (including those issued by a foreign juridical person), etc.

In addition to the above, any person who is a person related to takeover bidders, etc. of the Listed Company, etc., prior to the disclosure concerning the performance of a takeover bids, etc., purchases (or, in the situation where a publicly disclosed takeover bid is to be discontinued and the discontinuation is yet to be publicly disclosed, sells) the shares, etc. of such Listed Company shall be punished by imprisonment for not more than 5 years or by a fine of not more than ¥5 million, or both. Also, if a representative person of a company such as a director, or an agent, employee, or other worker of a company violated the insider trading regulations with regard to the business or property of the company, the company is liable to be punished by a fine of not more than ¥500 million.

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12. OBLIGATIONS UNDER THE JAPANESE LAWS AND REGULATIONS

HDR Holders would be subject to the following obligations under the Japanese laws and regulations:

- Filing of large shareholding report under the FIEA (see “Appendix V—Summary of the Constitution of Our Company, Certain TSE and OSE Listing Regulations and Japanese Corporations Law — 7. Large Shareholding Report”).
- Filing of sale-purchase report and short-swing regulation for major shareholders under the FIEA (see “Appendix V — Summary of the Constitution of Our Company, Certain TSE and OSE Listing Regulations and Japanese Corporations Law — 8. Sale-Purchase Report and Short-Swing Regulation”).
- Certain obligations of major shareholders of a bank under the Banking Act of Japan (Act No. 59 of 1881, as amended) (see “— Supervision and Regulation — Banking Act — Large Shareholding of Banks”).
- Certain obligations of major shareholders of an insurance company under the Insurance Business Act of Japan (Act No. 105 of 1995, as amended) (see “— Supervision and Regulation — Insurance Business Act — Large Shareholding of Insurance Company”).
- Certain obligations of major shareholders of financial instruments business operators under the FIEA (see “— Supervision and Regulation — Financial Instrument and Exchange Act — Large Shareholding of Financial Instruments Business Operators”).
- Certain reporting requirements under the Foreign Exchange and Foreign Trade Act of Japan (Act No. 228 of 1949, as amended) (see “Appendix V — Summary of the Constitution of Our Company, Certain TSE and OSE Listing Regulations and Japanese Corporations Law — 4. Exchange Control”).
- Notification requirement prior to the acquisition of shares under the Act Relating to Prohibition of Private Monopoly and Methods of Preserving Fair Trade of Japan (Act No.54 of 1947, as amended) (see “Appendix V — Summary of the Constitution of Our Company, Certain TSE and OSE Listing Regulations and Japanese Corporations Law — 9. Notification Requirement under the Anti-Monopoly Act”).
- Takeover regulations (see “Appendix V — Summary of the Constitution of Our Company, Certain TSE and OSE Listing Regulations and Japanese Corporations Law — 6. Takeover Regulations in Japan”).
- Certain trading regulations, including insider trading regulations (see “Appendix V — Summary of the Constitution of Our Company, Certain TSE and OSE Listing Regulations and Japanese Corporations Law — 11. Insider Trading Regulations”) under the FIEA.
- Taxation (see “Appendix V — Summary of the Constitution of Our Company, Certain TSE and OSE Listing Regulations and Japanese Corporations Law — 5. Taxation”).

According to Nishimura & Asahi, it would be reasonable to consider that the relevant obligations of HDR Holders under Japanese law are addressed in the above description. However, the legal and regulatory implications depend on various factors in each case, and hence it is recommended that investors seek independent advice on possible obligations under Japanese law and regulations.

13. GENERAL

Nishimura & Asahi, the Company's legal counsel on Japanese law, has sent to the Company a letter of advice summarising certain aspects of the Companies Act. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix IX to this prospectus. Any person wishing to have a detailed summary of the Companies Act or advice on the differences between it and the laws of any jurisdiction which such person believes may be applicable to such person is recommended to seek independent legal advice.

Our Company is incorporated in Japan as a company with limited liability. The Hong Kong Stock Exchange has resolved to accept Japan as a recognised jurisdiction under Chapter 19 of the Listing Rules.

The Joint Policy Statement states that for the purpose of determining whether an overseas company demonstrates acceptable shareholder protection standards, the Hong Kong Stock Exchange ordinarily expects each overseas company to demonstrate appropriate shareholder protection standards in the various shareholder protections set out in the attachment to the Joint Policy Statement. Not all the shareholder protections afforded to shareholders of companies incorporated in Japan are at least equivalent to those afforded to shareholders of companies incorporated in Hong Kong. We have set out below a short summary of the applicable Japanese laws and regulations in Japan that provide shareholder protections and each of the requirements of the Joint Policy Statement, as well as certain shareholder protections provided under the Listing Rules and the disclosure of interests requirements of the SFO, and the measures taken by our Company to address the differences, if any, between the relevant laws and regulations of Hong Kong and Japan.

SHAREHOLDER PROTECTIONS IN JAPAN

There are a number of protections available to Shareholders of the Company and the key protections are outlined below.

Supervision and Regulation in Japan

The Company is a financial conglomerate that provides a wide range of financial services and is subject to a number of laws and regulations in Japan. In particular, the Company is subject to the prudent supervision of the FSA in respect of banking and insurance matters, as well as a number of other fields such as money-lending and the sale of financial products. Further, as a listed company in Japan, the Company has adopted a stringent internal control system pursuant to the requirements of J-SOX, a legal framework for internal control provided in the FIEA for listed companies in Japan. J-SOX specifies additional requirements for financial reporting for listed companies in Japan. It also requires the Company to disclose in its annual securities report to the Shareholders an annual internal control audit report issued by the independent auditors of the Company, including any material weaknesses identified through the evaluation process by the independent auditors. Directors, Statutory Auditors and external auditors of the Company may be subject to criminal charges on non-compliance with J-SOX and may be held liable to compensate Shareholders for damages caused by false statements. For more information, see the “Supervisory and Regulatory” section of this prospectus.

Company’s Corporate Governance and Shareholder Protection Policies

The Company has established its corporate governance structure in accordance with Japanese law requirements. The Company has five independent Directors and its Board of Statutory Auditors have the functions and responsibilities equivalent to those of the Audit Committee under the Listing Rules. In addition to their audit function, the Board of Statutory Auditors, each of whom is independent from the Company, have a wide ranging supervisory role to ensure that the Directors comply with applicable law and make prudent business decisions. They are entitled to conduct investigations into the business of the Company and demand the cessation of certain actions by Directors that are ultra vires to their powers, or in violation of the law. The Statutory Auditors also have a responsibility for overseeing the risk management, internal control and compliance committees of the Company. Thus, they provide a useful check and balance to the powers of the Directors and provide certain protections to the Company’s Shareholders. Please see “Directors and Senior Management” for more information.

Regulations of the TSE and OSE and the Financial Instrument and Exchange Act

The Company is subject to the TSE and OSE disclosure requirements which are very similar in form to the requirements under the Listing Rules. The Company is required to report financial results quarterly and annually, disclose price sensitive information on a timely basis within the next business hour of the occurrence of the relevant event or where the event occurs outside business hours, on the first business hour of the next business day, and disclose detailed extraordinary reports in respect of material transactions, such as Statutory Transactions, and acquisitions or disposals valued at greater than certain applicable thresholds. The TSE and OSE Listing Regulations provide a detailed and exhaustive list of announceable events, which include those that are price sensitive as well as a “sweep-up” provision that requires the disclosure of material events affecting the Company, which is similar in principle to the general duty of disclosure contained in the Listing Rules.

Protections under the Companies Act and the FIEA

Japanese law provides certain additional rights to shareholders. Under the Companies Act there are a number of retrospective claims actions that a Japanese company’s shareholders are entitled to bring against the company, in the event that their rights have been marginalised or an abuse has been committed against the company. When a grossly improper resolution is made, including where such resolution is made as a result of a person having a special interest in the resolution, that resolution may be revoked by a court of justice of Japan within three months from the date of the relevant resolution by the petition of any shareholder in accordance with the Companies Act. Further, in the event that a Director or a Statutory Auditor were to breach any of their duties to the Company, he/she would face civil liability to for any penalties, loss or damages incurred by the Company as a result of such breach. In accordance with the Companies Act, Directors are required to perform their duties to the Company in a loyal manner in compliance with applicable laws and regulations, the Articles of Incorporation of the Company, and all resolutions of shareholders’ meetings. Any breach of such duties can create circumstances in which a derivative action could be brought by Shareholders as noted above. Further, Directors are re-elected on an annual basis by the Shareholders of the Company, at which point their remuneration is also determined. As such, Shareholders have a frequent opportunity to seek to challenge the tenure or the pay of any Director who has been acting in a way that is detrimental to minority shareholders, which is an incentive to the Directors to act fairly and responsibly towards minority shareholders.

SHAREHOLDER PROTECTIONS UNDER THE JOINT POLICY STATEMENT**Amendment to constitutional documents**

Pursuant to Hong Kong law, any change to the constitutional documents of a company requires the approval of shareholders with a three-quarter majority vote in a general meeting. Under Japanese law, in order to amend the Articles, the resolution of the shareholders’ meeting shall be approved by at least two-thirds of the voting rights of the shareholders present at a meeting where the shareholders holding at least one-third of the voting rights of the shareholders who are entitled to exercise their voting rights are present. The standard of shareholders’ protection under Japanese law is similar to or comparable with that under Hong Kong law.

Variation of rights

Pursuant to Hong Kong law, rights attached to any class of shares of a company may only be varied with the approval of shareholders with a three-quarter majority vote in a general meeting.

Under Japanese law, in order to amend rights attached to any class of shares, the resolution of the general shareholders' meeting shall be approved by at least two-thirds of the voting rights of the shareholders present at a meeting where the shareholders holding at least one-third of the voting rights of the shareholders who are entitled to exercise their voting rights are present. Moreover, if a proposed amendment would be detrimental to shareholders of such class of shares, the resolution of the class shareholders' meeting shall be approved by at least two-thirds of the voting rights of the class shareholders present at a meeting where the class shareholders holding at least one-third of the voting rights of the class shareholders who are entitled to exercise their voting rights are present. The standard of shareholders' protection under Japanese law is similar to or comparable with that under Hong Kong law.

Winding up

Pursuant to Hong Kong law, the voluntary winding up of a company must be approved by shareholders with a three-quarter majority vote in a general shareholders' meeting. Under Japanese law, in order to voluntarily wind up a company, the resolution of the shareholders' meeting shall be approved by at least two-thirds of the voting rights of the shareholders present at a meeting where the shareholders holding at least one-third of the voting rights of the shareholders who are entitled to exercise their voting rights are present. The standard of shareholders' protection under Japanese law is similar to or comparable with that under Hong Kong law.

Auditors

Pursuant to Hong Kong law, the appointment, removal and remuneration of auditors must be approved by shareholders with a majority vote in a general shareholders' meeting. Under Japanese law, in order to appoint, and approve the remuneration of the statutory auditors of a company, the resolution of the shareholders' meeting shall be approved by majority vote. To remove the statutory auditors of a company requires a resolution of the shareholders' meeting to be approved by at least two-thirds of the voting rights of the shareholders present at a meeting where the shareholders holding at least one-third of the voting rights of the shareholders who are entitled to exercise their voting rights are present. The standard of shareholders' protection under Japanese law is similar to or comparable with that under Hong Kong law.

Register of members

Pursuant to Hong Kong law, a company must ensure that its branch register of members in Hong Kong shall be open to inspection by shareholders. Japanese law provides that a company must prepare and maintain a shareholders' register at its head office (or at the office of the administrator of the shareholders' register if the company has such an administrator) and make the shareholders' register available for reasonable inspection or copying during normal business hours. However, under Japan's Personal Information Protection Law, Japanese companies may not disclose the shareholders register to a non-shareholder of the relevant company. In the case of our Company, the HDR Depositary will keep in Hong Kong, and make available for inspection, a register of HDR Holders.

Compulsory Acquisition

Pursuant to Hong Kong law, the minority shareholders of a company may be bought out or may require an offeror to buyout their interests if the offeror acquires nine-tenths in value of the shares for which the offer is made (or if the offer relates to shares of different classes, nine-tenths in value of the shares of that class). Japanese law provides that upon an offeror acquiring two-thirds of the voting rights of a company's shares, the offeror may compulsorily acquire the shares held by the remaining shareholders, and, on theoretical grounds, there is no restriction in relation to the compulsory acquisition price. However, if the compulsory acquisition price is low,

the shareholder might, within three months from the day of resolution of the shareholders' meetings regarding the compulsory acquisition, claim revocation of them as grossly improper resolutions under the Companies Act. There is no provision in the Companies Act that requires an offeror to buy out the interests of minority shareholders after a successful takeover, although a shareholder who has objected and voted against a compulsory acquisition resolution at a shareholders' meeting or a shareholder who does not have a voting right at the shareholders' meeting, may request the company to repurchase his shares at a fair price under the Companies Act. The standard of shareholders' protection under Japanese law is immaterially different to that under Hong Kong law.

Meetings

Pursuant to Hong Kong law, a company is required to hold a general meeting each year at its annual general meeting. Not more than 15 months shall elapse between the date of one annual general meeting of a company and the next. Japanese law provides that a Japanese company must hold an annual general meeting within 3 months of the end of its financial year. The standard of shareholders' protection under Japanese law is similar to or comparable with that under Hong Kong law.

Right to convene meetings

Pursuant to Hong Kong law, shareholders holding not less than 5% of the paid-up capital of a company may require the company to convene an extraordinary general meeting and may request the company to circulate a resolution proposed by the requisitionists to members entitled to receive notice of that meeting. Japanese law provides that only shareholders that have held for the last six consecutive months not less than 3% of the votes in a company may requisition a shareholders' meeting and if a shareholders' meeting is not held within 8 weeks from such requisition, such shareholder may petition the court for a shareholders' meeting. The standard of shareholders' protection under Japanese law is immaterially different to that under Hong Kong law.

Notice of meetings

Pursuant to Hong Kong law, a company must ensure that any annual general meeting or any extraordinary general meeting at which a resolution that requires the approval of shareholders by three-quarter majority vote will be proposed shall be convened on at least 21 days' written notice and that any other general meeting shall be convened on at least 14 days' written notice. Japanese law provides that companies must despatch notice of a shareholders' meetings at least two weeks prior to the day of such meeting. The same notice period applies for special and ordinary resolutions. However, the Company will use its reasonable endeavours (while the Company is listed on the Hong Kong Stock Exchange) to deliver notices of Shareholders' meetings 21 days before such meetings in order to provide Shareholders with the required level of protection. A shareholder is permitted to propose an amendment to any agenda item scheduled to be discussed and determined at a shareholders' meeting up to and including at the meeting itself, which can include the nomination of a director. This restricts the ability of shareholders to consider how they intend to vote without reasonable advance notice, however this remains a theoretical rather than an actual risk, owing to the scarcity of instances in which it has occurred.

Voting

Pursuant to the Joint Policy Statement, an overseas company must adopt general provisions as to meetings and voting on terms that are comparable to those required of a Hong Kong incorporated public company. Japanese companies have similar procedures for the distributions of notices and voting. As noted above, the Company will use reasonable endeavours to ensure the standard of shareholders' protection under Japanese law are similar to or comparable with that

under Hong Kong law. Notice of shareholders' meetings will be published on our website as well as the website of the Hong Kong Stock Exchange. The Companies Act prohibits Japanese companies from amending their constitutional documents or giving any undertakings in order to restrain or restrict their shareholders from voting on any particular resolution. This restricts the ability of the Company to ensure that the votes of those Shareholders who should be restricted from voting on certain transactions under the Listing Rules would not be counted. In order to provide partial compliance with the Listing Rules the Company has agreed with the Hong Kong Stock Exchange that the Company will undertake the following process at Shareholders' meetings:

- any contract or arrangement in respect of a transaction that must be approved at a Shareholders' meeting under the Companies Act will contain a condition precedent that the relevant transaction will only be implemented by the Company if it has obtained confirmation from the Expert that the resolution would have been successfully passed even if the votes cast had excluded votes of the Shareholders who are required to abstain in accordance with the Listing Rules;
- the Company will convene a shareholders' meeting to seek Shareholders' approval pursuant to the condition precedent in the transaction contract;
- Shareholders who are required to abstain from voting in accordance with the Listing Rules may vote and all votes cast, including votes of the Shareholders who are required to abstain from voting, will be counted pursuant to the requirements of the Companies Act;
- the Company will appoint its compliance adviser or another Independent Third Party (the "**Expert**") to verify that the resolution would have been successfully passed even if the votes cast had excluded votes of the Shareholders who are required to abstain from voting in accordance with the Listing Rules; and
- upon such confirmation only, the Company will proceed with the implementation of the relevant transaction. If the Expert cannot provide the relevant confirmation, the condition precedent will not be satisfied and the transaction will not proceed.

The Sponsor will act as the Expert for the period commencing on the Listing Date until the date upon which the Company publishes its financial results for the first full financial year commencing after the Listing Date. Thereafter, the Company will either retain the Sponsor to fulfil the role of Expert at each relevant Shareholders' meeting; or alternatively on each occasion that the Company is required to convene a Shareholders' meeting they will appoint an independent financial or an independent legal adviser to act as the temporary Expert.

For more information, please see the section entitled "Waivers and Voluntary Measures — Material Interest in a Transaction" in this prospectus.

Proxies

Pursuant to Hong Kong law, proxies or corporate representatives may be appointed to attend general meetings and such proxies or corporate representatives should enjoy statutory rights, including the right to speak at such meetings. In addition, Hong Kong companies must insert a prominent statement of each shareholder's right to appoint proxies in the notice of general meeting. The Companies Act entitles companies to appoint multiple proxies or corporate representatives subject to the company's articles of incorporation. Commonly, Japanese companies restrict the identity of proxies for orderly conduct of their shareholders' meetings. The Company's Articles provide that a Shareholder can only appoint another Shareholder to act as proxy, whereas Hong Kong law has no such restriction. The standard of shareholders' protection under Japanese law is immaterially different to that under Hong Kong law.

Voting by poll

Pursuant to Hong Kong law, shareholders must be able to demand a poll. Japanese law provides that a single shareholder may demand a vote on a proposal so long as it relates to a matter listed on the agenda for the shareholders' meeting. Furthermore, under the Companies Act, any shareholder may propose a specific method for voting at shareholders' meetings. The Company is required to use voting cards (the number of Shares held by the Shareholder is indicated on the voting card) which have the same effect of a vote by way of a poll. If a Shareholder is permitted to split his vote under Article 313 of the Companies Act, the relevant Shareholder is required to notify the Company that he will diversely exercise his or her votes and provide reasons for doing so no later than three days prior to the day of the shareholders meeting. There are no statutory forms of such notice under the Companies Act. In such cases, the relevant Shareholder will specify the number of votes "for" or the number of votes "against" the proposal in a separate sheet. These votes indicated on separate sheets and the votes by voting cards will be aggregated, which have the same effect of a vote by way of a poll.

Japanese companies with not less than 1,000 shareholders and Japanese listed companies (including the Company) have to adopt voting cards (which operate in a similar way to a ballot paper) as a voting method under the Companies Act (and the FIEA), and generally, the Company uses such voting cards as the voting method for its Shareholders' meetings. Therefore, in practice, the Company's voting method at its Shareholders' meetings is conducted in principle by way of a poll in any case. In the event that the results of the relevant resolutions are known in advance of the meeting on the basis of the voting cards, there will either be a token count or a declaration of the results at the general meeting, in which case the meeting will have in effect been held by way of a poll. If the result of a resolution is undecided by the commencement of the general meeting, the chairperson will conduct a show of hands or poll by voting cards, but these votes will be aggregated with the voting cards and counted individually, thus the decision will, in effect, be taken by way of a poll. The standard of shareholders' protection under Japanese law is similar to or comparable with that under Hong Kong law.

