

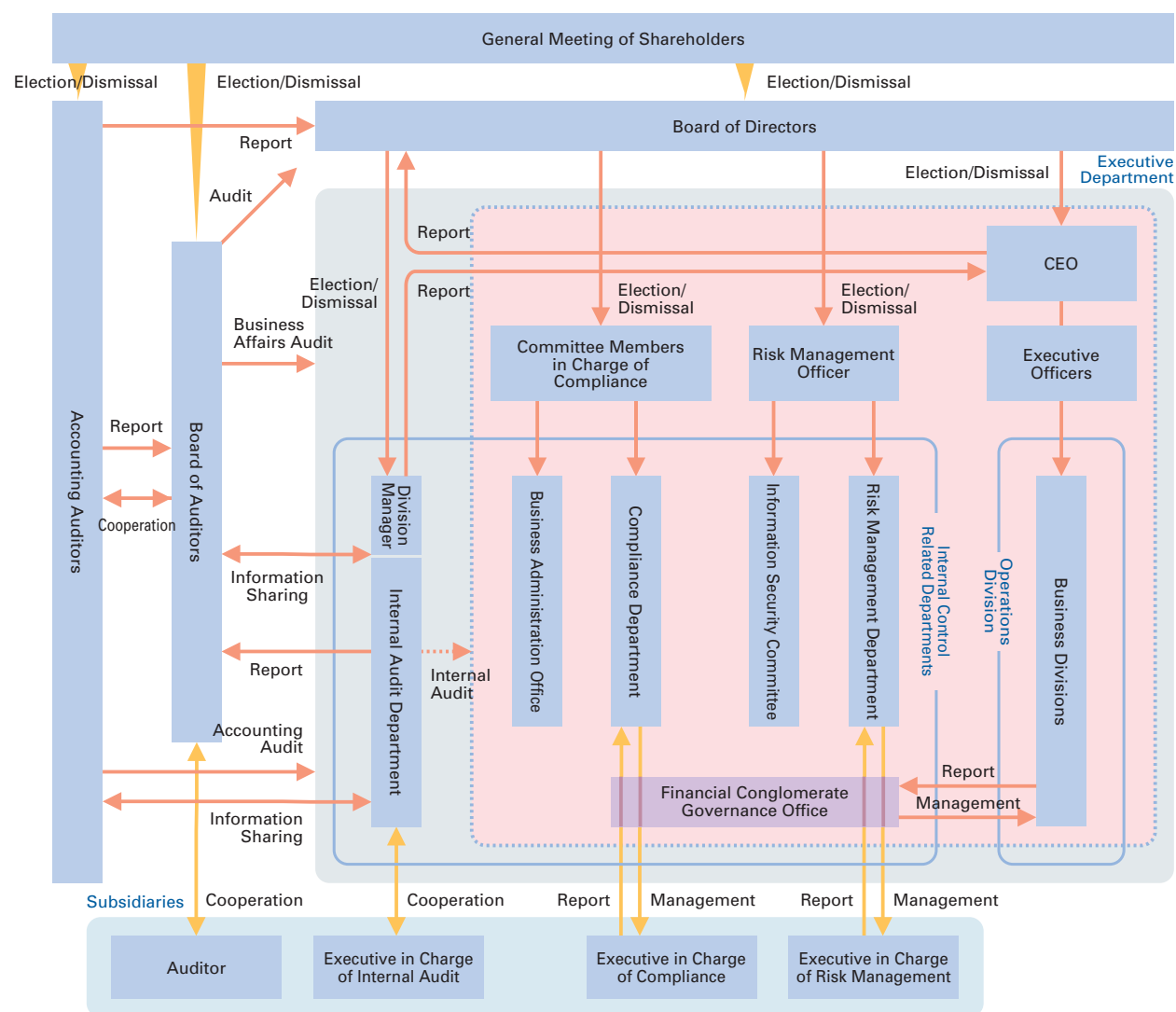
To enhance management transparency and corporate governance, SBI Holdings recognizes that one of its most crucial management tasks is to build and maintain an organizational structure capable of responding quickly to changes in the business environment, as well as maintaining a fair management system that emphasizes the interests of shareholders.

