

Management's Report on Internal Control Over Financial Reporting

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

2. Assessment Scope, Timing and Procedures

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

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

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

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

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

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

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

3. Results of Assessment

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

4. Supplementary Information

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

5. Additional Information

No material items were noted to report.



Representative Director and Chief Executive Officer
SBI Holdings, Inc.