Appointment of directors

Pursuant to Hong Kong law, the appointment of each director is required to be voted on individually. Under Japanese law, the appointment of each director is not required to be voted on individually except for votes in writing. The standard of shareholders' protection under Japanese law is immaterially different to that under Hong Kong law as this is purely an administrative matter.

Declaration of interest

Pursuant to Hong Kong law, a director is required to declare any material interest in any contract with a company at the earliest meeting of the board of directors. A company is also required to include in any notice of its intention to move a resolution at a general meeting or class meeting particulars of the relevant interests of directors in the matter dealt with by the resolution. Under Companies Act, a director must report all the material facts, including his/her interest, with respect to such transaction at the board meeting of directors to approve the relevant transaction prior to any vote on it. Any such director with an interest is not entitled to be counted in the quorum for voting on such a transaction. Directors are not required to declare any material interest in any transaction with the Company as soon as practicable after he/she is aware of such interest, but this is not considered to be materially detrimental to shareholder protection. The standard of shareholders' protection under Japanese law is similar to or comparable with that under Hong Kong law.

Loans to directors

Pursuant to Hong Kong law, a company may only make loans to a director in certain limited circumstances. The Companies Act does not contain specific provisions on loans to or credit transactions with, directors, but such transactions will be governed by Article 356 and Article 365 of the Companies Act which restrict transactions that result in a conflict of interest. Although companies are not prohibited from entering into transactions with their directors, such transactions must be approved by a vote of the board of directors which excludes the relevant interested director from voting and the applicable quorum. The relevant director must also report on all material facts relating to such transaction at the meeting of the board of directors and after such transaction takes place without delay. The standard of shareholders' protection under Japanese law is similar to or comparable with that under Hong Kong law.

Payments to directors

Pursuant to Hong Kong law, any payment to a director or past director of a company as compensation for loss of office or retirement from office is required to be approved by shareholders with a majority vote at a general meeting. Japanese law provides that any remuneration, compensation or other payment made to directors, statutory auditors, past directors or past statutory auditors of a company must be approved by shareholders of the company or be provided for in its articles of incorporation. Further, the aggregate amount of such payment to be made to directors as a whole must be approved at a shareholders' meeting and disclosed in the convocation notice for such meeting. The standard of shareholders' protection under Japanese law is similar to or comparable with that under Hong Kong law.

Alteration of share capital

Pursuant to Hong Kong law, any alteration of share capital in the company must be approved by shareholders with a majority vote in a general meeting. Japanese law provides that an increase in the number of authorised shares to be issued can only be made by an alteration of a company's articles of incorporation, which requires the resolution of the shareholders' meeting to be approved by at least two-thirds of the voting rights of the shareholders present at a meeting where the shareholders holding at least one-third of the voting rights of the shareholders who are entitled to exercise their voting rights are present. The standard of shareholders' protection under Japanese law is similar to or comparable with that under Hong Kong law.

Reduction of share capital

Pursuant to Hong Kong law, any reduction of share capital in a company must be subject to confirmation by the court and be approved by shareholders with a three-quarter majority vote in a general meeting. Japanese law permits a company to reduce its share capital without a court confirmation and instead by way of a resolution of the shareholders' meeting to be approved by at least two-thirds of the voting rights of the shareholders present at a meeting where the shareholders holding at least one-third of the voting rights of the shareholders who are entitled to exercise their voting rights are present. The standard of shareholders' protection under Japanese law is immaterially different with that under Hong Kong law.

Redemption of shares

Pursuant to Hong Kong law, a company may only redeem its shares out of distributable profits or fresh proceeds from a new issue of shares. Japanese law does not have a concept of redeemable shares, but any shares to be purchased by a company must be acquired from distributable profits. The standard of shareholders' protection under Japanese law is similar to or comparable with that under Hong Kong law.

Distribution of assets

Pursuant to Hong Kong law, a company may only distribute its assets to the shareholders out of realised profits and if out of assets, the remaining net assets must not be less than the share capital plus undistributable reserves. Japanese law similarly provides that distributions may only be made out of distributable amounts. A company's distributable profits are the aggregate amount of capital surplus and retained earnings surplus at the end of the last fiscal year subject to certain adjustments. The Articles of the Company permit forfeiture of dividends that remain unpaid within three years upon which payment was available, although Appendix 3 of the Listing Rules provides that this period should be six years. The Company has undertaken to use reasonable endeavours to ensure that dividends are not forfeited within six years of the date of their declaration. The standard of shareholders' protection under Japanese law is similar to or comparable with that under Hong Kong law.

Financial Assistance

Pursuant to Hong Kong law, a company is prohibited from giving financial assistance in certain circumstances and such circumstances must be clearly stated. Although there are no specific provisions in the Companies Act that are intended to prevent financial assistance, giving direct or indirect financial assistance for the acquisition of its shares or shares in its holding company that results in a reduction of the net assets of a company would amount to a violation of fiduciary duty of directors and other officers, unless there is a reasonable ground for doing so. The standard of shareholders' protection under Japanese law is immaterially different with that under Hong Kong law.

SHAREHOLDER PROTECTIONS IN HONG KONG

Certain shareholder protections provided under the Listing Rules and the SFO, and the measures taken by our Company to address the differences, if any, between the relevant laws and regulations of Hong Kong and Japan are outlined below.

Disclosure of information

Rules 13.11 to 13.19 of the Listing Rules require disclosure of information in relation to specific matters relevant to a company's business, including advances to an entity, financial assistance and guarantees to affiliated companies, pledging of shares by the Controlling Shareholder, loan agreements with covenants relating to specific performance of the Controlling Shareholder, and breach of loan agreement by an issuer. Under the FIEA and the TSE and the OSE Listing Regulations, the Company is subject to an exhaustive list of events that would trigger an announcement, or equivalent public disclosure, by the Company and a "sweep-up" provision which is provided at Article 402(ap) of the TSE Listing Regulations and 2(1)1a of the Enforcement Rules for timely disclosure etc. of Company Information of the Issuers of the listed securities of the OSE and the cabinet office ordinance promulgated under the FIEA which requires an announcement of any material event affecting the relevant issuer on a timely basis within a business hour of the business day of its occurrence. Certain of those matters, such as financial assistance, do not affect a Japanese company and the Company has applied for a waiver to continue to follow the disclosure of information rules provided by the FIEA and the TSE and the OSE Listing Regulations, and to adopt the general duty of disclosure in Rule 13.09(1) of the Listing Rules. Please refer to the section in this prospectus entitled "Waivers and Voluntary Measures" for further information.

Notifiable transactions

Chapter 14 of the Listing Rules contains provisions dealing with notifiable transactions. In particular, where a listed company enters into a “notifiable transaction”, then depending on the size of the transaction, it will have to: (i) notify the Hong Kong Stock Exchange; (ii) make an announcement of the transaction; and/or (iii) obtain prior shareholders’ approval of the transaction. The Companies Act provides that certain transactions involving statutory acquisition procedures, such as mergers, share exchanges, business assignments and corporate splits require prior shareholders’ approval of the transaction as well as announcements and additional public disclosure pursuant to the TSE and OSE Listing Regulations and the FIEA. Other than these Statutory Transactions, no other acquisitions or disposals require Japanese companies to seek shareholder approval, although they may be announceable under the TSE and the OSE Listing Regulations in the event that a company is listed on these stock exchanges. Thus, the standard of shareholders’ protection under a Japanese law and regulations is not directly comparable with Hong Kong law. The Company has applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with certain listing rules contain in Chapter 14 (see “Waivers and Voluntary Measures — Notifiable Transactions and Connected Transactions - Notifiable Transactions” for the specific rules that have been waived) subject to the Company undertaking to provide the Shareholders and HDR Holders of the Company with certain additional protections that are commensurate with those provided by Chapter 14 of the Listing Rules. The Company will continue to comply with the continuing obligations relating to acquisitions and disposals of assets effected as Statutory Transactions. However, in order to provide equivalent shareholder protections to those provided by Chapter 14 of the Listing Rules we have undertaken to the Hong Kong Stock Exchange as follows:

- (a) if we enter into any transaction (other than a Statutory Transaction) involving an issue of Shares or HDRs (or a transfer of any Treasury Shares held by the Company) as consideration for an acquisition of assets that are valued at greater than 25% of the total assets of the Group, we will undertake to the Hong Kong Stock Exchange that we will voluntarily refer the transaction to our Shareholders for non-binding approval in a shareholders’ meeting (which will be deemed to have been passed if (1) Shareholders holding one third or more of the outstanding Shares of the Company vote at the shareholders’ meeting; and (2) two thirds or more Shareholders approve the transaction) and the Board has undertaken to the Hong Kong Stock Exchange to adhere to the resolution of the Shareholders on the transaction voluntarily referred to them at the general meeting. The relevant meeting notice periods, shareholder communications and voting requirements for any such voluntary shareholders’ meeting will be in compliance with those provided by the Companies Act (as noted above); and
- (b) the following transactions will be announced publicly by the Company in Hong Kong and Japan:
 - (i) any acquisition of assets (excluding cash) by the Company where the consideration includes securities for which listing will be sought and where all percentage ratios (as defined in the Listing Rules) are less than 5%; and
 - (ii) a transaction or series of transactions (aggregated order Rules 14.22 to 14.23 of the Listing Rules) by a listed issuer where any percentage ratio (as defined in the Listing Rules) is 5% or more.

For more information, please see the section entitled “Summary of the Constitution of our Company, certain TSE and OSE Listing Regulations and Japanese Corporations Law — Japanese Corporations Law — (i) M&A (Mergers, corporate split, share exchange, share transfer, business transfer and business assumption)” and “Waivers and Voluntary Measures — Notifiable Transactions and Connected Transactions — Notifiable Transactions” in this prospectus.

Connected transactions

Chapter 14A of the Listing Rules contains provisions dealing with connected transactions. In particular, where a listed company enters into a “connected transaction”, then depending on the size of the transaction, it will have to: (i) make an announcement of the transaction; (ii) report on the transaction in its next annual report; and/or (iii) obtain prior approval of the transaction of the shareholders independent of the transaction. The Company will continue to comply with the continuing obligations applicable to Related Party Transactions pursuant to the FIEA, the Regulation for Terminology, Forms and Preparation of Consolidated Financial Statements (the Ordinance of the Ministry of Finance No.28 of 1976) and the Companies Act, which restrict directors from voting on any board resolution approving the entry into a Related Party Transaction that the relevant director has a material interest in. Thus, the standard of shareholder protection under Japanese law and regulations is not directly comparable with Hong Kong law. The Company has applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with certain listing rules contained in Chapter 14A (see “Waivers and Voluntary Measures — Notifiable Transactions and Connected Transactions — Connected Transactions” for the specific rules that have been waived) subject to the Company undertaking to provide the Shareholders and HDR Holders of the Company with certain additional protections that are commensurate with those provided by Chapter 14A of the Listing Rules. The Company will continue to comply with the continuing obligations relating to acquisitions and disposals of assets effected as Statutory Transactions. Thus, the Company has also undertaken to the Hong Kong Stock Exchange to take certain voluntary steps to increase the standard of shareholder protection provided by the Japanese regime on Related Party Transactions as follows:

- (a) the Company will voluntarily announce any Related Party Transaction entered into by any Related Party that amounts to greater than 1% of the total assets of the Group;
- (b) the Company will voluntarily obtain a fairness opinion (which will be referred to in the announcement in respect of the Related Party Transaction) from an Independent Third Party in respect of any Related Party Transactions entered into by any Related Party that amounts to greater than 5% of the total assets of the Group stating that the relevant transaction will not be detrimental to the interests of minority shareholders of the Company;
- (c) all Related Party Transactions will be provided for in the Company’s annual financial statements in accordance with the FIEA; and
- (d) in the convocation notice for each AGM, at which the entire Board submits themselves for re-election pursuant to the Companies Act, all Related Party Transactions entered into by the Directors in the previous year will be disclosed to Shareholders and HDR Holders and their involvement in each will be specifically referenced.

For more information, please see the sections headed “Summary of the Constitution of our Company, certain TSE and OSE Listing Regulations and Japanese Corporations Law — Related Party Transactions” and “Waivers and Voluntary Measures” in this prospectus.

Disclosure of interests

Part XV of the SFO provides that: (i) the directors and chief executives of a listed company must disclose their interests and short positions in the shares, underlying shares and debentures of the listed company and its associated corporations within a specified time period after the interest arise or change; and (ii) shareholders interested in 5% or more of any class of shares in a listed company (other than directors and chief executives of the listed company) must disclose their interests and short positions in the shares and underlying shares of the listed company within a specified time period after the interests arise or change. The FIEA provides that persons who acquire title to, or a call option for, equity securities (or who are authorised to exercise (or instruct the exercise of) the voting rights and other rights attached to, or who are authorised to invest in, equity securities) including shares, share acquisition rights, bonds with share acquisition rights and similar securities that are issued or to be issued by the Company that represent more than 5% of the outstanding voting rights of the Company are required to publicly disclose the relevant dealing and such interests. Further, such persons who submitted the large shareholding report are required to publicly disclose any further acquisition or any disposal of an interest by 1% or more in any equity securities. The standard of shareholders' protection under Japanese law is similar to or comparable with that under Hong Kong law in respect of substantial shareholders, however the requirements relating to disclosures of interested directors of Japanese companies are not directly comparable with Hong Kong law. Directors or statutory auditors of Japanese companies, who deal in any shares of the company, are obliged to file a Sale-Purchase Report with the FSA by the 15th day of the month immediately following such dealing pursuant to the FIEA, as well as to disclose their holdings in the listed company's securities in their annual and, on some occasions, quarterly reports. The Company has not sought a waiver from the requirements of Part XV of the SFO, and will comply with Part XV of the SFO after Listing.

As mentioned in the section of this Listing Document headed “Waivers and Voluntary Measures” — Cancellation of Shares upon Repurchase” our Company and the Hong Kong Stock Exchange have agreed to a list of modifications to a number of the Listing Rules necessary to enable our Company to hold our current and future treasury shares. The amendments and insertions which have been made to the Listing Rules are set out below (in bold and underlined or denoted with strikethroughs). The full text of the Listing Rules can be located on the Hong Kong Stock Exchange’s website on <http://www.hkex.hk/eng/rulesreg/listrules/mbrules/listrules.htm>.

1. CHAPTER 1

- 1.1 The definition of “market capitalisation” is amended to read: “the market value of the entire size of an issuer, which shall include all classes of securities of the issuer **(other than treasury shares)**, irrespective of whether any such class(es) of securities are unlisted, or listed on other regulated market(s)”.
- 1.2 The definition of “treasury shares” is added to read as such: “shares of an issuer which the issuer has repurchased and holds in treasury as authorised by Article 155 of the Japanese Companies Act (Act No. 86 of 2005, as amended) and the constitutional documents of the issuer”.

2. CHAPTER 2

Rule 2.03(4) is amended to read: “all holders of listed securities are treated fairly and equally **(disregarding for these purposes the issuer in its capacity as the holder of any treasury shares)**;”

3. CHAPTER 3

Rule 3.13(1) is amended to read: “holds more than 1% of the total issued share capital **(excluding treasury shares)** of the listed issuer;”

4. CHAPTER 3A

Rule 3A.23(2) is amended to read: “where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues, **disposals of treasury shares out of treasury** and share repurchases;”

5. CHAPTER 4

5.1 Rule 4.04

Rule 4.04(8) is amended to read: “the earnings per share **(which, for the avoidance of doubt, will not take account of treasury shares)** and the basis of computation in respect of each of the financial years referred to in rules 4.04(1) and 4.04(2) except that the accountants’ report need not include this information if, in the opinion of the reporting accountants, such information is not meaningful having regard to the purpose of the accountants’ report or if combined results are presented in accordance with rule 4.09 or if the accountants’ report relates to an issue of debt securities;”

5.2 Rule 4.29(8)

Rule 4.29(8) is amended to read: “Where pro forma earnings per share information is given for a transaction which includes the issue of securities **or the disposal of treasury shares out of treasury for cash**, the calculation is to be based on the weighted average number of shares outstanding during the period **(other than treasury shares)**, adjusted as if that issue had taken place at the beginning of the period.”

6. CHAPTER 6

6.1 Rules 6.03, 6.05 and 6.08

Note (1) to rules 6.03, 6.05 and 6.08 is amended to read: “*The Exchange is under an obligation to maintain a orderly and fair market for the trading of all Exchange listed securities and listed securities **(other than treasury shares)** should be continuously traded save in exceptional circumstances.*”.

6.2 Rule 6.15

Rule 6.15(1) is amended to read: “after a general offer a right to compulsory acquisition is exercised pursuant to applicable laws and regulations (the requirements of which are, where the issuer is not a company incorporated in Hong Kong, at least as onerous as those applicable if it were) resulting in the acquisition of all the listed securities **(other than treasury shares)** of the issuer; or”.

7. CHAPTER 8

7.1 Rule 8.08

Rule 8.08 is amended by the insertion of note 4 to rule 8.08(1)(b) as follows: “**For the purposes of rule 8.08, treasury shares are not taken into consideration when calculating the number of shares of a class of shares in the hands of the public.**”

8. CHAPTER 10

8.1 Rule 10.01

Rule 10.01 is amended to read: “Normally no more than ten per cent. of **the aggregate of** any securities being marketed for which listing is sought **and/or any Treasury Shares being disposed of (but not any treasury shares being disposed of or transferred out of treasury for the purposes of an employees’ share scheme)** may be offered to employees or past employees of the issuer or its subsidiaries.”

8.2 Rule 10.06

Rule 10.06(4)(b) is amended to read: “include in its annual report and accounts a monthly breakdown of purchases of shares made during the financial year under review showing the number of shares purchased each month (whether on the Exchange or otherwise), the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, the aggregate price paid by the issuer for such purchases, **the number of shares held as treasury shares following such purchases, the number of treasury shares disposed of, transferred or cancelled (on a monthly basis) and the number of treasury shares held following such a disposal, transfer or cancellation (at the end of each month).** The directors’ report shall contain reference to the purchases made during the year and the directors reasons for making such purchases.”

9. CHAPTER 13

9.1 Rule 13.25A

Rule 13.25A(2) is modified by the insertion of a new sub-paragraph (xi) as follows: “**(xi) sale of treasury shares out of treasury or cancellation of treasury shares; or**” and the existing rule 13.25A(2)(xi) shall be renumbered as **13.25A(2)(xii)** and shall be amended to read “change in issued share capital not falling within any of the categories referred to in rule 13.25A(2)(a)(i) to **(xi)** or rule 13.25A(2)(b); and”, and the “or” at the end of rule 13.25A(2)(a)(x) shall be deleted.

Rule 13.25A(3) is amended by the insertion of the following:

“(a) the event, either individually or when aggregated with any other events described in that rule which have occurred since the listed issuer published its last monthly return under rule 13.25B or last return under this rule 13.25A (whichever is the later), results in a change of 5% or more of the listed issuer’s issued share capital **(excluding treasury shares)**;”

Rule 13.25A(4) is amended by the insertion of the following:

“For the purposes of rule 13.25A(3), the percentage change in the listed issuer’s issued share capital is to be calculated by reference to the listed issuer’s total issued share capital **(excluding treasury shares)** as it was immediately before the earliest relevant event which has not been disclosed in a monthly return published under rule 13.25B or a return published under this rule 13.25A.”

