

# Management's Report on Internal Control over Financial Reporting (Translation)

## **Matters Relating to the Basic Framework for Internal Control over Financial Reporting**

Management, with the participation of Yoshitaka Kitao, Representative Director, and Shumpei Morita, Chief Financial Officer, are responsible for the design and operation of the internal control over financial reporting prepared by SBI Holdings, Inc. ("the Company"). The Company'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 Revision 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.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basis elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

## **Matters Relating to the Scope of Assessment, the Basic Date of Assessment and the Assessment Procedures**

The assessment of internal control over financial reporting was performed as of March 31, 2014, which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material impact on our entire financial reporting in a consolidation ("company-level controls"). Based on that, we appropriately selected business processes to be evaluated. When we assessed internal controls of the selected business processes, we analyzed them and identified key controls that may have a material impact on the reliability of the Company's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of the Company.

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. The materiality that may affect the reliability of the financial reporting is determined taking into account the materiality of quantitative

and qualitative impacts on financial reporting. In light of the results of assessment of company-level controls conducted for a total of 31 companies, including the Company, subsidiaries and an associate, we reasonably determined the scope assessment of internal controls over process-level controls. For subsidiaries or associates that are not quantitatively and qualitatively material, we did not include them in the scope of assessment of company-level controls.

When evaluating process level controls, based on the effectiveness of company level controls, we selected significant locations or business units. Specifically, the significant locations or business units are selected in descending order of total assets (after adjusted for consolidation) until their combined amount reaches approximately two thirds of the consolidated total assets. While considering the characteristics of each business, we included in the scope of assessment, at the selected significant locations and/or business units, business processes leading to operating revenue, operating cost, trade and other accounts receivable, cash segregated as deposits, margin transaction assets, operational investment securities, margin transaction liabilities, deposits from customers, guarantee deposits received, customer deposits for banking business, etc., as significant accounts that may have a material impact on the business objectives of the Company. Further, in addition to selected significant locations and/or business units, we also selected for testing, as business processes having greater materiality, business processes relating to (i) greater likelihood of material misstatements and/or (ii) significant accounts involving estimates and the management's judgment and/or (iii) a business or operation dealing with high-risk transactions, taking into account their impact on the financial reporting.

## **Matters Relating to the Results of the Assessment**

As a result of the assessment described above, we concluded that the Company's internal control over financial reporting was effective as of the end of this fiscal year.

## **Supplementary Information**

Not applicable

## **Special Information**

Not applicable