9.2 Rule 13.25B

Rule 13.25B is modified by the insertion of the following: “Such information includes, among other things, the number as at the close of such period of equity securities **(including the number of any equity securities held as treasury shares)**, debt securities and any other securitised instruments, as applicable, issued and which may be issued pursuant to options, warrants, convertible instruments or any other agreements or arrangements. **Such information shall also include details of the disposal of treasury shares out of treasury or cancellation of treasury shares.**”

9.3 Rule 13.28

Rule 13.28 is amended to read: “Where the directors agree to issue securities for cash in accordance with rule 13.36(1)(a) or 13.36(2) **or agree to dispose of treasury shares out of treasury for cash other than in connection with an employee share scheme**, an issuer shall publish an announcement in accordance with rule 2.07C as soon as possible, but in any event not later than the time that is 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the next Business Day, containing the following information:-

- (1) the name of the issuer;
- (2) the number, class and aggregate nominal value of the securities agreed to be issued **or disposed of out of treasury**;

Note: If the issue **or disposal out of treasury** involves (i) securities convertible into shares of the issuer or (ii) options, warrants or similar rights to subscribe for shares or such convertible securities, the announcement should also contain:

- (a) the conversion/subscription price and a summary of the provisions for adjustments of such price and/or number of shares to be issued and all other material terms of the convertible securities or warrants; and
 - (b) the maximum number of shares that could be issued upon exercise of the conversion/subscription rights.
- (3) the total funds to be raised and the proposed use of the proceeds;
 - (4) the **issue/disposal** price of each security and the basis for determining the same;
 - (5) the net price to the issuer of each security;
 - (6) the reasons for making the **issue/disposal**;

- (7) the names of the **allottees/transferees**, if less than six in number and, in the case of six or more **allottees/transferees**, a brief generic description of them. The Exchange reserves the right to require submission of such further information (on an electronic spreadsheet or such other format as it may request) on the **allottees/transferees** as it may consider necessary for the purpose of establishing their independence, including without limitation details of beneficial ownership;
- (8) the market price of the securities concerned on a named date, being the date on which the terms of the issue **or disposal out of treasury** were fixed;
- (9) the total funds raised and a detailed breakdown and description of the funds raised on any issue of equity securities **or disposal out of treasury** in the 12 months immediately preceding the announcement of the proposed issue of securities, the use of such proceeds, the intended use of any amount not yet utilised and how the issuer has dealt with such amount;
- (10) where applicable, the name of the underwriter/placing agent and the principal terms of the underwriting/placing arrangements;
- (11) a statement whether the issue **or disposal out of treasury** is subject to shareholders' approval;
- (12) where the securities are issued under a general mandate granted to the directors by the shareholders in accordance with rule 13.36(2)(b), details of the mandate;
- (13) where the securities are issued **or disposed of out of treasury** by way of a rights issue or an open offer, the information set out in paragraph 18 of Appendix 1, Part B;
- (14) conditions to which the issue **or disposal out of treasury** is subject or a negative statement if applicable; and
- (15) any other material information with regard to the issue **or disposal out of treasury** (including any restrictions on the ability of the issuer to issue further securities or **dispose out of treasury of treasury shares**, or any restrictions on the ability of the **allottees/transferees** to dispose of shares issued, **sold or disposed of** to them or any restrictions on the ability of existing shareholders to dispose of their securities arising in connection with the **relevant allotment, transfer, sale or disposal**).

9.4 Rule 13.84

Rule 13.84(1) is amended to read: "the IFA group and any director or associate of a director of the independent financial adviser holds, directly or indirectly, in aggregate more than 5% of the issued share capital of the issuer (**excluding treasury shares**), another party to the transaction".

10. CHAPTER 19B

Rule 19B.06 is amended to read: "Depositary receipts may be issued in respect of newly issued shares, **treasury shares disposed of** and/or in respect of shares placed with a depositary by existing shareholders provided that the issuer applies to be the issuer of such depositary receipts and assumes the obligations and duties imposed on an issuer by the Exchange Listing Rules. An application for the listing of depositary receipts will not be allowed if the shares which the depositary receipts would represent are already listed on the Exchange and vice versa."

11. APPENDIX 5

The Company will amend the relevant forms contained in Appendix 5 to the Listing Rules to the extent necessary (if at all) as and when it is required to submit such forms pursuant to the Exchange's Listing Rules.

11.1 Form E

When appropriate The Company will amend paragraph (3) of the sponsor's declaration as follows: "25% of the total issued share capital of the Issuer **(excluding treasury shares)** have been placed/will be held in the hands of the public in accordance with rule 8.08..."

11.2 Form F

Paragraph 3 of Form F is amended to read "that...Shares of...(Number & Class)...HK\$...Debenture/Loan Stock...Debenture/Notes/Bonds **(of which...Shares of HK\$...were treasury shares which were disposed out of treasury for cash)** have been subscribed/purchased for cash and duly allotted/issued/transferred to the subscribers/purchasers (and that the said Shares have been converted into HK\$...Stock)."

12. APPENDIX 16

12.1 Paragraph 2(4) of Appendix 16 to the Listing Rules is amended to read: "statement of changes in equity **(which, for the avoidance of doubt, will include any changes in respect of treasury shares held by the listed issuer);**"

12.2 Paragraph 4(1)(g) of Appendix 16 to the Listing Rules is amended to read: "earnings per share **(which, for the avoidance of doubt, will not take account of treasury shares);**".

12.3 Paragraph 10(4) of Appendix 16 to the Listing Rules is amended to read: "Any such statement must also distinguish between:

- (i) those listed securities which are purchased **and cancelled** by the listed issuer, **those securities which are purchased and held as treasury shares by that issuer and any existing treasury shares cancelled by the issuer;** and
- (ii) those **securities** which are purchased by a subsidiary of the listed issuer;"

12.4 Paragraph 11 of Appendix 16 is amended to read: "In the case of any issue for cash of equity securities **or disposal of treasury shares** made otherwise than to shareholders in proportion to their shareholdings **(excluding any transfer of treasury shares for the purposes of an employee share scheme)** and which has not been specifically authorised by the shareholders, a listed issuer shall disclose:-

- (1) the reasons for making the **issue/disposal**;
- (2) the classes of equity securities **issued/disposed of**;
- (3) as respect each class of equity securities, the number **issued/disposed of**, their aggregate nominal value;
- (4) the **issue/disposal** price of each security;
- (5) the net price to the listed issuer of each security;
- (6) the names of the **allottees/transferees**, if less than six in number, and, in the case of six or more **allottees/transferees**, a brief generic description of them;

(7) the market price of the securities concerned on a named date, being the date on which the terms of the **issue/disposal** were fixed; and

(8) the use of the proceeds.”

12.5 Paragraph 31(5) of Appendix 16 is amended to read: “a statement of the interests of any of the directors; their associates; or any shareholder (which to the knowledge of the directors owns more than 5% of the listed issuers’ share capital **(excluding treasury shares)**) in the suppliers or customers disclosed under (1) to (4) above or if there are no such interests a statement to that effect;”.

12.6 Paragraph 37(4) of Appendix 16 is amended to read: “a statement of changes in equity **(which, for the avoidance of doubt, will include any changes in respect of treasury shares)**”.

FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated on 8 July 1999 as SOFTBANK INVESTMENT CORPORATION under the Companies Act. The Company was listed on the JASDAQ market of the OSE (formerly NASDAQ Japan) on 15 December 2000 and began trading on the OSE under the ticker number 8473. On 15 February 2002 the Company listed on the First Section of the TSE (stock code: 8473) and on 27 November 2002 the Company listed on the First Section of the OSE and (stock code: 8473). The Company changed its name to SBI Holdings, Inc. on 1 July 2005.

We have a registered place of business in Hong Kong at Suite 806, 8/F, Tower 2, Lippo Centre, 89 Queensway, Hong Kong. We were registered as a non-Hong Kong company under Part XI of the Hong Kong Companies Ordinance on 22 March 2011. Mr. Hideo Nakamura has been appointed as our agent for the acceptance of service of process in Hong Kong. The address for service of process on our Company in Hong Kong is the same as our registered place of business in Hong Kong (as set out above). Our Company is incorporated in Japan, with the registered company number 0104-01-045208 and accordingly its corporate structure and Articles of Incorporation are subject to the relevant laws of Japan. A summary of the relevant provisions of our Articles of Incorporation and certain relevant aspects of Japanese laws and regulations are set out in Appendix V to this prospectus. The Company's EDINET code is E05159.

Our Company's head office and registered office in Japan are located at Izumi Garden Tower, 19th Floor, 1-6-1, Roppongi, Minato-ku, Tokyo, Japan. The telephone number of the head office is +81(3) 6229 0100.

2. Changes in share capital of our Group**(a) The Company**

As at the date of incorporation, the total issued and paid-up share capital of the Company was ¥50,000,000, which represented 1000 Shares with a par value of ¥50,000 each.

Under the Companies Act, the concept of share with par value was abolished at the time of amendments to the Commercial Code made in 2001. Following this, our Shares that were issued prior to this date were changed to nil par value.

Under the Companies Act, a company is allowed to carry cash paid by shareholders for new shares either as part of its capital reserve account or as part of the paid-in capital account, on the condition that at least one half of such amount must be accounted for as paid-in capital. As at 28 February 2009, the issued share capital of the Company was ¥55,207,395,227. Since 1 March 2009, the following changes have been made to the Company's issued share capital:

- (i) On 24 March 2009, the issued share capital of the Company was increased to ¥55,210,975,355 divided into 16,767,045 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥7,160,256.
- (ii) On 25 March 2009, the issued share capital of the Company was increased to ¥55,214,742,971 divided into 16,768,733 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥7,535,232.

- (iii) On 9 June 2009, the issued share capital of the Company was increased to ¥55,216,112,843 divided into 16,768,959 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥2,729,854.
- (iv) On 18 June 2009, the issued share capital of the Company was increased to ¥55,216,455,311 divided into 16,769,015 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥676,424.
- (v) On 7 July 2009, the issued share capital of the Company was increased to ¥55,217,619,702 divided into 16,769,207 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥2,319,168.
- (vi) On 9 July 2009, the issued share capital of the Company was increased to ¥55,219,812,228 divided into 16,769,558 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥4,385,051.
- (vii) On 15 July 2009, the issued share capital of the Company was increased to ¥55,220,839,632 divided into 16,769,728 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥2,053,430.
- (viii) On 4 August 2009, the issued share capital of the Company was increased to ¥55,229,401,332 divided into 16,771,144 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥17,103,864.
- (ix) On 7 August 2009, the issued share capital of the Company was increased to ¥55,230,771,204 divided into 16,771,370 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥2,729,854.
- (x) On 10 August 2009, the issued share capital of the Company was increased to ¥55,231,169,845 divided into 16,771,433 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥797,282.
- (xi) On 14 August 2009, the issued share capital of the Company was increased to ¥55,237,123,885 divided into 16,772,099 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥11,907,414.
- (xii) On 27 August 2009, the issued share capital of the Company was increased to ¥55,237,329,365 divided into 16,772,133 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥410,686.
- (xiii) On 2 October 2009, the issued share capital of the Company was increased to ¥55,239,322,570 divided into 16,772,452 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥3,986,410.

- (xiv) On 22 October 2009, the issued share capital of the Company was increased to ¥55,243,569,173 divided into 16,773,155 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥8,492,450.
- (xv) On 24 November 2009, the issued share capital of the Company was increased to ¥55,244,565,776 divided into 16,773,314 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥1,993,205.
- (xvi) On 8 December 2009, the issued share capital of the Company was increased to ¥55,247,168,532 divided into 16,773,744 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥5,193,970.
- (xvii) On 18 December 2009, the issued share capital of the Company was increased to ¥55,253,152,972 divided into 16,776,424 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥11,966,200.
- (xviii) On 24 December 2009, the issued share capital of the Company was increased to ¥55,255,892,716 divided into 16,776,877 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥5,471,787.
- (xix) On 28 December 2009, the issued share capital of the Company was increased to ¥55,261,851,659 divided into 16,777,863 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥11,909,894.
- (xx) On 4 January 2010, the issued share capital of the Company was increased to ¥55,266,590,988 divided into 16,779,447 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥9,478,656.
- (xxi) On 18 January 2010, the issued share capital of the Company was increased to ¥55,267,275,924 divided into 16,779,560 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥1,369,750.
- (xxii) On 2 February 2010, the issued share capital of the Company was increased to ¥55,267,823,872 divided into 16,779,650 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥1,087,110.
- (xxiii) On 8 February 2010, the issued share capital of the Company was increased to ¥55,268,166,340 divided into 16,779,706 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥676,424.
- (xxiv) On 17 February 2010, the issued share capital of the Company was increased to ¥55,271,156,148 divided into 16,780,184 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥5,964,006.

- (xxv) On 19 February 2010, the issued share capital of the Company was increased to ¥55,275,142,558 divided into 16,780,823 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥7,972,803.
- (xxvi) On 26 February 2010, the issued share capital of the Company was increased to ¥55,281,122,173 divided into 16,781,781 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥11,952,906.
- (xxvii) On 8 March 2010, the issued share capital of the Company was increased to ¥55,284,204,385 divided into 16,782,291 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥6,163,875.
- (xxviii) On 20 April 2010, the issued share capital of the Company was increased to ¥55,286,601,661 divided into 16,782,687 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥4,783,284.
- (xxix) On 22 April 2010, the issued share capital of the Company was increased to ¥55,287,971,533 divided into 16,782,913 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥2,729,854.
- (xxx) On 7 May 2010, the issued share capital of the Company was increased to ¥55,289,341,405 divided into 16,783,139 Shares/Warrants of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥2,729,854.
- (xxxii) On 12 May 2010, the issued share capital of the Company was increased to ¥55,297,314,225 divided into 16,784,417 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥15,945,606.
- (xxxiii) On 13 May 2010, the issued share capital of the Company was increased to ¥55,300,334,834 divided into 16,784,906 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥6,033,593.
- (xxxiv) On 14 May 2010, the issued share capital of the Company was increased to ¥55,302,726,680 divided into 16,785,288 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥4,766,214.
- (xxxv) On 20 May 2010, the issued share capital of the Company was increased to ¥55,308,706,295 divided into 16,786,246 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥11,952,966.
- (xxxvi) On 24 May 2010, the issued share capital of the Company was increased to ¥55,314,685,910 divided into 16,787,204 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥11,952,966.

- (xxxvi) On 1 June 2010, the issued share capital of the Company was increased to ¥55,315,682,513 divided into 16,787,363 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥1,983,843.
- (xxxvii) On 2 June 2010, the issued share capital of the Company was increased to ¥55,321,162,001 divided into 16,788,270 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥10,958,000.
- (xxxviii) On 4 June 2010, the issued share capital of the Company was increased to ¥55,323,753,168 divided into 16,788,685 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥5,177,955.
- (xxxix) On 10 June 2010, the issued share capital of the Company was increased to ¥55,324,749,771 divided into 16,788,844 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥1,983,843.
- (xxxx) On 14 June 2010, the issued share capital of the Company was increased to ¥55,326,742,976 divided into 16,789,163 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥3,980,163.
- (xxxxi) On 17 June 2010, the issued share capital of the Company was increased to ¥55,376,573,101 divided into 16,797,150 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥99,660,250.
- (xxxixii) On 18 June 2010, the issued share capital of the Company was increased to ¥55,448,727,122 divided into 16,808,715 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥144,296,505.
- (xxxixiii) On 21 June 2010, the issued share capital of the Company was increased to ¥55,572,106,512 divided into 16,828,492 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥246,757,629.
- (xxxixiv) On 23 June 2010, the issued share capital of the Company was increased to ¥73,226,482,510 divided into 19,940,492 Shares of nil par value each pursuant to a public share offering at ¥11,346 per Share.
- (xxxixv) On 22 December 2010, the issued share capital of the Company was increased to ¥73,232,466,950 divided into 19,943,172 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥ 11,966,200.
- (xxxixvi) On 21 February 2011, the issued share capital of the Company was increased to ¥73,233,416,061 divided into 19,943,508 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥ 1,897,885.

- (xxxxvii) On 15 March 2011, the issued share capital of the Company was increased to ¥73,236,330,895 divided into 19,944,018 Shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥5,829,157.
- (xxxxviii) Immediately following completion of the Global Offering, assuming the HDRs are issued, but taking no account of any HDRs that may be allotted and issued upon the exercise of the Over-allotment Option, the issued share capital of the Company will be divided into 21,694,018 Shares of nil par value with the value of the issued share capital of the Company to be determined as set out in the section entitled "Pricing and Allocation - Structure and Conditions of the Global Offering" of this prospectus.
- (xxxxix) There will be no changes in share capital of the Company as a result of the Share Exchange. The amount of the Company's capital reserve will increase upon the Share Exchange and such amount will be determined by the Company in accordance with the Companies Act and the other relevant rules in Japan.

Save as disclosed above or elsewhere in this prospectus, there has been no alteration in the Company's share capital within the two years preceding the date of this prospectus.

(b) Our subsidiaries

According to paragraph 26 of Appendix 1E to the Listing Rules, a listing document should include particulars of any alterations in the capital of any member of the group within the two years immediately preceding the issue of the listing document. The Company has over 100 subsidiaries, as set out in the section headed "Appendix I — Accountants' Report" to this prospectus. However, information relating to share changes in the Company's subsidiaries, other than its principal operating subsidiaries is not material or meaningful to investors. The Company has applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with paragraph 26 of Appendix 1E to the Listing Rules, for more information, see the section entitled "Waivers" in this prospectus. The following sets out the changes in share capital of the principal operating subsidiaries of the Group which have taken place since 1 March 2009:

(a) SBI Investment Co., Ltd.

- (i) There has been no change in the share capital of the company since 1 March 2009.

(b) SBI Incubation Co., Ltd.

- (i) On 28 April 2010, the issued share capital of the company increased to ¥5,555,750,000 divided into 3,320 shares of nil par value each for a consideration of ¥1,097,500,000.

(c) SBI CAPITAL Co., Ltd.

- (i) There has been no change in the share capital of the company since 1 March 2009.

(d) SBI Capital Solutions Co., Ltd.

- (i) There has been no change in the share capital of the company since 1 March 2009.

(e) SBI Asset Management Co., Ltd.

- (i) There has been no change in the share capital of the company since 1 March 2009.

(f) SBI VEN HOLDINGS PTE. LTD.

- (i) On 1 July 2009, the issued share capital of the company increased to US\$21,073,644 divided into 21,073,644 shares of nil par value each.
- (ii) On 10 July 2009, the issued share capital of the company increased to US\$24,073,644 divided into 24,073,644 shares of nil par value each.
- (iii) On 25 September 2009, the issued share capital of the company increased to US\$29,873,644 divided into 29,873,644 shares of nil par value each.
- (iv) On 20 January 2010, the issued share capital of the company increased to US\$30,939,334 divided into 30,939,334 shares of nil par value each.
- (v) On 2 March 2010, the issued share capital of the company increased to US\$32,939,334 divided into 32,939,334 shares of nil par value each.
- (vi) On 1 June 2010, the issued share capital of the company increased to US\$85,789,334 divided into 85,789,334 shares of nil par value each.
- (vii) On 15 February 2011, the issued share capital of the company increased to US\$102,035,815 divided into 102,035,815 shares of nil par value.
- (viii) On 3 March 2011, the issued share capital of the company increased to US\$162,705,972 divided into 162,705,972 shares of nil par value.

(g) SBI SECURITIES Co., Ltd.

- (i) There has been no change in the share capital of the company since 1 March 2009.

(h) SBI Japannext Co., Ltd.

- (i) On 24 December 2010, the issued share capital of the company increased to ¥3,050,150,000 divided into 83,337 shares of nil par value each.

(i) SBI Liquidity Market Co., Ltd.

- (i) On 15 May 2010, the issued share capital of the company increased to ¥1,000,000,000 divided into 6,000 shares of nil par value each.

(j) SBI VeriTrans Co., Ltd.

- (i) On 2 March 2009, the issued share capital of the company increased to ¥1,059,151,670 divided into 178,673 shares of nil par value each for a consideration of ¥1,860,084.
- (ii) On 9 March 2009, the issued share capital of the company increased to ¥1,059,496,190 divided into 178,793 shares of nil par value each for a consideration of ¥688,920.
- (iii) On 12 March 2009, the issued share capital of the company increased to ¥1,062,080,090 divided into 179,693 shares of nil par value each for a consideration of ¥5,166,900.
- (iv) On 18 March 2009, the issued share capital of the company increased to ¥1,062,631,322 divided into 179,885 shares of nil par value each for a consideration of ¥1,102,272.

- (v) On 24 March 2009, the issued share capital of the company increased to ¥1,063,768,238 divided into 180,281 shares of nil par value each for a consideration of ¥2,273,436.
- (vi) On 13 April 2009, the issued share capital of the company increased to ¥1,064,905,154 divided into 180,677 shares of nil par value each for a consideration of ¥2,273,436.
- (vii) On 21 April 2009, the issued share capital of the company increased to ¥1,065,284,126 divided into 180,809 shares of nil par value each for a consideration of ¥757,812.
- (viii) On 25 May 2009, the issued share capital of the company increased to ¥1,065,559,742 divided into 170,298 shares of nil par value each for a consideration of ¥551,136.
- (ix) On 18 September 2009, the issued share capital of the company increased to ¥1,065,800,906 divided into 170,382 shares of nil par value each for a consideration of ¥482,244.
- (x) On 16 December 2009, the issued share capital of the company increased to ¥1,066,076,522 divided into 170,478 shares of nil par value each for a consideration of ¥551,136.
- (xi) On 25 February 2010, the issued share capital of the company increased to ¥1,066,386,590 divided into 170,586 shares of nil par value each for a consideration of ¥620,028.
- (xii) On 31 March 2010, the issued share capital of the company increased to ¥1,066,972,274 divided into 170,790 shares of nil par value each for a consideration of ¥1,171,164.
- (xiii) There will be no changes in share capital of SBI VeriTrans as a result of the Share Exchange.

(k) Morningstar Japan K.K.

- (i) There has been no change in the share capital of the company since 1 March 2009.

(l) Gomez Consulting Co., Ltd.

- (i) On 30 April 2010, the issued share capital of the company increased to ¥614,331,250 divided into 14,697 shares of nil par value each for a consideration of ¥1,327,500.
- (ii) On 31 January 2011, the issued share capital of the company was increased to ¥616,101,250 divided into 14,777 shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥3,540,000.
- (iii) On 25 February 2011, the issued share capital of the company was increased to ¥616,543,750 divided into 14,797 shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥885,000.

- (iv) On 28 February 2011, the issued share capital of the company was increased to ¥617,871,250 divided into 14,857 shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥2,655,000.
- (v) On 15 March 2011, the issued share capital of the company was increased to ¥620,526,250 divided into 14,977 shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥5,310,000.
- (vi) On 23 March 2011, the issued share capital of the company was increased to ¥621,853,750 divided into 15,037 shares of nil par value each pursuant to the exercise of SARs/Warrants under the Pre-IPO SAR Resolutions for a consideration of ¥2,655,000.

(m) SBI Lease Co., Ltd.

- (i) There has been no change in the share capital of the company since 1 March 2009.

(n) SBI Servicer Co., Ltd.

- (i) There has been no change in the share capital of the company since 1 March 2009.

(o) SBI Marketing Co., Ltd.

- (i) There has been no change in the share capital of the company since 1 March 2009.

(p) SBI Business Support Corp.

- (i) There has been no change in the share capital of the company since 1 March 2009.

(q) Autoc one K.K.

- (i) There has been no change in the share capital of the company since 1 March 2009.

(r) SBI Credit Co., Ltd.

- (i) On 20 August 2010, the issued share capital of the company increased to ¥1,250,000,000 divided into 121,600 shares of nil par value each.

(s) SBI Sumishin Net Bank, Ltd.

- (i) On 7 August 2009, the issued share capital of the company increased to ¥25,000,002,934 divided into 1,003,292 shares of nil par value each.
- (ii) On 30 April 2010, the issued share capital of the company increased to ¥31,000,243,874 divided into 1,507,938 shares of nil par value each.

(t) SBI Insurance Co., Ltd.

- (i) On 17 September 2009, the issued share capital of the company increased to ¥3,050,002,840 divided into 139,160 shares of nil par value each.
- (ii) On 26 May 2010, the issued share capital of the company increased to ¥5,550,009,558 divided into 281,643 shares of nil par value each.

(u) SBI Card Co., Ltd.

- (i) On 31 March 2009, the issued share capital of the company decreased to ¥80,000,000 divided into 6,000 shares of nil par value each.
- (ii) On 29 June 2009, the issued share capital of the company increased to ¥480,000,000 divided into 8,000 shares of nil par value each.
- (iii) On 30 November 2010, the issued share capital of the company increased to ¥2,467,500,000 divided into 114,000 shares of nil par value each for a consideration ¥3,975,000,000.
- (iv) On 16 March 2011, the issued share capital of the company increased to ¥4,967,475,000 divided into 180,666 shares of nil par value.

(v) SBI Mortgage Co., Ltd.

- (i) There has been no change in the share capital of the company since 1 March 2009.

(w) SBI Life Living, Co., Ltd.

- (i) There has been no change in the share capital of the company since 1 March 2009.

(x) CEM Corporation

- (i) There has been no change in the share capital of the company since 1 March 2009.

(y) SBI Net Systems Co., Ltd.

- (i) There has been no change in the share capital of the company since 1 March 2009.

(z) HOMEOSTYLE Inc.

- (i) There has been no change in the share capital of the company since 1 March 2009.

3. Repurchase of our Shares

This paragraph includes information relating to the repurchase by the Company of its own Shares, including information required by the Hong Kong Stock Exchange to be included in this prospectus concerning such repurchase.

(a) Shareholders' approval

Under the Companies Act, if the Company repurchases its own Shares upon agreement with its particular Shareholder(s), a Shareholders' special resolution is required in advance to approve: (i) the number and the class of the Shares to be repurchased; (ii) the contents and the aggregate amount of consideration to be paid in exchange for the repurchased Shares (or any other assets to be provided in exchange for the repurchased Shares; provided that Shares of the Company may not be provided as consideration for the repurchased Shares); (iii) the period during which the Company may repurchase its Shares (provided that it must be no more than one year); and (iv) the name of such particular Shareholder(s). However, in cases where the Company repurchases its own Shares through stock exchanges or financial instrument dealers, or upon a takeover bid pursuant to the FIEA, the Board of Directors may, instead of a Shareholders' meeting, determine (i) to (iii) above in accordance with its Articles of Incorporation. As there has been no Shareholders' resolution or Board resolution for repurchase of its own Shares for over a year and the repurchase has to be conducted within one year from such resolution, the Company must obtain a new Board resolution or Shareholders' resolution, as appropriate, if the Company intends to repurchase its own Shares.

If the Company acquires its own Shares under certain circumstances stipulated by the Companies Act (for example, the Company acquires its own shares from another company as a result of merger), Shareholder approval or Board resolution is not necessarily required and the Company must follow the applicable respective procedures stipulated by the Companies Act to acquire its own Shares.

(b) Disclosure of repurchase of shares

When a listed company repurchases its own shares, the company is required to disclose certain matters, including a reason of the repurchase, details of the repurchase such as the class of shares to be repurchased, (in the case of repurchase from specific shareholder(s)) identities of the specific shareholder(s), pursuant to the listing rules. Furthermore, a company that repurchases its own shares is required to file a Share Buyback Report under the FIEA (see “Waivers and Voluntary Measures” of this prospectus). In addition, when repurchase of shares is conducted by way of takeover bid, the company is required to comply with the statutory procedures under the FIEA, under which disclosure of certain matters such as the class of shares subject to the takeover, details of the resolution for takeover, offer price and offering period, is required, as well as disclosure for a takeover bid under the listing rules. The Company has applied for a waiver from the disclosure of certain Share repurchases, for more information see the section entitled “Waivers and Voluntary Measures — Share Repurchase and Treasury Shares — Publication of Details of Share Repurchases”.

(c) Source of funds

Under the Companies Act, the aggregate amount of money to be paid (or any other assets to be provided) in exchange for the repurchased shares must not exceed the Distributable Amount on the date that the repurchase comes into effect and such amount is to be calculated in accordance with the Companies Act. In addition, if there is a possibility that the Distributable Amount on the last date of the fiscal year on which the repurchase is to be conducted may be a negative amount, the Company may not repurchase the Shares.

If the Company acquires Shares of the Company under certain other circumstances stipulated by the Companies Act, for example, the Company acquires its own Shares from another company as a result of a merger, the above restrictions on source of funds are not necessarily applied and the Company must follow the applicable respective restrictions on funding stipulated by the Companies Act.

(d) Reasons for repurchases

Although the Company has no immediate plans to repurchase its own Shares, the Company considers that there may be circumstances in which it would be desirable for the Company to repurchase its Shares and the Company wishes to be able to repurchase them if such circumstances arise. Repurchases would only be made if they would be for the benefit of Shareholders generally.

(e) Funding of repurchases

There are no restrictions on the funds used for repurchasing Shares. The Company may repurchase its Shares within the Distributable Amount following the procedures stated in the paragraph entitled “(a) Shareholders’ approval” above.

As stated in the paragraph entitled “(a) Shareholders’ approval” above, the Company must obtain a Board resolution or Shareholders’ resolution in order to repurchase its own Shares upon

agreement with Shareholders. As there has been no Shareholders' resolution or Board resolution for repurchase of its own Shares for over a year and the repurchase has to be conducted within one year from such resolution, the Company must obtain a new Board resolution or Shareholders' resolution to allow it to repurchase its own Shares.

(f) *General*

None of our Directors, nor any of their associates currently intends to sell any Shares to our Company or our subsidiaries.

The Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with certain provisions in Rule 10.06(2), Rule 10.06(4)(a) and 13.31(1) of the Listing Rules. Our Directors undertake to the Hong Kong Stock Exchange that the Company will repurchase its own Shares in accordance with the Listing Rules (to the extent such provisions in the Listing Rules remain applicable to the Company) and the applicable laws of Japan, please see the section entitled "Waivers" in this prospectus for more information.

The Company will not repurchase its own Shares if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person of our Company (as defined in the Listing Rules) has notified us that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Company repurchases its own Shares.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

4. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this prospectus and are or may be material:

- (a) the dealer agreement dated 19 March 2009 (as amended on 12 March 2010, 16 April 2010 and 11 March 2011), entered into between the Company (as issuer), Mizuho International plc (as arranger and dealer) and other dealers with respect to the Euro Medium Term notes of up to ¥110 billion to be issued by the Company;
- (b) the revolving loan agreement dated 30 March 2010, entered into between SBI SECURITIES Co., Ltd. (as lender) and the Company (as borrower) with respect to the borrowing by the Company of up to ¥83.9 billion from SBI SECURITIES Co., Ltd.;
- (c) the underwriting agreement dated 16 June 2010, entered into between Daiwa Securities Capital Markets Co. Ltd., JPMorgan Securities Japan Co., Ltd., Nomura Securities Co., Ltd., Goldman Sachs Japan Co., Ltd., Mizuho Securities Co., Ltd. (the "Underwriters") and the Company, with respect to: (i) the issuance of 2,957,000 Shares in the Company for public offering in June 2010; and (ii) the issuance of 155,000 Shares in the Company in June 2010 to the Underwriters. The Underwriters obtained the difference between the offering price (i.e., ¥11,834 per Share) and the underwriting price (i.e., ¥11,346 per Share) as commission in connection with the issuance of Shares mentioned in (i) and (ii) above;
- (d) the share exchange agreement dated 24 February 2011, entered into between the Company and SBI VeriTrans pursuant to which SBI VeriTrans will become a wholly-owned subsidiary of the Company on 1 August 2011 through the Share Exchange;




- (e) the Hong Kong Underwriting Agreement dated 30 March 2011, entered into between the Sole Sponsor, CCB International Capital Limited, Haitong International Securities Company Limited, Kingston Securities Limited and the Company (See the section entitled “Underwriting” for more information);
- (f) The Deposit Agreement dated 30 March 2011, entered into between the Company and the Depositary in relation to the HDRs; and
- (g) the Deed Poll dated 30 March 2011, executed by the Company and the Depositary in favour of the HDR Holders in relation to the Deposit Agreement as described in paragraph (f) above.

5. Our Intellectual property rights

As of the Latest Practicable Date, our Group has registered or has applied for the registration of the following intellectual property rights which are material in relation to our Group’s business.

(a) Trademarks

As at the Latest Practicable Date, our Group has registered the following trademarks which are material in relation to our Group’s business:

Trademark	Proprietor	Territory of registration	Class	Registration number	Expiry date (day/month/year)
SBI ジャパンネクスト	SBI Holdings, Inc.	International Registration	36	931361 ¹	17/05/2017
SBI ジャパンネクスト	SBI Holdings, Inc.	Australia	36	1196166	17/05/2017
SBI ジャパンネクスト	SBI Holdings, Inc.	Benelux	36	931361 ¹	17/05/2017
SBI ジャパンネクスト	SBI Holdings, Inc.	Turkey	36	931361 ¹	17/05/2017
SBI ジャパンネクスト	SBI Holdings, Inc.	Vietnam	36	931361 ¹	17/05/2017
SBI	SBI Holdings, Inc.	Indonesia	36	IDM000189875	20/07/2017
SBI	SBI Holdings, Inc.	Malaysia	36	07011962	21/06/2017
	SBI Holdings, Inc.	Cambodia	36	KH/30199/09	31/07/2018
	SBI Holdings, Inc.	Brunei	36	39719	10/07/2018
	SBI Holdings, Inc.	Philippines	36	42008008193	16/03/2019



APPENDIX VIII

STATUTORY AND GENERAL INFORMATION

Trademark	Proprietor	Territory of registration	Class	Registration number	Expiry date (day/month/year)
	SBI Holdings, Inc.	Thailand	36	Bor38458	05/07/2017
	SBI Holdings, Inc.	China	36 ²	5819896	13/04/2020
	SBI Holdings, Inc.	China	37	5819897	06/02/2020
	SBI Holdings, Inc.	China	38	5819898	27/01/2020
	SBI Holdings, Inc.	China	39 ³	5819899	13/06/2020
	SBI Holdings, Inc.	China	40	5819900	27/01/2020
	SBI Holdings, Inc.	China	41	5819901	20/01/2021
	SBI Holdings, Inc.	China	42 ⁴	5819902	06/09/2020
	SBI Holdings, Inc.	China	43	5819903	06/02/2020
	SBI Holdings, Inc.	China	44	5819904	06/02/2020
	SBI Holdings, Inc.	China	45	5819905	20/01/2020
	SBI Holdings, Inc.	China	35 ⁵	5819943	13/06/2020
	SBI Holdings, Inc.	China	9	5819944	13/10/2019
	SBI Holdings, Inc.	China	16 ⁶	5819945	27/09/2020
士本	SBI Holdings, Inc.	Hong Kong	3,5,9,16, 35,36,38, 39,41,42, 43,44,45	301399050	03/08/2019

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Trademark	Proprietor	Territory of registration	Class	Registration number	Expiry date (day/month/year)
士本	SBI Holdings, Inc.	Singapore	3,5,9,16, 35,36,38, 39,41,42, 43,44,45	T0909073B	13/08/2019
	SBI Holdings, Inc.	Japan	9,16,35, 36,37,38, 39,40,42, 43,44,45	4921087	13/01/2016
	SBI Holdings, Inc.	Japan	41	5027683	23/02/2017
SBI	SBI Holdings, Inc.	Japan	35	5093549	22/11/2017
S B I	SBI Holdings, Inc.	Japan	1,3	5208751	27/02/2019
S B I	SBI Holdings, Inc.	Japan	36	4616054	25/10/2012
S B I	SBI Holdings, Inc.	Japan	9,16,35, 37,38,39, 40,42,43, 44,45	4919232	06/01/2016
S B I	SBI Holdings, Inc.	Japan	41	5027678	23/02/2017
S B I F	SBI Holdings, Inc.	Japan	35,36,42	5395556	04/03/2021
ソフトトレンドキャピタル	SBI Holdings, Inc.	Japan	35,36, 41,42	4621812	15/11/2012
sbicapital	SBI Holdings, Inc.	Japan	35,36, 41,42	4621814	15/11/2012
インターネットテクノロジーファン	SBI Holdings, Inc.	Japan	35,36, 41,42	4623831	22/11/2012
S B I ブロードバンドキャピタル	SBI Holdings, Inc.	Japan	35,36	4845299	11/03/2015

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Trademark	Proprietor	Territory of registration	Class	Registration number	Expiry date (day/month/year)
S B I サービス	SBI Holdings, Inc.	Japan	36	4921008	13/01/2016
m u s b i	SBI Life Living Co., Ltd.	Japan	35	5027815	23/02/2017
	SBI Holdings, Inc.	Japan	35,42	5029654	02/03/2017
	SBI Life Living Co., Ltd.	Japan	35,42,45	5033272	16/03/2017
	SBI Holdings, Inc.	Japan	36	5051425	01/06/2017
S B I マネープラザ	SBI Holdings, Inc.	Japan	41	5065966	27/07/2017
S B I ジャパンネクスト	SBI Holdings, Inc.	Japan	16,35,36 38,42	5069605	10/08/2017
D H P	SBI Life Living Co., Ltd.	Japan	35,42	5072685	24/08/2017
S B I インベストメント	SBI Holdings, Inc.	Japan	35,36, 41,42	5093556	22/11/2017
S B I マネープラザ	SBI Holdings, Inc.	Japan	16,35, 36,42	5098451	14/12/2017
ファンドバンク F u n d B a n k	SBI Holdings, Inc.	Japan	16,36	5136974	06/06/2018
マネーの守護神	SBI Holdings, Inc.	Japan	35	5146130	27/06/2018
S B I 金融道場	SBI Holdings, Inc.	Japan	35	5177253	31/10/2018
S B I M o n e y W o r l d	SBI Holdings, Inc.	Japan	35	5177254	31/10/2018
保険の賢者	SBI Holdings, Inc.	Japan	35	5177255	31/10/2018
株の長者村	SBI Holdings, Inc.	Japan	35	5180338	14/11/2018



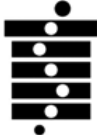
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STATUTORY AND GENERAL INFORMATION

Trademark	Proprietor	Territory of registration	Class	Registration number	Expiry date (day/month/year)
S B I オートサーバー	SBI Holdings, Inc.	Japan	35,36,39	5197174	16/01/2019
調べるトラベル	SBI Life Living Co., Ltd.	Japan	39	5216866	27/03/2014
	SBI Holdings, Inc.	Japan	36	5232893	22/05/2019
S B I ネットシステムズ	SBI Holdings, Inc.	Japan	9,16,35, 36,40, 41,42,44	5245585	10/07/2019
S B I レセプト	SBI Holdings, Inc.	Japan	35,36	5246627	10/07/2019
マイスコア my score	SBI Holdings, Inc.	Japan	35,36	5262029	04/09/2019
アトリビュートマッチ	SBI Holdings, Inc.	Japan	35,36	5262036	04/09/2019
A L L 外為比較	SBI Holdings, Inc.	Japan	35,36	5262044	04/09/2019
S B I リクイデイティマ ーケット	SBI Holdings, Inc.	Japan	36	5263797	11/09/2019
D I S / M A S	SBI Holdings, Inc.	Japan	35,42	5274539	23/10/2019
	SBI Holdings, Inc.	Japan	35,42	5298532	05/02/2020
S B I R E M I T S B I レミット	SBI Holdings, Inc.	Japan	36	5335026	02/07/2020
S B I R E M I T S B I レミット	SBI Holdings, Inc.	Japan	16,35	5371547	26/11/2020
	SBI Holdings, Inc.	Japan	35,42	5356145	24/09/2020
SBI NATURAL RESOURCES	SBI Holdings, Inc.	Japan	36	5381085	07/01/2021

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Trademark	Proprietor	Territory of registration	Class	Registration number	Expiry date (day/month/year)
MoneyLook マネールック	Techtank Corporation	Japan	9,35, 36,42	4642054	31/01/2013
 MoneyLook Techtank Corporation	Techtank Corporation	Japan	9,35, 36,42	4653895	14/03/2013
SecureLook セキュアルック	Techtank Corporation	Japan	42	4688663	04/07/2013
コンテンツルック ContentsLook	Techtank Corporation	Japan	36,38, 41,42	4713062	26/09/2013
CashingJapan キャッシングジャパン	Finance All Corporation	Japan	35,36,42	4824597	10/12/2014
A L Lカード比較	Finance All Corporation	Japan	35,36,42	4848215	18/03/2015
ALLカードNAVI	Finance All Corporation	Japan	35,36	4878390	08/07/2015
	Finance All Corporation	Japan	35,36	4885563	05/08/2015
比較オール 比較ALL	SBI Life Living Co., Ltd.	Japan	16,35	4942989	07/04/2016
チケエク	SBI Life Living Co., Ltd.	Japan	16,35,41	4973802	28/07/2016
ベスト@リフォーム BEST@REFORM	SBI Life Living Co., Ltd.	Japan	16,35,37	5101819	28/12/2012
チケ流	SBI Life Living Co., Ltd.	Japan	16,35,41	4845419	11/03/2015
引越達人	SBI Life Living Co., Ltd.	Japan	39	4517156	26/10/2011
	Trans Science Corporation ⁷	Japan	35,36	4861533	28/04/2015
TRANS-SCIENCEトランスサイエンス	Trans Science Corporation ⁷	Japan	35,36	4861534	28/04/2015


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Trademark	Proprietor	Territory of registration	Class	Registration number	Expiry date (day/month/year)
S W A N スワン	SBI Asset Management K.K.	Japan	36	4628635	13/12/2012
ネクストジャパン	SBI Asset Management K.K.	Japan	36	4949017	28/04/2016
ジェイクール j c o o l	SBI Asset Management K.K.	Japan	36	4953852	19/05/2016
ジェイリバイブ j r e v i v e	SBI Asset Management K.K.	Japan	36	5000853	02/11/2016
ジェロニモ	SBI Asset Management K.K.	Japan	36	5021461	26/01/2017
K—w i n g ケイウイング	SBI Asset Management K.K.	Japan	36	5217844	27/03/2019
グローバル●ダイナミック ストラテジー●ファン ド 世界選抜	SBI Asset Management K.K.	Japan	36	5304518	26/02/2020
ノースつと	SBI Biotech Co., Ltd.	Japan	29	5234133	29/05/ 2019
億万長者物語	E*TRADE SECURITIES Co., Ltd. ^B	Japan	36	4855176	08/04/2015
HYPER MOBILE ハイパーモバイル	E*TRADE SECURITIES Co., Ltd. ^B	Japan	36	4969994	28/07/2016
ベネフィット401k	Benefit Systems Co., Ltd. (Currently called "SBI Benefit Systems Co., Ltd.")	Japan	35,42	4648302	28/02/2013
リクイディティ●マーケット	SBI Liquidity Market Co., Ltd.	Japan	42	5263764	11/09/2019
かりよつ C A R	SBI Lease Co., Ltd.	Japan	35,39	4891822	02/09/2015



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Trademark	Proprietor	Territory of registration	Class	Registration number	Expiry date (day/month/year)
	SBI Lease Co., Ltd.	Japan	35,36,39	5045739	11/05/2017
杰街同步	SBI VeriTrans	China	35	7134943	27/08/2020
Buy-J	SBI VeriTrans	China	35	7134944	13/09/2020
佰宜杰	SBI VeriTrans	China	35	7134945	27/08/2020
佰宜杰	SBI VeriTrans	China	18	7182558	20/09/2020
佰宜杰	SBI VeriTrans	China	16	7182559	20/07/2020
佰宜杰	SBI VeriTrans	China	15	7182560	13/07/2020
佰宜杰	SBI VeriTrans	China	14	7182561	13/07/2020
佰宜杰	SBI VeriTrans	China	11	7182562	20/10/2020
佰宜杰	SBI VeriTrans	China	10	7182563	20/07/2020
佰宜杰	SBI VeriTrans	China	9	7182564	20/10/2020
佰宜杰	SBI VeriTrans	China	8	7182565	20/10/2020
佰宜杰	SBI VeriTrans	China	5	7182566	13/08/2020
佰宜杰	SBI VeriTrans	China	3	7182567	20/07/2020
佰宜杰	SBI VeriTrans	China	33	7182568	13/07/2020
佰宜杰	SBI VeriTrans	China	32	7182569	20/07/2020
佰宜杰	SBI VeriTrans	China	31	7182570	27/09/2020




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Trademark	Proprietor	Territory of registration	Class	Registration number	Expiry date (day/month/year)
佰宜杰	SBI VeriTrans	China	30	7182571	20/07/2020
佰宜杰	SBI VeriTrans	China	29	7182572	20/09/2020
佰宜杰	SBI VeriTrans	China	28	7182573	20/09/2020
佰宜杰	SBI VeriTrans	China	25	7182574	06/09/2020
佰宜杰	SBI VeriTrans	China	24	7182575	20/09/2020
佰宜杰	SBI VeriTrans	China	21	7182576	20/07/2020
佰宜杰	SBI VeriTrans	China	20	7182577	13/07/2020
佰宜杰	SBI VeriTrans	China	38	7182621	20/09/2020
佰宜杰	SBI VeriTrans	China	36	7182622	20/09/2020
佰宜杰	SBI VeriTrans	China	41	7182620	20/11/2020
JJ-STREET	SBI VeriTrans	China	35 ⁹	7134942	06/11/2020
新古品	SBI VeriTrans	China	35	7452451	13/01/2021
ベリトランス Veritrans	SBI VeriTrans	Japan	9,35,36, 38,39,41, 42	4652771	14/03/2013
	SBI VeriTrans	Japan	36	5334938	02/07/2020
カード・ウエーブ Card Wave	eCure Co., Ltd.	Japan	16	2010-030307	15/10/2020
	MORNINGSTAR JAPAN Inc.	Japan	36	4888995	19/08/2015

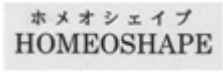

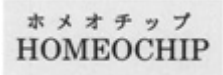
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Trademark	Proprietor	Territory of registration	Class	Registration number	Expiry date (day/month/year)
	MORNINGSTAR JAPAN Inc.	Japan	35,36,38	5301162	12/02/2020
GOMEZ	Gomez Consulting Co., Ltd.	Japan	35,42	4532504	28/12/2011
GOMEZ	Gomez Consulting Co., Ltd.	Japan	42	5317000	16/04/2020
	SBI Insurance Co., Ltd.	Japan	36,37	5179859	14/11/2018
オートックワン Autoc one	Autoc one K.K.	Japan	12,35	5235092	29/05/2019
	SBI Life Living Co., Ltd.	Japan	35,41	5284342	04/12/2019
チケット流通センター	SBI Life Living Co., Ltd.	Japan	35,41	5284343	04/12/2019
	SBI Life Living Co., Ltd.	Japan	35,36,37,41,42	5292275	08/01/2020
10-4 Cube	SBI Life Living Co., Ltd.	Japan	37,41,42	5296200	22/01/2020
10-4 Cube	SBI Life Living Co., Ltd.	Japan	35,36	5318793	23/04/2020
Life Living ライフリビング	SBI Life Living Co., Ltd.	Japan	35,36,37,39,41,42,43	5320381	30/04/2020
Prograto プログラート	SBI Planners Co., Ltd.	Japan	36	5186364	05/12/2018
CUBRIA キューブリア	SBI Planners Co., Ltd.	Japan	36	5186365	05/12/2018
Prograto プログラート	SBI Planners Co., Ltd.	Japan	37	5186366	05/12/2018
CUBRIA キューブリア	SBI Planners Co., Ltd.	Japan	37	5186367	05/12/2018


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Trademark	Proprietor	Territory of registration	Class	Registration number	Expiry date (day/month/year)
Jazz SELECTED	HOMEOSTYLE Inc.	Japan	5,9,10,16, 17,20,21, 22,24,25	1339569	17/08/2018
PRESIDENTCLUB	HOMEOSTYLE Inc.	Japan	5,9,10,16, 17,20,21, 22,24,25	1691552	21/07/2014
DANA ROSA	HOMEOSTYLE Inc.	Japan	5,9,10,16, 17,20,21, 22,24,25	1851843	23/04/2016
RUZZO ルッツォ	HOMEOSTYLE Inc.	Japan	25	4380334	28/04/2020
ホメオリブ HOMEOLIVE	HOMEOSTYLE Inc.	Japan	18,25	4461386	23/03/2011
 HOMEOLIVE	HOMEOSTYLE Inc.	Japan	3,16,29	4532419	28/12/2011
 HOMEOSHAPE	HOMEOSTYLE Inc.	Japan	29,32	4532420	28/12/2011
 HOMEORISER	HOMEOSTYLE Inc.	Japan	11	4554724	22/03/2012
 HOMECHIP	HOMEOSTYLE Inc.	Japan	10	4563497	26/04/2012
ホメオリブ	HOMEOSTYLE Inc.	Japan	3	4584249	05/07/2012
HOMEOSTYLE ホメオスタイル	HOMEOSTYLE Inc.	Japan	3,11,18,25 29,32,44	4656448	20/03/2013
by HOMEOSTYLE	HOMEOSTYLE Inc.	Japan	3,11,18,25 29,32,44	4698458	08/08/2013
ファインミスト FINEMIST	HOMEOSTYLE Inc.	Japan	1,3	4740656	16/01/2014


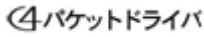
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Trademark	Proprietor	Territory of registration	Class	Registration number	Expiry date (day/month/year)
by HOMEOSTYLE	HOMEOSTYLE Inc.	Japan	3,11,14,18 25,29,30 32,44	4790729	30/07/2014
	HOMEOSTYLE Inc.	Japan	25	4797886	27/08/2014
TDL GEL by HOMEOSTYLE	HOMEOSTYLE Inc.	Japan	3	4807707	01/10/2014
V.I.E.byHOMEOSTYLE	HOMEOSTYLE Inc.	Japan	29,30,32	4824770	10/12/2014
フェクサ FEXA'	HOMEOSTYLE Inc.	Japan	3,11,29, 30,32,44	4863375	13/05/2015
顔トレ	HOMEOSTYLE Inc.	Japan	44	4886085	05/08/2015
エッセンスアライブ バイ ホームオスタイル ESSENCEALIVE by HOMEOSTYLE	HOMEOSTYLE Inc.	Japan	3	4890442	26/08/2015
Oeuf	HOMEOSTYLE Inc.	Japan	44	5090728	09/11/2017
EveryEvery	HOMEOSTYLE Inc.	Japan	32	5110571	08/02/2018
	HOMEOSTYLE Inc.	Japan	25	5115075	28/02/2018
ORSOLINO オルソリーノ	HOMEOSTYLE Inc.	Japan	25	5117369	07/03/2018
HappyFiber ハッピーファイバー	HOMEOSTYLE Inc.	Japan	29,30,32	5185452	05/12/2018
HappyBody ハッピーボディー	HOMEOSTYLE Inc.	Japan	29,30,32	5216496	19/03/2019
pururu	HOMEOSTYLE Inc.	Japan	29	5338931	16/07/2020


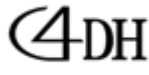


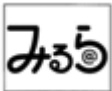
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Trademark	Proprietor	Territory of registration	Class	Registration number	Expiry date (day/month/year)
Beauty Spirit	HOMEOSTYLE Inc.	Japan	3	5349395	27/08/2020
ビューティースピリット	HOMEOSTYLE Inc.	Japan	3	5349396	27/08/2020
ホメオシナジー	HOMEOSTYLE Inc.	Japan	3	5349425	27/08/2020
HOMEOSTYLE PURURU	HOMEOSTYLE Inc.	Japan	3	5362398	22/10/2020
C4S シーヨンエス	SBI Net Systems Co., Ltd.	Japan	9,38,42	4601928	06/09/2012
C4K シーヨンケイ	SBI Net Systems Co., Ltd.	Japan	9,38,42	4605262	20/09/2012
	SBI Net Systems Co., Ltd.	Japan	16,41,42	4617465	01/11/2012
C4i シーフオーアイ	SBI Net Systems Co., Ltd.	Japan	9,38,42	4639432	24/01/2013
	SBI Net Systems Co., Ltd.	Japan	38	4690149	11/07/2013
	SBI Net Systems Co., Ltd.	Japan	9	4718899	17/10/2013
	SBI Net Systems Co., Ltd.	Japan	9,38,42	4718931	17/10/2013
	SBI Net Systems Co., Ltd.	Japan	9,38,42	4740674	16/01/2014
C4 Cipher Scan シーフォーサイフアース キャン	SBI Net Systems Co., Ltd.	Japan	9,16,38, 41,42	4753130	05/03/2014

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Trademark	Proprietor	Territory of registration	Class	Registration number	Expiry date (day/month/year)
C4 Cipher Key シーフォーサイファーキー	SBI Net Systems Co., Ltd.	Japan	9,16,38,41,42	4753131	05/03/2014
C4 Back up/400	SBI Net Systems Co., Ltd.	Japan	9,38,42	4758966	26/03/2014
	SBI Net Systems Co., Ltd.	Japan	9,38,42	4758967	26/03/2014
	SBI Net Systems Co., Ltd.	Japan	9,38,42	4768983	30/04/2014
	SBI Net Systems Co., Ltd.	Japan	9,38,42	4805210	24/09/2014
	SBI Net Systems Co., Ltd.	Japan	9,38,42	4824188	10/12/2014
クリプティ CRYPTY	SBI Net Systems Co., Ltd.	Japan	9,38,42	4844581	11/03/2015
MiLuLa みるら	SBI Net Systems Co., Ltd.	Japan	9,38,42	4899231	07/10/2015
	SBI Net Systems Co., Ltd.	Japan	9,38,42	4899232	07/10/2015
シーフォーテクノロジー	SBI Net Systems Co., Ltd.	Japan	9,16,35,38,41,42	5009487	08/12/2016
シーフォー	SBI Net Systems Co., Ltd.	Japan	9,16,35,38,41,42	5009488	08/12/2016
アクアグラフィー ACUAGRAPHY	SBI Net Systems Co., Ltd.	Japan	9,38,42	5070316	10/08/2017
ACUAPRINT アクアプリント	SBI Net Systems Co., Ltd.	Japan	9,42	5071051	17/08/2017

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Trademark	Proprietor	Territory of registration	Class	Registration number	Expiry date (day/month/year)
MonoCrypt	SBI Net Systems Co., Ltd.	Japan	9	5165577	12/09/2018
FLARE	Trade Win Tech Co., Ltd. (Currently called "SBI Win Tech Co., Ltd.")	Japan	42	4552873	22/03/2012
tradeWin	Trade Win Tech Co., Ltd. (Currently called "SBI Win Tech Co., Ltd.")	Japan	36,42	4552874	22/03/2012
モバイルキー	SBI Sumishin Net Bank, Ltd.	Japan	9,36,38,42	5155715	01/08/2018
モバキー	SBI Sumishin Net Bank, Ltd.	Japan	9,36,38,42	5155716	01/08/2018
コイントス	SBI Sumishin Net Bank, Ltd.	Japan	36	5262042	04/09/2019
プレーオフ	SBI Sumishin Net Bank, Ltd.	Japan	36	5262043	04/09/2019
Oh!FX	SBI Sumishin Net Bank, Ltd.	Japan	36	5295398	22/01/2020
NET CHECK	SBI Sumishin Net Bank, Ltd.	Japan	36	5295398	22/01/2020
	SBI Sumishin Net Bank, Ltd.	Japan	16,35,36	5335850	09/07/2020

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As at the Latest Practicable Date, we had applied for registration of the following trademarks, the registration of each of which has not yet been granted:

Trademark	Applicant	Territory of registration	Class	Application number	Application date for registration (day/month/year)
SBI ジャパンネクスト	SBI Holdings, Inc.	France	36	931361 ¹	17/05/2007
SBI ジャパンネクスト	SBI Holdings, Inc.	Germany	36	931361 ¹	17/05/2007
SBI ジャパンネクスト	SBI Holdings, Inc.	Iran	36	931361 ¹	17/05/2007
SBI ジャパンネクスト	SBI Holdings, Inc.	Switzerland	36	931361 ¹	17/05/2007
思佰益	SBI Holdings, Inc.	China	3,5,9,16, 35,36,38, 39, 41,42, 43,44,45	2011-30069 ¹	10/03/2011
思佰益	SBI Holdings, Inc.	Singapore	3,5,9,16, 35,36,38, 39,41,42, 43,44,45	2011-30069 ¹	10/03/2011
思佰益	SBI Holdings, Inc.	Hong Kong	3,5,9,16, 35,36,38, 39,41,42, 43,44,45	100005489	31/01/2011
思佰益	SBI Holdings, Inc.	Taiwan	3,5,9,16, 35,36,38, 39,41,42, 43,44,45	301821681	26/01/2011
士本	SBI Holdings, Inc.	China	45	7602660	07/08/2009
士本	SBI Holdings, Inc.	China	44	7602661	07/08/2009
士本	SBI Holdings, Inc.	China	43	7602662	07/08/2009
士本	SBI Holdings, Inc.	China	42	7602664	07/08/2009
士本	SBI Holdings, Inc.	China	41	7602665	07/08/2009

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Trademark	Applicant	Territory of registration	Class	Application number	Application date for registration (day/month/year)
士本	SBI Holdings, Inc.	China	39	7602666	07/08/2009
士本	SBI Holdings, Inc.	China	38	7602667	07/08/2009
士本	SBI Holdings, Inc.	China	36	7602668	07/08/2009
士本	SBI Holdings, Inc.	China	35	7602669	07/08/2009
士本	SBI Holdings, Inc.	China	16	7602670	07/08/2009
士本	SBI Holdings, Inc.	China	9	7602671	07/08/2009
士本	SBI Holdings, Inc.	China	5	7602672	07/08/2009
士本	SBI Holdings, Inc.	China	3	7602673	07/08/2009
S B I	SBI Holdings, Inc.	Japan	5	2009-795	07/05/2008
S B I ソーシャルレ ンディング SBI SOCIAL LENDING	SBI Holdings, Inc.	Japan	36,42	2010-74405 ¹⁰	22/09/2010
I N S W E B インズウェブ	SBI Holdings, Inc.	Japan	16	2010-041720	27/05/2010
I N S W E B インズウェブ	SBI Holdings, Inc.	Japan	35,42	2010-101165	28/12/2010
思佰益	SBI Holdings, Inc.	Japan	3, 5, 9, 16, 35, 36, 38, 39, 41, 42, 43, 44, 45	2010-97027	14/12/2010
 思佰益 Strategic Business Innovator	SBI Holdings, Inc.	Hong Kong	36	301840077	22/02/2011
	SBI Holdings, Inc.	Korea	9,42	45-2011-0000202	14/01/2011

Trademark	Applicant	Territory of registration	Class	Application number	Application date for registration (day/month/year)
新古品	SBI VeriTrans	China	25	7452453	08/06/2009
新古品	SBI VeriTrans	China	14	7452455	08/06/2009
レギュラーバンク	SBI Sumishin Net Bank, Ltd.	Japan	16,36	2010-70795 ¹⁰	08/09/2010

Note:

- 1 This is the International Registration Number.
- 2 While the class of this trademark is 36, the scope of protection for this trademark is limited to the evaluation of antiques, art products and jewels, and collection of contributions for charity.
- 3 While the class of this trademark is 39, the scope of protection for this trademark is limited to the lease of mechanical parking, the lease, keeping and transportation of domestic refrigerators, the provision of parking, the agency of transportations, the rail transportations, the provision of heat, the lease of bicycles, the lease of freezers, the storage service, the management of parking, the provision of gas and electricity, the lease of cashboxes, the provision of information on traffic, the agency of transportation of cargos, the air transport, the provision of storehouses, the lease of airplanes, the replacement driver service, the lease of automobiles, the transportation, the vehicle transport, the ship transport, the packaging of cargos, the loading of cargos, the provision of water, the lease of wheel chairs, the lease of domestic freezers and the packaging of goods.
- 4 While the class of this trademark is 42, the scope of protection for this trademark is limited to the examination of materials, the engineering of non-steel plants, the research on the biology, the surveying, the research on cosmetics, the chemical analysis, the provision of meteorological information, the research on geology, the engineering of electric plans, the lease of measurement equipments and the chemical research.
- 5 While the class of this trademark is 35, the scope of protection for this trademark is limited to the lease of vending machines.
- 6 While the class of this trademark is 16, the scope of protection for this trademark is limited to the interlines, the printed words, the typewriters, the food packaging films for domestic use, the address printers, the web press, the sanitary towels, the automatic stamping machines for letters, the publications, the paper table napkins, the blocks of printing, the indoor aquarium, the convexed printers, the diapers made of paper and cellulose, the trash bags made of paper and plastics, the postmark machines, the blueprint copy machines, the ink ribbons for printing, the paper packaging trays, the paper towels, the paper handkerchiefs, the photo frames, the paper table cloths, the check writers, the mimeographed editions, the paper trash bags, the photos and the papers.
- 7 Although, Trans Science Corporation demerged into SBI Trans Science K.K. in November 2009 and this trademark has been transferred to SBI Trans Science K.K., the name of proprietor has not been updated.
- 8 Although, E*TRADE Securities has changed its corporate name to SBI Securities Co., Ltd., the name of proprietor has not been updated.
- 9 While the class of this trademark is 35, the scope of protection for this trademark is limited to the representation of planning and the implementation for marketing, the consultation in relation to the human resources and the representative service of office transfers, information collection to computer data bases and accounting.
- 10 The assessment procedure for this trademark has been completed, however, the registration number has not been granted yet.

(b) Patents

As at the Latest Practicable Date, our Group was the registered owner of the following patents which are material in relation to our Group's business:

<u>Title of patent</u>	<u>Place of registration</u>	<u>Patent number</u>	<u>Application date (day/month/year)</u>	<u>Registered owner</u>
Commerce information processor, commerce terminal, commerce information processing method, and recorded medium (取引情報処理装置、取引端末装置、取引情報処理方法、および、記録媒体)	PCT application	PCT/JP00/07071	27/01/2000*	SBI SECURITIES Co., Ltd.
Electronic watermark information detection device, its detecting method and recording medium incorporating electronic water mark information detecting method (電子透かし情報検出装置及びその検出方法並びに電子透かし情報検出方法を内蔵した記録媒体)	Japan	JP3558120	28/01/2000	SBI Net Systems Co., Ltd.
Electronic watermark information detection device, its detecting method and recording medium incorporating electronic water mark information detecting method	Europe	EP1156660	28/01/2000 ²	SBI Net Systems Co., Ltd.
Method for embedding watermark information in sound information and method for detecting the watermark information from the sound information having the watermark information embedded (音声情報に透かし情報を埋め込む方法及び透かし情報を埋め込んだ音声情報から透かし情報を検出する方法)	Japan	JP3623936	28/11/2001	SBI Net Systems Co., Ltd.
Network settlement processing system, network settlement processor, network settlement processing method and network settlement processing program (ネットワーク決済処理システム、ネットワーク決済処理装置、ネットワーク決済処理方法、および、ネットワーク決済処理プログラム)	Japan	JP3632051	20/06/2001	SBI VeriTrans
Method for embedding watermark information in moving image and method for reading watermark information from moving image(透かし情報の検出方法)	Japan	JP3831204	09/04/2001	SBI Net Systems Co., Ltd.
Building provided for use in multiple dwelling house (集合住宅の用途に供する建築物)	Japan	JP3890075	19/11/2004	LIVING Corporation, Inc.
Scoring model evaluation method using credit authorization, scoring model evaluation apparatus, authorization system, and scoring model evaluation program (与信審査を利用したスコアリングモデル評価方法およびスコアリングモデル評価プログラム)	Japan	JP3896377	15/11/2004	SBI Holdings, Inc.

APPENDIX VIII
STATUTORY AND GENERAL INFORMATION

Title of patent	Place of registration	Patent number	Application date (day/month/year)	Registered owner
Copy-inhibiting pattern producing method and device, image processing method and device, program, and computer-readable recording medium(画像処理方法、画像処理装置、プログラムおよびコンピューター読み取り可能な記録媒体)	Japan	JP4245488	19/01/2004	SBI Net Systems Co.,Ltd.
Cdc7-ASK kinase complex, substrate of the kinase complex, antibody specific to the substrate, and method of screening compound capable of inhibiting cdc7-ASK kinase using the same(C d c 7—A S Kキナーゼ複合体、該キナーゼ複合体の基質、及び該基質に特異的な抗体、並びにこれらを用いたC d c 7—A S Kキナーゼ阻害能を有する化合物のスクリーニング方法)	PCT application	PCT/JP2003/002918	12/03/2002 ¹	Japan Science And Technology Corporation and SBI Biotech, Co., Ltd
Building method of multistory building(多層建築物の建築方法)	Japan	JP4302616	19/11/2004	LIVING Corporation, Inc.
Human H37 Protein, and ccDNA coding for the same (ヒトH37タンパク質と、このタンパク質をコードする c D N A)	PCT application	PCT/JP99/06076	30/10/1998 ¹	Japan Science And Technology Corporation and SBI Biotech, Co., Ltd
System and method for dealing in security (有價証券取引システム及び取引方法)	Japan	JP4414572	17/08/2000	SBI SECURITIES Co., Ltd.
Method of detecting mouse interferon-producing cells (マウスインターフェロン産生細胞の検出方法)	PCT application	PCT/JP2003/009809	01/08/2002 ¹	SBI Biotech, Co., Ltd
Information providing system, mobile terminal, and apparatus, method and program for providing information (情報提供システム、携帯端末、情報提供装置、情報提供方法および情報提供プログラム)	Japan	JP2007172335 ³ (publication Number)	22/12/2005	SBI SECURITIES Co., Ltd.

Note:

- ¹ This is the priority date of the PCT application.
- ² This is the priority date based on the Paris Convention.
- ³ The decision to grant a patent has been made by the Japan Patent Office and the registration fee has been already paid.
- ⁴ All the patents listed in this table are valid for a period of 20 years from the date of application.

(c) Domain names

As at the Latest Practicable Date, we had registered the following domain names:

Domain Name	Registrant	Expiry Date (day/month/year)
SBIGROUP.CO.JP	SBI Holdings, Inc.	30/09/2010
CASHINGJAPAN.JP		30/04/2011
SBIGROUP.JP		31/10/2010
SEIKATSU-GUIDE.JP		31/07/2011
SBI-COM.JP		31/03/2011
SBIHOLDINGS.JP		31/03/2011
CA-INSWEB.JP		31/10/2010
KABUKEITAI.JP		31/12/2010
MYSORE.JP		30/06/2011
CHINTAI-GUIDE.JP		30/06/2011
CASHING-RAINBOW.JP		31/03/2011
MICRO-FINANCE.JP		30/06/2011
MICRO-CREDIT.JP		30/06/2011
COMPANY-RESEARCH.JP		31/05/2011
SBIF.JP		31/07/2011
GINKOULOAN.JP		31/07/2011
GINKOLOAN.JP		31/07/2011
sbinvestment.co.jp	SBI Investment Co., Ltd.	31/08/2011
sbics.co.jp	SBI Capital Solutions Co., Ltd.	31/08/2011
sbiam.co.jp	SBI Asset Management Co., Ltd.	31/03/2011
sbibiotech.jp	SBI Biotech Co., Ltd.	31/03/2011
sbi-alapromo.co.jp	SBI ALApromo Co., Ltd.	30/11/2010
sbivencapital.com.sg	SBI VEN CAPITAL PTE. LTD.	27/04/2011
sbisec.co.jp	SBI SECURITIES Co., Ltd.	31/03/2011
sbi-fs.co.jp	SBI Financialshop Co., Ltd.	31/10/2011
benefit401k.com	SBI Benefit Systems Co., Ltd.	01/06/2011
sbilm.co.jp	SBI Liquidity Market Co., Ltd.	31/10/2010
japannext.co.jp	SBI Japannext Co., Ltd.	31/12/2010
scg.co.jp	Strategic Consulting Group, Inc.	31/01/2011
fundbank.jp	SBI Fund Bank Co., Ltd.	30/09/2010
morningstar.co.jp	Morningstar Japan K.K.	30/11/2010
gomez.co.jp	Gomez Consulting Co., Ltd.	31/05/2011
ゴメス.JP		30/11/2010
morningstarasset.jp	Morningstar Asset Management Co., Ltd.	31/08/2011
veritrans.co.jp	SBI VeriTrans	30/06/2011
e-cure.co.jp		
weblease.co.jp	SBI Lease Co., Ltd.	30/11/2010
o-kuruma.jp		30/04/2011
sbicard.co.jp	SBI Card Co., Ltd.	30/06/2011

APPENDIX VIII
STATUTORY AND GENERAL INFORMATION

Domain Name	Registrant	Expiry Date (day/month/year)
sbimarketing.co.jp	SBI Marketing Co., Ltd.	30/09/2010
SBIMARKETING.CO.JP		30/09/2010
AIMHOUSE.JP		30/11/2010
FXGAITAME.JP		30/06/2011
sbisonpo.co.jp	SBI Insurance Co., Ltd.	30/11/2010
sbisonpo.jp		31/03/2011
netbk.co.jp	SBI Sumishin Net Bank, Ltd.	30/04/2011
NETBK.JP		31/03/2011
autoc-one.jp	Autoc one K.K.	31/12/2010
AUTOC-ONE.CO.JP		31/07/2011
AUTOC-ONE.JP		31/12/2010
ECOBIKE.JP		28/02/2011
オートックワン.JP		31/12/2010
autosupport.jp	SBI AutoSupport Co., Ltd.	31/08/2011
sbiservicer.co.jp	SBI Servicer Co., Ltd.	31/05/2011
solxyz.co.jp	SOLXYZ Co., Ltd.	28/02/2011
egsatellite.jp	SBI Point Union Co., Ltd.	31/07/2011
SBIPU.CO.JP		31/03/2011
EGS-M.JP		31/12/2010
POCA.JP		30/09/2010
SMILEBALOON.JP		28/02/2011
UOMA.JP		28/02/2011
UOOMA.JP		28/02/2011
UOOOMA.JP		28/02/2011
UOOOOMA.JP		28/02/2011
SMILEBALLOON.JP		28/02/2011
SBICHLDRN-SNS.JP		30/10/2011
sbi-bs.co.jp	SBI Business Solutions Co., Ltd.	28/02/2011
bc-seminar.jp		30/09/2010
sbibs.co.jp	SBI Business Support Corp.	30/09/2010
artfolio.co.jp	SBI artfolio Co., Ltd.	31/01/2011
sbi-mortgage.co.jp	SBI Mortgage Co., Ltd.	30/09/2010
sbi-moneyplaza.co.jp		30/06/2011
cem-corp.co.jp	CEM Corporation	31/10/2010
sbi-lifeliving.co.jp	SBI Life Living, Co., Ltd.	30/06/2011
sbi-planners.co.jp	SBI Planners Co., Ltd.	31/05/2011
sbiaq.co.jp	SBI ArchiQuality Co., Ltd.	31/08/2011
sbigt.co.jp	SBI Guarantee Co., Ltd.	31/03/2011
sbi-moneyplaza.co.jp	SBI Moneyplaza Co., Ltd.	30/06/2011
homeostyle.com	HOMEOSTYLE Inc.	31/01/2011
tilamarch.co.jp		
E-GOLF.CO.JP	E*GOLF Corporation	30/11/2010
E-GOLF.JP		31/03/2011
MEGOLF.JP		30/09/2010
GFREE.JP		31/03/2011

Domain Name	Registrant	Expiry Date (day/month/year)
sbi-wellnessbank.co.jp	SBI Wellness Bank Co., Ltd.	31/05/2011
sbins.co.jp	SBI Net Systems Co., Ltd.	31/07/2011
0821.JP		30/11/2010
C4BI.JP		30/06/2011
tradewintech.co.jp	SBI Trade Win Tech Co., Ltd.	31/03/2011
sbi-technology.co.jp	SBI Technology Co., Ltd.	30/09/2010
sbifagency.jp	SBI Financial Agency Co.,Ltd.	30/06/2011
insweb.co.jp		31/07/2011
eloan.co.jp	Eloan Co., Ltd	30/06/2011
HIKAKUALL.JP	SBI Life Living Co., Ltd.	30/04/2011
PIANOCENTER.JP		31/07/2011
RE-GUIDE.JP		31/05/2011
CASHINGHIKAKUALL.JP		30/09/2010
ALLKEKKONJOUHOUHIKAKU.JP		30/09/2010
TICKET.CO.JP	有限会社チケット流通センター	28/02/2011
チケット流通センター.JP	(Ticket Exchange Co.,Ltd)	31/07/2011
チケ流.JP		31/07/2011
ムスビー.JP		31/07/2011
bestreform.jp		31/05/2011
airticket.ne.jp		31/03/2011
SEARCHINA.NE.JP	Searchina Net	31/05/2011

6. Related party transactions

Save as disclosed in this prospectus in the section entitled “Connected Transactions” and in note XVIII to the Accountants’ Report, the text of which is set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, our Company has not engaged in any other material Related Party Transactions.

FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

7. Directors and substantial shareholders

(a) Disclosure of interests

The following table sets out the interests and short positions of the Directors of the Company immediately following the completion of the Global Offering (without taking account of any underlying Shares which may be taken up by the Directors under the Global Offering and any Pre-IPO SARs which have been or may be issued under the Pre-IPO SARs Resolutions since the Latest Practicable Date) in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Hong Kong Stock Exchange, once the HDRs are listed.

Directors' long positions in the Shares in the Company and its associated corporations

Name of Director	Company/associated corporation	Nature of interest	Number of Shares ⁽⁴⁾	Approximate percentage of shareholding immediately following completion of the Global Offering ⁽⁵⁾
Yoshitaka Kitao	SBI Holdings, Inc.	Registered owner	323,626	1.49%
	Morningstar JAPAN KK.	Registered owner	1,880	0.69%
	SBI Mortgage Co., Ltd.	Registered owner	10,000	0.50%
	SBI VeriTrans Co., Ltd.	Registered owner	1,375	0.80%
	SBI Point Union Co., Ltd.	Registered owner	100	5.00%
	SBI ALApromo Co., Ltd.	Registered owner	972	1.38%
	Gomez Consulting Co., Ltd.	Registered owner	120	0.79%
	Searchina Co., Ltd.	Interest of controlled corporation ⁽¹⁾	24	0.47%
Yasutaro Sawada	SBI Holdings, Inc.	Registered owner	16,602	0.07%
Kenji Hirai	SBI Holdings, Inc.	Registered owner	1,712	0.00%
	SBI Holdings, Inc.	Registered owner	4,200	0.01%
Tomoya Asakura	Morningstar Japan K.K.	Registered owner	220	0.08%
	Searchina Co., Ltd.	Registered owner	20	0.39%
Takashi Okita	SBI VeriTrans Co., Ltd.	Registered owner	1,630	0.95%
Noriaki Maruyama	SBI Holdings, Inc.	Registered owner	6,933	0.03%

Name of Director	Company/associated corporation	Nature of interest	Number of Shares ⁽⁴⁾	Approximate percentage of shareholding immediately following completion of the Global Offering ⁽⁵⁾
	SBI Mortgage Co., Ltd.	Registered owner	9,300	0.46%
Shumpei Morita	SBI Business Solutions Co., Ltd.	Registered owner	636	3.82%
Taro Izuchi	SBI Holdings, Inc.	Registered owner	32,017	0.14%
Hiroyoshi Kido	SBI Holdings, Inc.	Registered owner	11,853	0.05%
Noriyoshi Kimura	SBI Holdings, Inc.	Registered owner	713	0.00%
	SBI Holdings, Inc.	Interest of spouse ⁽²⁾	93	0.00%
Hiroshi Tasaka	SBI Holdings, Inc.	Registered owner	8,022	0.03%
Takeshi Natsuno	SBI Holdings, Inc.	Registered owner	1,000	0.00%
Masaki Yoshida	SBI BB Mobile Investment LPS	Interest of controlled corporation ⁽³⁾	2 (units)	0.62%
Kiyoshi Nagano	—	—	—	—
Akihiro Tamaki	—	—	—	—
Keiji Watanabe	—	—	—	—

Notes:

- (1) These Shares are held by House Search Co., Ltd., a company in which Mr Kitao has a controlling interest.
- (2) These Shares are held by Kayoko Kimura, Mr Kimura's spouse.
- (3) These Shares are held by WATANABE ENTERTAINMENT CO., LTD., a company controlled by Miki Yoshida, Mr. Yoshida's spouse.
- (4) Shareholdings are included where: (i) a Shareholder enjoys the economic benefits of Shares, but such Shares are registered under another person's name; or (ii) a shareholder possesses Shares, but he failed to complete the necessary procedures required to permit his shareholding to be reflected on the shareholder registry.
- (5) These figures assume that the Directors will not participate in the Global Offering or in the trading of any Shares or acquire any Pre-IPO SARs between the Latest Practicable Date and the Listing Date. These figures also assume that the Over-Allotment Option is not exercised.

Note: Based on the number of shares held by Mr Kitao and Mr Okita in SBI VeriTrans as of 30 September and assuming that Mr Kitao and Mr Okita hold the same number of shares as of 1 August 2011, Mr Kitao will be allocated 6,462 Shares (a shareholding of Mr Kitao will become approximately 1.52% of the Company after the Global Offering and the Share Exchange taking no account of the possible cancellation of treasury shares by SBI VeriTrans and the possible exercise of SARs/Warrants issued by SBI VeriTrans) in the Company and Mr Okita will be allocated 7,661 Shares (a shareholding of Mr Okita will become approximately 0.03% of the Company after the Global Offering and the Share Exchange taking no account of the possible cancellation of treasury shares by SBI VeriTrans and the possible exercise of SARs/Warrants issued by SBI VeriTrans) in the Company as a result of the Share Exchange. None of the other Directors of the Company holds any shares in SBI VeriTrans.

Directors' long positions in the Underlying Shares (SARs or Debentures) in the Company and its associated corporations

Name of Directors	Company/ associated corporation	Nature of interest	Type of underlying Shares	Class of underlying Shares ⁽¹⁾	Number of SARs or Debentures	Number of potential Shares	Approximate percentage of issued share capital immediately after completion of the Global Offering ⁽²⁾
Yoshitaka Kitao	SBI Holdings, Inc.	Registered owner	SARs	FINANCE ALL CORPORATION-Series 2	55	2,200	0.01%
		Registered owner	SARs	2005 Series 1	2,010	2,010	0.00%
	HOMEOSTYLE Inc.	Registered owner	debentures with warrants	Series 1	1,886	1,886	1.05%
		Registered owner	debentures with warrants	Series 3	377	377	0.21%
	SBI Life Living Co., Ltd.	Registered owner	SARs	Series 4	737	737	0.41%
Yasutaro Sawada	SBI Holdings, Inc.	Registered owner	SARs	FINANCE ALL CORPORATION-Series 2	43	1,720	0.00%
		Registered owner	SARs	2005 Series 1	1,500	1,500	0.00%
	Registered owner	SARs	2003 Series 1	1,500	14,265	0.06%	
	Registered owner	SARs	2002 Series 2	1,250	11,887.5	0.05%	
	Registered owner	SARs	2005 Series 1	620	620	0.00%	
Kenji Hirai	SBI Holdings, Inc.	Registered owner	SARs	2003 Series 2	359	3,414.09	0.01%
		Registered owner	Warrants	2002	600 ⁽³⁾	600	0.00%
		Registered owner	SARs	2005 Series 1	1,000	1,000	0.00%
Takashi Nakagawa	SBI Holdings, Inc.	Registered owner	SARs	2003 Series 2	502	4,774.02	0.02%
		Registered owner	SARs	2003 Series 1	118	472	0.17%
Takashi Okita	—	—	—	—	—	—	—
Noriaki Maruyama	—	—	—	—	—	—	—
Shumpei Morita	SBI Holdings, Inc.	Registered owner	SARs	2005 Series 1	220	220	0.00%
		Registered owner	SARs	2003 Series 3	156	1,483.56	0.00%
Taro Izuchi	SBI Holdings, Inc.	Registered owner	SARs	2005 Series 1	400	400	0.00%
		Registered owner	SARs	2003 Series 1	165	1569.15	0.00%
Hiroyoshi Kido	SBI Holdings, Inc.	Registered owner	SARs	E*TRADE Japan K.K. Stock Option	147	1666.98	0.00%
Noriyoshi Kimura	SBI Holdings, Inc.	Registered owner	SARs	E*TRADE Japan K.K. Stock Option	90	1020.6	0.00%
		Registered owner	SARs	2003 Series 2	293	2786.43	0.01%
Hiroshi Tasaka	SBI Holdings, Inc.	Registered owner	SARs	2005 Series 1	400	400	0.00%
		Registered owner	SARs	2003 Stock Option	20	80	0.02%
	Morningstar Japan K.K.	Registered owner	SARs	2003 Stock Option	20	40	0.26%
Masaki Yoshida	—	—	—	—	—	—	—
		—	—	—	—	—	—
Takeshi Natsuno	—	—	—	—	—	—	—

Name of Directors	Company/ associated corporation	Nature of interest	Type of underlying Shares	Class of underlying Shares ⁽¹⁾	Number of SARs or Debentures	Number of potential Shares	Approximate percentage of issued share capital immediately after completion of the Global Offering ⁽²⁾
Kiyoshi Nagano	—	—	—	—	—	—	—
Keiji Watanabe	—	—	—	—	—	—	—
Akihiro Tamaki	—	—	—	—	—	—	—

Notes:

- (1) For details of the underlying SARs, please see “8. Share Acquisition Rights” in Appendix VIII to this prospectus.
- (2) These figures assume that the Directors will not participate in the Global Offering or in the trading of any Shares or acquire any Pre-IPO SARs between the Latest Practicable Date and the Listing Date. These figures also assure that the Over-Allotment Option is not exercised.
- (3) There is no concept a “number of outstanding Warrants”. The number indicated is equivalent to the number of shares to be granted by the exercise of Warrants.

Directors’ short positions in the Shares and Underlying Shares (including SARs and Debentures) of the Company and its associated corporations.

None of the Directors have short positions in the shares or underlying shares (including SARs or debentures) of the Company and its associated corporations.

(b) Substantial Shareholders

Please refer to the section on Substantial Shareholders of this prospectus.

(c) Particulars of Directors’ service contracts

None of our Directors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(d) Directors’ remuneration

The aggregate remuneration our Directors have received (including fees, salaries, stock-based benefits, discretionary bonus, contributions to pension schemes, housing and other allowances, and other benefits in kind) for each of the fiscal years ended 31 March 2008, 2009 and 2010 and the six months ended 30 September 2010 were approximately ¥653 million for the fiscal year ended 31 March 2008, ¥709 million for the fiscal year ended 31 March 2009, ¥388 million for the fiscal year ended 31 March 2010 and ¥205 million for the six months ended 30 September 2010.

Under our arrangements currently in force, the aggregate remuneration of our Directors, including benefits and contributions, but excluding any discretionary bonuses, for the financial year ended 31 March 2011 is estimated to be no more than approximately ¥438 million.

OTHER INFORMATION

8. Share Acquisition Rights

(a) Legal framework for issuance of Share Acquisition Rights in Japan

Unlike in other jurisdictions, Japanese companies conventionally do not have underlying share option plans established for the purposes of setting out the basic terms of share options (such as the maximum number of the SARs that the directors or the administrators of the scheme are authorised to issue and the scope of the persons to whom the SARs may be issued) that will apply to all issues made under that plan. Instead, a company that issues SARs resolves the exact terms of the SARs by a resolution of the board of directors or a shareholders' meeting each time it intends to issue SARs in accordance with the Companies Act.

The terms of SARs to be determined by a shareholder resolution or a board resolution (the "**Terms of SARs**") include the matters such as: (i) the number of the SARs to be issued and the contents of the SARs (e.g., the number of shares to be granted upon the exercise of the SARs or the method for calculating such number, the exercise price of the SARs or the method for calculating such price, the exercise period and any restriction on the transfer of the SARs); (ii) the amount to be paid for subscribing for the SARs or the method for calculating such amount; (iii) the date on which the SARs are to be allotted; and (iv) the date of payment for the subscription (if any). Depending on the situation of the issuance of SARs, the Companies Act determines whether such resolution is to be made at a board meeting or at a shareholders' meeting. For example, in a company that does not place a restriction on transfer of all classes of its shares (such as the Company), in principle the resolution of the Terms of SARs is made by the board.

However, under the Companies Act, the remuneration of directors and statutory auditors must be resolved at a shareholders' meeting unless otherwise provided for in the articles of incorporation. Therefore, if SARs are being issued to the Directors or Statutory Auditors of the Company as part of their remuneration, a Shareholders' resolution is required in addition to the Board or Shareholders' resolution that determines the Terms of SARs, unless the Articles of Incorporation provide otherwise.

The concept of SARs, which entitle the holders to acquire shares in a company by exercising such rights against the company, was introduced to the Companies Act (at that time, named the Commercial Code) in 2001. Prior to the introduction of share acquisition rights, a company granted Warrants, which entitle the holders to require the company to issue new shares to them, to directors and/or employees of the company as a form of remuneration. The concept of Warrants was abolished in 2006 and therefore, a company is no longer able to issue Warrants under Japanese law.

(b) Disclosure of issuance of Share Acquisition Rights by the Company to its directors and employees as remuneration (stock option)

When a company listed on the TSE and the OSE determines the issuance of SARs to its directors and employees as remuneration (stock option), it is required to make an announcement which includes, among others, the following items in accordance with the TSE Listing Regulations and the OSE Listing Regulations: (i) the reason for issuance of SARs; (ii) category of grantees (e.g. employees); (iii) the number of grantees and SARs to be allotted; (iv) the class of shares to be issued upon exercise of the SARs; (v) the number of shares to be issued upon exercise of the SARs; (vi) total number of SARs; (vii) exercise price or the method used to calculate it; (viii)

exercise period; (ix) conditions of exercise; (x) the amount of increase of stated capital and reserves upon the exercise of the SARs; (xi) treatment of SARs in connection with reorganisation such as merger; (xii) the date of allotment of SARs; and (xiii) treatment of SARs in the case of issuance of certificates.

In addition, when a listed company determines the issuance of SARs to its directors and employees as remuneration (stock option), it is required to file an extraordinary report with DGLFB without delay which includes, among others, the following items in accordance with the FIEA: (i) name of SARs; (ii) the number of SARs; (iii) issue price; (iv) total issue price; (v) the class and the number of shares to be issued upon exercise of the SARs; (vi) exercise price; (vii) exercise period; (viii) conditions of exercise; (ix) the amount of increase of stated capital and reserves upon the exercise of the SARs; (x) matters regarding transfer restriction; (xi) the number of grantees and breakdown; (xii) the relationship between the company and its wholly-owned company when the SARs are granted to officers or employees of such a wholly-owned company; and (xiii) any arrangement between the company and the grantees.

Under the Companies Act, companies are required to prepare and disclose a business report annually. The following matters with respect to SARs which are issued to its directors and employees as remuneration (stock option) are required to be disclosed in the business report: (i) the date of the resolution of the meeting of board of directors; (ii) category of grantees (such as directors, outside directors, statutory auditors and employees) and the number of grantees in each category; (iii) issue price; (iv) exercise price; (v) exercise period; (vi) conditions of exercise; (vii) the number of outstanding SARs; and (viii) the class and the number of shares subject to the outstanding SARs.

Further, a listed company is required to prepare and disclose an SRS annually and a quarterly report in accordance with the FIEA. The following matters with respect to SARs which are issued to its director and employees as remuneration (stock option) are required to be disclosed in such report: (i) the date of the resolution of the meeting of board of directors; (ii) category of grantees and the number of the grantees in each category; (iii) the class of shares to be issued upon exercise of the SARs; (iv) the number of shares to be issued upon exercise of the SARs; (v) exercise price; (vi) exercise period; (vii) conditions of exercise; (viii) matters regarding transfer of the SARs; matters regarding payment in kind of exercise price; and (ix) matters regarding delivery of SARs in connection with reorganisation such as a merger.

(c) Issuance of the Pre-IPO SARs by the Company and its subsidiaries

Set out below is a summary of the terms of the Pre-IPO SARs which have been issued pursuant to resolutions of the board of directors or a shareholders' meeting of the Company or its consolidated subsidiaries pursuant to the Companies Act. For more details, please see the table below.

(i) Purpose

Under the Companies Act, there is no requirement for a company to resolve the purpose for issuing SARs. The TSE and OSE require, however, a listed company to publish the purpose of issuing SARs (including issuance of SARs as stock options to its or its subsidiaries' officers and/or employees) immediately after a resolution for the issuance of SARs to its or its subsidiaries' officers and/or employees has been passed. As the Company is listed at the TSE and OSE, the Company has published the purpose for issuing SARs each time it has issued SARs.

The Pre-IPO SARs have mainly been issued for the purpose of providing an incentive to our Group's officers, such as directors, employees and other related persons, by permitting them to participate in the equity ownership of our Group through the issuance of the Pre-IPO SARs.

(ii) Eligibility

Under the Companies Act, there are no restrictions on the eligibility of grantees of SARs. However, under the Japanese tax regulations, grantees must be directors or employees (including their inheritors) of the issuing company or its subsidiaries in order for SARs to qualify as “tax qualified stock options” under which the grantees may pay taxes, not at the time of the exercise of the options, but the time of the sale of shares acquired upon exercise of the options.

The eligibility of the grantees of the Pre-IPO SARs has been determined each time the Company or the consolidated subsidiaries has issued Pre-IPO SARs. The Pre-IPO SARs have been generally issued to officers and employees of the Company, subsidiaries and affiliated companies.

(iii) Number of shares authorised to be issued upon exercise of the Pre-IPO SARs

Under the Companies Act, the number of shares issued upon exercise of the SARs is to be determined by a resolution of the board of directors or a shareholders’ meeting each time when a company issues SARs. However, the number of shares that the holders of SARs acquire upon the exercise of their SARs (except for those with respect to which the exercise period has not yet begun) may not exceed the total number of authorised shares subtracted by the total number of shares outstanding (excluding Treasury Shares).

The aggregate number of the shares to be granted upon the exercise of the Pre-IPO SARs of the Company is 292,368.24 shares (as of the Latest Practicable Date).

(iv) Maximum entitlement of each participant

Under the Companies Act, a company decides, by a resolution of the board of directors or shareholders’ meeting, how many and to whom it issues SARs each time it issues them. In principle, possible grantees do not have any entitlement to subscribe for them.

The numbers of the Pre-IPO SARs were determined by a board meeting or a shareholders’ meeting each time the Company or its consolidated subsidiaries issued the Pre-IPO SARs, and all of the Pre-IPO SARs have already been granted pursuant to the Pre-IPO SAR Resolutions.

(v) Exercise period

Under the Companies Act, there are no restrictions on the exercise period of SARs. The exercise period is to be determined by a resolution of the board of directors or a shareholders’ meeting each time the issuing company issues SARs. However, under the Japanese tax regulations, the exercise period must be between two and ten years after the resolution for the grant of SARs so that SARs qualify as “tax qualified stock options”.

The exercise periods of the Pre-IPO SARs are generally within ten years after the date of the resolution for the grant of the Pre-IPO SARs.

(vi) Minimum period prior to vesting of the Pre-IPO SARs

Under the Companies Act, the date for vesting SARs is to be determined by a board resolution or shareholders’ resolution, each time a company issues SARs. The Pre-IPO SARs, except for the Warrants issued as a part of bonds with Warrants, were all vested on the respective vesting dates. The Warrants issued as a part of bonds with Warrants vested on the day that each grantee and the issuing company agreed.

(vii) Performance targets for exercise of the Pre-IPO SARs

Under the Companies Act, there are no restrictions relating to performance targets for the exercise of SARs. Under the Pre-IPO SAR Resolutions, there is generally no performance target for exercise of the options.

(viii) Amount payable on subscription for the Pre-IPO SARs

Under the Companies Act, the amount payable on subscription for SARs is to be determined by a resolution of the board of directors or a shareholders' meeting each time a company issues SARs. However, a resolution by a two-thirds majority of a shareholders' meeting is required if: (i) SARs are to be issued without monetary consideration and such issuance is "especially favourable" to the grantees of the SARs; or (ii) the amount payable for the SARs is "especially favourable" to the grantees (either (i) or (ii) being a **Favourable Issuance**). The directors of the issuing company must explain the reasons for the Favourable Issuance at the shareholders meeting. Under Japanese tax regulations, SARs must be issued without consideration so that the options can qualify as "tax qualified stock options".

Under the Pre-IPO SAR Resolutions, except for the Warrants as a part of bonds with Warrants, there is no requirement for a subscriber to pay consideration for subscription. As to the Warrant issued as a part of bonds with Warrants, one percent. of the total exercise price for each grantee's Warrant have been paid for each subscription.

(ix) Basis of determination of exercise price

Under the Companies Act, there are no restrictions on the exercise price. Under the Japanese tax regulations, however, the exercise price must be the market value or more of the underlying share at the time of the individual agreement for granting SARs with each grantee, and the total amount of the exercise prices of the SARs exercised by a grantee within one year must not exceed ¥12 million so that the grantee may benefit from "tax qualified stock options".

The exercise prices of the Pre-IPO SARs or the methods for calculating such prices were determined by a resolution of the board of directors or a shareholders' meeting each time the Pre-IPO SARs were issued.

(x) Votes, dividends, transfer and other rights attaching to the underlying shares

Under the Companies Act, there are no restrictions on the rights attaching to the underlying shares. The shares to be granted to the holders of the Pre-IPO SARs upon exercise are ordinary shares of the issuing company and, therefore, the rights granted to the ordinary shares, such as voting rights, are attached to such shares.

(xi) Circumstances under which the Pre-IPO SARs will automatically lapse

Under the Companies Act, SARs will automatically lapse if: (i) the grantees have not paid the amount owed for the subscription by the due date; (ii) the grantee becomes unable to exercise their SARs; (iii) a company that issued SARs ceases to exist due to a merger; (iv) a company that issued SARs is absorbed into another company due to a corporate split and such absorbing company grants SARs to the grantee in exchange for the SARs of the company that issued the SARs prior to the corporate split; or (v) a company that issued SARs becomes a wholly-owned subsidiary of another company due to share exchange or share transfer and such other company grants SARs to the grantee in exchange for the SARs of the company.

Under the Pre-IPO SAR Resolutions, the conditions under which the grantees become unable to exercise the Pre-IPO SARs (and therefore the Pre-IPO SARs automatically lapse), if any, have been determined by a board resolution or a shareholders' resolution, or by an individual

agreement between each grantee and the issuing company when the Pre-IPO SARs were issued. Such conditions may include where: (a) the grantee is sentenced to imprisonment; (b) the grantee waives the Pre-IPO SARs in writing; (c) the Pre-IPO SARs were granted to officers or employees of the Company or its subsidiaries and the grantee loses his/her title as an officer or employee without justifiable reason such as expiry of the term or mandatory retirement; (d) the grantee carries out fraudulent acts or breaches vocational obligations; and (e) the grantee files for bankruptcy, civil rehabilitation, special conciliation procedures or such procedures are filed against the grantee, or seizure, provisional seizure, provisional disposition or coercive collection is ordered against the grantee.

(xii) Adjustment of exercise price or number of shares subject to the Pre-IPO SARs

Under the Companies Act, there are no restrictions on how to adjust the exercise price or number of shares subject to SARs. Under the Pre-IPO SARs, the adjustment of the exercise price and the number of shares subject to SARs have been determined by a board resolution or a shareholders' resolution and they are generally to be conducted using certain formulae.

(xiii) Cancellation of unexercised Pre-IPO SARs

Under the Companies Act, if a company that has issued SARs intends to cancel SARs, such company has to acquire the SARs from the holders of SARs before cancelling the SARs. In such case, the issuing company may not issue new SARs to the holders of SARs to be cancelled unless a new board resolution or shareholders' resolution for issuance of new SARs is made.

(xiv) Transferability of the Pre-IPO SARs

Under the Companies Act, there are no restrictions on the transferability of SARs. However, under Japanese tax regulations, SARs have to be non-transferable so that SARs qualify as "tax qualified stock options".

The transferability of SARs is to be decided by a resolution of the Board of Directors or a shareholders' meeting each time the Company or its subsidiaries issues SARs. Under the Pre-IPO SARs, transfer is prohibited or requires a board resolution.

Further information regarding the Pre-IPO SARs is set out below (as of the Latest Practicable Date).

	Aggregate number of grantees	Aggregate number of shares to be subscribed upon exercise	Percentage of issued share capital represented by aggregate number of shares to be subscribed upon exercise	Dilution effect		Impact on earning per share upon full exercise		Exercise period (See note (1) below)	Exercise price per share (JPY)	Consideration paid for subscribing SARs/Warrants
				Number of voting rights before full exercise	Number of voting rights after full exercise	Number of the shares entitled to receive dividends before full exercise	Number of the shares entitled to receive dividends after full exercise			
SARs/Warrants issued by the Company	584	253,918.24	1.27%	19,929,397	20,183,315	19,929,397	20,183,315	From 20 December 2003 to 29 June 2015	From 4,465 to 53,447	None
SARs/Warrants issued by Autoc one K.K.	39	8,480	8.73%	97,171	105,651	97,171	105,651	From 1 November 2004 to 28 June 2017	From 10,000 to 60,000	None
SARs/Warrants issued by HOMEOSTYLE, Inc.	202	18,257	10.18%	179,422	197,679	179,422	197,679	From 1 June 2002 to 25 March 2016	From 9,636 to 19,000	None (except for the Warrants issued as a part of bonds with Warrants) (see note (5) below).
SARs/Warrants issued by Gomez Consulting Co., Ltd. (see note (2) below)	7	334	2.22%	15,037	15,371	15,037	15,371	From 15 March 2005 to 2 June 2015	From 44,250 to 100,000	None
SARs/Warrants issued by Morningstar Japan K.K.	19	2,618	0.97%	267,882	270,500	267,882	270,500	From 20 March 2005 to 23 March 2016	From 57,500 to 133,500	None
SARs/Warrants issued by SBI VeriTrans Co., Ltd. (see note (3) below)	3	516	0.30%	161,225	161,741	161,225	161,741	From 13 February 2006 to 12 February 2014	5,741	None
SARs/Warrants issued by SBI Biotech Co., Ltd.	13	1,246	3.72%	32,452	33,698	32,452	33,698	See note (4) below	From 5,000 to 175,000	None
SARs/Warrants issued by SBI Mortgage Co., Ltd.	15	4,700	0.24%	19,942	19,989	1,994,200	1,998,900	From 26 May 2007 to 25 May 2015	7,500	None
SARs/Warrants issued by SBI Life Living Co., Ltd.	93	979	3.92%	24,962	25,941	24,962	25,941	From 30 August 2007 to 29 August 2015	From 100,000 to 270,834	None
SARs/Warrants issued by SBI Trade Win Tech Co., Ltd.	9	1,320	29.00%	4,552	5,872	4,552	5,872	From 1 January 2001 to 16 April 2012	From 50,000 to 460,000	None (except for the Warrants issued as a part of bonds with Warrants) (see note (5) below).

Note:

- (1) Depending on the Pre-IPO SAR Resolutions and any individual agreement between each grantee and the Company or its subsidiaries, there is a minimum period for which SARs/Warrants must be held before they can be exercised.
- (2) Gomez Consulting Co., Ltd. will become a 100 per cent. subsidiary of Morningstar Japan K.K. as of 22 April 2011 by way of a share exchange, subject to approval at an extraordinary general meeting on 25 March 2011. In the process of the share exchange, Gomez Consulting Co., Ltd. will acquire without compensation and cancel all of the Pre-IPO SARs issued by Gomez Consulting Co., Ltd. by 21 April 2011 pursuant to Companies Act.
- (3) SBI VeriTrans will become a 100 per cent. subsidiary of the Company as of 1 August 2011 through the Share Exchange. In the process of the Share Exchange, SBI VeriTrans will, by 31 July 2011, extinguish all of the Pre-IPO SARs issued by SBI VeriTrans (the “**SBI VeriTrans SARs**”) without compensation by: (i) cancelling them by board resolution after SBI VeriTrans has acquired the SBI VeriTrans SARs by exercising its call option; (ii) causing the grantees to waive the SBI VeriTrans SARs; or (iii) any other necessary method.
- (4) There are three types of outstanding Pre-IPO SARs issued by SBI Biotech Co., Ltd. The terms of the exercise period for each type of SAR are as follows:
 - the 30 month period beginning 6 months following the “public offering”. “Public offering” is either: (i) the day the share certificates with regard to the ordinary shares of SBI Biotech Co., Ltd. are registered at the JSDA as OTC securities; or (ii) the day the share certificates for the ordinary shares of SBI Biotech Co., Ltd. are listed on any domestic/foreign securities exchanges;
 - the period from and including 15 October 2004 to and including 31 August 2012. However, the relevant SARs can only be exercised from 6 months following “public offering” as described above; and
 - the period from and including 29 September 2005 to and including 30 August 2015. However, the period during which SARs can be exercised can be amended by agreement between SBI Biotech Co., Ltd. and the holder(s) of the relevant SARs.
- (5) As to the Warrants issued as a part of bonds with Warrants, i.e., HOMEOSTYLE, Inc. Warrant (1), HOMEOSTYLE, Inc. Warrant (2), SBI Trade WinTech Co., Ltd. Warrant (2) and SBI Trade WinTech Co., Ltd. Warrant (3), one percent. of the total exercise price for each grantee’s Warrant have been paid for each subscription.

(d) Outstanding SBIH Pre-IPO SARs granted

As of the Latest Practicable Date, the SBIH Pre-IPO SARs to subscribe for an aggregate of 253,918.24 Shares, representing approximately 1.15% (as of the Latest Practicable Date) of the total number of issued Shares immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised, all granted SBIH Pre-IPO SARs have been fully exercised and an aggregate of 1,750,000 underlying Shares are offered in the Global Offering) at an exercise price ranging from ¥4,465 to ¥53,447 have been conditionally granted to 584 grantees by our Company at no consideration. All the SBIH Pre-IPO SARs were granted during the period from 1 February 2002 to 1 August 2008 and no further SARs will be granted by our Company prior to the Listing Date.

Outstanding SARs and Warrants issued or assumed due to mergers and acquisitions by the Company as of the Latest Practicable Date (23 March 2011)

Name of grantee	Residential address	Position	Grant Date	No. of Outstanding SARs/Warrants	Exercise Price (¥)	No. of Shares subject to the outstanding SARs/Warrants	Weighted average exercise price (¥)	% of issued share capital immediately after completion of the Global Offering	Current shareholding NOTE 2	Exercise Period	Number of outstanding SARs/Warrants that become exercisable in year 2003	Number of outstanding SARs/Warrants that become exercisable in year 2004	Number of outstanding SARs/Warrants that become exercisable in year 2005	Number of outstanding SARs/Warrants that become exercisable in year 2006	Number of outstanding SARs/Warrants that become exercisable in year 2007	Number of outstanding SARs/Warrants that become exercisable in year 2008
Directors of the Company																
Yoshiitaka Kitao	38-1-502, Wakamiya-cho, Shinjuku-ku, Tokyo, Japan	Representative Director and Chief Executive Officer	August 2, 2003	55	4465	2200	18170.71734	0.019	323626	from August 2, 2005 to August 1, 2013	55					
Yasutaro Sawada	2-6-50, Azamino, Aoba-ku, Yokohama, Kanagawa, Japan	Director and Chief Financial Officer	August 2, 2003	43	4465	1720	12457.29109	0.134	16602	from August 2, 2005 to August 1, 2013	43					
			July 28, 2005	2010	33172	2010				from July 28, 2005 to June 29, 2013	2010					
			July 28, 2005	1500	33172	1500				from July 28, 2005 to June 29, 2013	1500					
			September 25, 2003	1500	16908	14265				from December 20, 2004 to December 19, 2012	1500					
			December 20, 2002	1250	5659	11887.5				from December 20, 2004 to December 19, 2012	1250					
Kenji Hirai	1677-12, Isshiki, Hayama-machi, Miura-gun, Kanagawa, Japan	Director and Executive Officer	July 28, 2005	620	33172	620	19441.07122	0.021	1712	from July 28, 2005 to June 29, 2013	620					
			September 25, 2003	359	16908	3414.09				from June 24, 2005 to June 23, 2013	359					
			February 1, 2002	600	19666	600				from December 20, 2003 to December 19, 2011	600					

Name of grantee	Residential address	Position	Grant Date	No. of Outstanding SARs/Warrants	Exercise Price (¥)	No. of Shares the outstanding SARs/Warrants subject to	Weighted average exercise price (¥)	% of issued share capital immediately after completion of the Global Offering	Current shareholding NOTE 2	Exercise Period	Number of outstanding SARs/Warrants that become exercisable in year 2003	Number of outstanding SARs/Warrants that become exercisable in year 2004	Number of outstanding SARs/Warrants that become exercisable in year 2005	Number of outstanding SARs/Warrants that become exercisable in year 2006	Number of outstanding SARs/Warrants that become exercisable in year 2007	Number of outstanding SARs/Warrants that become exercisable in year 2008
Takashi Nakagawa	1-22-12-204, Oshima, Koto-ku, Tokyo, Japan	Director and Executive Officer	July 28, 2005	1000	33172	1000	19724.75505	0.026	4200	from July 28, 2005 to June 29, 2013			1000			
Shumpei Morita	3-4-3-2108, Shirakawa, Koto-ku, Tokyo, Japan	Director and Executive Officer	September 25, 2003	502	16908	4774.02				from June 24, 2005 to June 23, 2013			502			
			July 28, 2005	220	33172	220	27058.57212	0.008	0	from July 28, 2005 to June 29, 2013			220			
Taro Izuchi	53-12-502, Honmura-cho, Asahi-ku, Yokohama, Kanagawa, Japan	Director and Executive Officer	October 23, 2003	156	26152	1483.56			32017	from June 24, 2005 to June 23, 2013			156			
			July 28, 2005	400	33172	400	20211.76051	0.009		from July 28, 2005 to June 29, 2013			400			
Hiroyoshi Kido	1-28-6, Igusa, Suginami-ku, Tokyo, Japan	Director	September 25, 2003	165	16908	1569.15				from December 20, 2004 to December 19, 2012	165					
			July 1, 2002	147	11423	1666.98	11423	0.008	11853	from June 21, 2004 to June 20, 2012	147					
Noriyoshi Kimura	1150-1-206, Isshiki, Hayama-machi, Miura-gun, Kanagawa, Japan	Director	July 1, 2002	90	11423	1020.6	15437.56477	0.017	806	from June 21, 2004 to June 20, 2012	90					
Hiroshi Tasaka	3-9-10, Takaido-Higashi, Suginami-ku, Tokyo, Japan	Director	July 28, 2005	400	33172	400	33172	0.002	8022	from June 24, 2005 to June 23, 2013			293			
Statutory auditor of the Company																
Atsushi Fujii	5-17-13, Todoroki, Setagaya-ku, Tokyo, Japan	Statutory auditor	October 23, 2003	367	26152	3490.17	26152	0.016	4898	from June 24, 2005 to June 23, 2013			367			

Name of grantee	Residential address	Position	Grant Date	No. of Outstanding SARs/ Warrants	Exercise Price (¥)	No. of Shares the outstanding SARs/ Warrants subject to	Weighted average exercise price (¥)	% of issued share capital immediately after completion of the Global Offering NOTE 1	Current shareholding NOTE 2	Exercise Period	Number of outstanding SARs/ Warrants that become exercisable			
											in year 2003	in year 2004	in year 2005	in year 2006
Senior management of the Company														
Shiho Aihara	3-8-85, Ichigaya Sadohara-cho, Shinjuku-ku, Tokyo, Japan	Executive Officer	July 28, 2005	136	33172	136	19427.88425	0.004	5652	from July 28, 2005 to June 29, 2013	136			
Toshiharu Fujita	2-16-1-1408, Yamakubo, Sakura-ku, Saitama, Japan	Executive Officer	September 25, 2003	78	16908	741.78				from June 24, 2005 to June 23, 2013	78			
Masayuki Yamada	4-23-59-401, Nishi-Tsutsujigaoka, Chofu, Tokyo, Japan	Executive Officer	July 28, 2005	260	33172	260	26839.06428	0.012	803	from July 28, 2005 to June 29, 2013	260			
Hideo Nakamura	Fiat C, 17/F, Tower 1, The Leighton Hill, 2B Broadwood Road, Happy Valley, Hong Kong	Executive Officer	October 23, 2003	252	26152	2396.52				from June 24, 2005 to June 23, 2013	252			
Makoto Miyazaki	E2-35B Gemdale International Garden, No.91 Jianguo Road, Chaoyang District, Beijing, P.R.C	Executive Officer	July 28, 2005	260	33172	260	33172	0.001	0	from July 28, 2005 to June 29, 2013	260			
Yoshimi Takahashi	LG XI 107-1501, Ichon-Dong, Yongsan-Gu, Seoul, Korea	Executive Officer	July 28, 2005	300	33172	300	27021.9855	0.011	300	from July 28, 2005 to June 29, 2013	300			

Name of grantee	Residential address	Position	Grant Date	No. of Outstanding SARs/ Warrants	Exercise Price (¥)	No. of Shares subject to the outstanding SARs/ Warrants	Weighted average exercise price (¥)	% of issued share capital immediately after completion of the Global Offering	Current shareholding NOTE 2	Exercise Period	Number of outstanding SARs/ Warrants that become exercisable in year 2003	Number of outstanding SARs/ Warrants that become exercisable in year 2004	Number of outstanding SARs/ Warrants that become exercisable in year 2005	Number of outstanding SARs/ Warrants that become exercisable in year 2006	Number of outstanding SARs/ Warrants that become exercisable in year 2007	Number of outstanding SARs/ Warrants that become exercisable in year 2008
			October 23, 2003	223	26152	2120.73				from June 24, 2005 to June 23, 2013			223			
Kazuhiro Uchio	1-4-4-603, Simomeguro, Meguro-ku, Tokyo, Japan	Executive Officer	July 1, 2002	87	11423	986.56	16228.68732	0.008	785	from June 21, 2004 to June 20, 2012	87					
			July 28, 2005	260	33172	260				from July 28, 2005 to June 29, 2013			260			
			September 25, 2003	52	16908	494.52				from June 24, 2005 to June 23, 2013			52			
Shinji Yamauchi	2-17-50-3810, Akasaka, Minato-ku, Tokyo, Japan	Executive Officer	July 28, 2005	370	33172	370	33172	0.002	2320	from July 28, 2005 to June 29, 2013			370			
Other grantees																
Directors, statutory auditors and senior management of the Company's subsidiaries																
58 NOTE3	N/A	N/A	February 1, 2002 to August 1, 2008	14087	4465 to 53447	47221.46	24039.347	0.215	26844	from December 20, 2003 to June 29, 2015	989	745	7767	1934	2315	337
Other employees																
508 NOTE4	N/A	N/A	February 1, 2002 to August 1, 2008	56330	4465 to 53447	138665.56	25942.31687	0.632	71252	from December 20, 2003 to June 29, 2015	9805	3902	13560	14417	13641	1005
Total number of Shares subject to the outstanding SARs / Warrants																
Total % of issued share capital immediately after completion of the Global Offering																
253918.24																
1.157%																

Note:

- 1 Assuming that (i) all granted SARs and Warrants have been fully exercised; and (ii) the Over-Allotment Option is not exercised.
- 2 The information is based on the shareholder registry as at 30 September 2010 and a result of the Company's inquiries, conducted at the Latest Practicable Date, and in following manners: (i) the Company confirmed with all of its Directors, senior management and statutory auditors whether there had been any changes to their current

shareholding since 30 September 2010; and (ii) the Company requested all other grantees (i.e. Directors, senior management and statutory auditors of the Company's subsidiaries and other employees), via email, to report any changes, if any, to their current shareholding in the Company. Shareholdings are included where: (i) a Shareholder enjoys the economic benefits of Shares, but such Shares are registered under another person's name; or (ii) a Shareholder possesses Shares, but he failed to complete the necessary procedures required to allow his shareholding to be reflected on the shareholder registry.

- 3 33 Directors of the Company's subsidiaries, 15 senior management of the Company's subsidiaries and 10 statutory auditors of the Company's subsidiaries.
- 4 Including employees who left the Company after SARs or Warrants were granted.
- 5 There is no concept of a "number of outstanding Warrants". The number indicated is equivalent to the number of Shares to be granted by the exercise of Warrants.
- 6 Mr Noriyoshi Kimura's current shareholding includes 93 Shares of his spouse.

9 Estate duty

The Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries in Hong Kong or any other relevant jurisdiction in which one or more of the companies comprising the Group are incorporated.

10. Litigation

Save as disclosed in the section headed “Business — Legal Proceedings and Compliance”, neither our Company nor any of our subsidiaries is engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened against our Company or any of our subsidiaries.

11. Preliminary expenses and listing expenses

The listing expenses of (including any preliminary expenses) our Company related to the Global Offering are estimated to be approximately HK\$141.0 million and are payable by our Company.

12. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Within the two years preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoter in connection with the Global Offering and the related transactions described in this prospectus.

13. Sponsor

The Sponsor has made an application on behalf of our Company to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, the HDRs to be issued as mentioned in this prospectus and any HDRs which may be issued upon the exercise of the Over-allotment Option on the Hong Kong Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

14. Qualifications of experts

The qualifications of the experts (as defined under the Listing Rules and the Companies Ordinance) who have given their opinion and/or advice in this prospectus are as follows:

Name	Qualifications
Daiwa Capital Markets Hong Kong Limited	Licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Hong Kong certified public accountants
Nishimura & Asahi	Japanese legal advisers
Jones Lang LaSalle Sallmanns Limited	Professional property surveyors and valuers

15. Consents

Each of Daiwa Capital Markets Hong Kong Limited, Deloitte Touche Tohmatsu, Nishimura & Asahi and Jones Lang LaSalle Sallmanns Limited has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or valuation certificates and/or the references to their names included herein in the form and context in which they are respectively included.

None of the experts named above has any shareholding in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries (save in relation to those shares in the Company held by Daiwa Capital Markets Hong Kong Limited on a discretionary basis for its clients).

16. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

17. Taxation of HDR Holders*(a) Hong Kong*

Dealings in HDRs registered on the HDR Register will be subject to Hong Kong stamp duty. The sale, purchase and transfer of HDRs are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the HDRs being sold or transferred.

Profits from dealings in the HDRs arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Japan

Under present Japanese law, transfers and other dispositions of shares represented by HDRs by non-residents of Japan who do not have a permanent establishment in Japan are, in general, not subject to Japanese income or corporation taxes, except for any Shareholder who transfers 5% or more of the outstanding Shares of our Company in one taxable year. Further details of Japanese taxation is set forth in Appendix V of this prospectus.

(c) Consultation with professional advisers

Intending HDR Holders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in HDRs or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, HDR Holders resulting from their subscription for, purchase, holding or disposal of or dealing in HDRs or exercising any rights attaching to them.

18. Miscellaneous

- (a) Save as otherwise disclosed in this prospectus:
- (i) within the two years preceding the date of this prospectus, no share or loan capital of our Company or of any of our principal operating subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of the principal subsidiaries;
 - (iii) within the two years preceding the date of this prospectus, no commission has been paid or is payable (except commissions to underwriters) for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Shares in our Company;
 - (iv) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
 - (v) no share or loan capital of our Company or any of our consolidated subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (vi) and taking no account of any Shares represented by HDRs which may be taken up or acquired under the Global Offering or upon the exercise of the Over-allotment Option and any Pre-IPO SARs, our Directors are not aware of any person (not being a Director or chief executive of our Company) who immediately following the completion of the Global Offering will have an interest or short position in the Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of Share capital carrying rights to vote in all circumstances at Shareholder meetings of our Company;
 - (vii) none of our Directors or the chief executive has any interest in any of the Shares of our Company or any associated corporations within the meaning of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Hong Kong Stock Exchange, once the HDRs are listed once the HDRs are listed;
 - (viii) none of our Directors nor any of the parties listed in the sub-paragraph headed "Consents" under the paragraph headed "Other Information" in Appendix VIII to this prospectus above has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
 - (ix) none of our Directors nor any of the parties listed in the sub-paragraph headed "Consents" under the paragraph headed "Other Information" in Appendix VIII to this prospectus is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group; and

- (x) none of the parties (save in connection with the Underwriting Agreements) listed in the sub-paragraph headed “Consents” under the paragraph headed “Other Information” in Appendix VIII to this prospectus:
 - (aa) is interested legally or beneficially in any securities of any member of our Group;
or
 - (bb) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.
- (b) Our Directors confirm that there has been no material adverse change in our financial or trading position or prospects since 30 September 2010 (being the date to which our latest audited consolidated financial statements were made up).

19. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms, the written consents referred to under the section entitled “Consents” under the paragraph headed “Other information” of Appendix VIII to this prospectus, and certified copies of the material contracts referred to in the section entitled “Summary of material contracts” under the paragraph entitled “Further information about the business of our Company” of Appendix VIII to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Freshfields Bruckhaus Deringer at 11th Floor, Two Exchange Square, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the English translation of the Articles of Incorporation;
- (b) the accountants’ report of our Company prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of us for each of the three fiscal years ended 31 March 2010 and the six months ended 30 September 2010, if any;
- (d) the report from Deloitte Touche Tohmatsu in relation to the unaudited pro forma financial information of us, the text of which is set out in Appendix III to this prospectus;
- (e) the letter, summary of values and valuation certificate relating to the property interests of our Company prepared by Jones Lang LaSalle Sallmanns Limited, the text of which is set out in Appendix IV to this prospectus and full valuation report of Jones Lang LaSalle Sallmanns Limited referred to in Appendix IV to this prospectus;
- (f) the English translation of the Companies Act;
- (g) the letter prepared by Nishimura & Asahi summarising certain aspects of the Companies Act referred to in Appendix V to this prospectus;
- (h) the material contracts referred to under the sub-paragraph headed “Summary of material contracts” in the paragraph headed “Further information about the business of our Company” of Appendix VIII to this prospectus;
- (ij) the written consents referred to under the sub-paragraph headed “Consents” under the paragraph headed “Other information” of Appendix VIII to this prospectus;
- (j) the English translations of the Rules and the Standards;
- (k) the list of all of Directors and senior management of the Company who have been issued the Pre-IPO SARs with particulars; and
- (l) the Register of SARs.

In addition, investors can access copies of the following legislation via the following websites:

- (i) the FIEA at: <http://law.e-gov.go.jp/htmldata/S23/S23HO025.html>
- (ii) the Companies Act at:
 - (A) <http://www.japaneselawtranslation.go.jp/law/detail/?id=1904&vm=02&re=01&new=1>(Part I, Part II, Part III and Part IV); and
 - (B) <http://www.japaneselawtranslation.go.jp/law/detail/?id=149&vm=02&re=01&new=1>(Part V, Part VI, Part VII and Part VIII);
- (iii) the TSE Listing Regulations at: <http://www.tse.or.jp/english/rules/regulations/index.html>;
and
- (iv) the OSE Listing Regulations at http://www.ose.or.jp/e/rule_regulation.

Any information contained in, or that can be accessed via the above websites does not constitute a part of this prospectus.



SBI HOLDINGS, INC.