**Basic Framework for Corporate Governance**

SBI Holdings' Board of Directors consists of 13 directors (as of June 27, 2008), and the Company has adopted the Executive Officer System to clarify the functions and responsibilities of directors and the Board of Directors. Currently, 11 executive officers manage the execution of business affairs. These officers include the CEO and COO/CFO as well as nine executive officers who manage each business division. By differentiating in this manner, SBI Holdings has built a flexible structure for executing business affairs that also facilitates quick responses to changes in

the business environment.

As a general rule, the Board of Directors convenes once per month to decide on relevant matters, and to monitor the status and progress regarding the execution of business operations. With four corporate auditors, the company strives to further reinforce the effectiveness of its corporate governance through systematically combining various types of audits by the accounting auditors, corporate auditors and the Internal Audit Department.



**Initiatives for Strengthening Corporate Governance**

**Internal Controls**

SBI Holdings recognizes the importance of conducting business activities in conjunction with a sound internal control system. The company has an internal control structure that preserves the transparency of management and enhances corporate governance. The representative director of the company is responsible for making all managers and employees aware of the importance of compliance with laws and regulations, as well as ethical standards. Compliance and ethics are both vital aspects of operating within the SBIH Group's Management Philosophy and Corporate Vision. In accordance with regulations for the Board of Directors, the board holds regular monthly meetings, and convenes for other meetings as required. This facilitates close communications among the directors and permits supervision of the performance of the representative director. A director has been appointed to be responsible for compliance matters, and SBI Holdings has a Compliance Department that directly manages compliance activities.

SBI Holdings has established a system for submitting reports involving compliance matters directly to the Internal Audit Department and the corporate auditors. This reporting system allows directors and employees to provide information concerning violations of laws, regulations and the Articles of Incorporation, as well as other matters involving compliance.

Compliance conferences are held to provide an opportunity to exchange information about compliance issues for the entire SBIH Group. These gatherings identify compliance issues and problems, and confirm that business operations are conducted properly. The director in charge of compliance and the Compliance Department hold these conferences along with the compliance officers of the group companies.

**Risk Management**

SBI Holdings manages risks that may impede the execution of business operations, or prevent the company from operating in line with its Management Philosophy and Corporate Vision. The Board of Directors appoints a director to be in charge of risk management in accordance with crisis management, risk management and group risk management regulations. In addition, the Risk Management Department monitors, properly evaluates and manages risk for the entire SBIH Group.

In the event of any potential or actual management crisis threatening the company's existence, the director in charge of risk management, as the person with overall responsibility, will gather pertinent information and consider and implement countermeasures and measures to prevent reoccurrences, while reporting on the situation and disclosing information to relevant institutions.

SBI Holdings has established a structure for the overall management of information, including customer information, and has been strengthening its information management functions. As a part of these efforts, the company has established the Information Security Committee composed of members appointed from each division, with the director in charge of risk management as the chairman. The company is also responding to computer system risk

by building a structure, including redundant systems and backup structures at multiple locations, which allows the company to respond to any type of contingency.

**Audits by the Corporate Auditors, Internal Audits and Accounting Audits**

The Board of Corporate Auditors receives explanations from the accounting auditors on the annual auditing plan and other matters based on the Audit Report, when financial statements for the first half and full fiscal year are prepared. When necessary, the Board of Corporate Auditors also shares information and engages in discussions with the accounting auditor and the Internal Audit Department.

The Internal Audit Department audits the execution of duties by the directors and employees, working to prevent any violation of laws, ordinances or the Articles of Incorporation, if necessary in cooperation with external specialists. The results of internal audits are reported to the Board of Directors through the representative director once every six months. Also, when required, the Internal Audit Department shares information with the corporate auditors and the accounting auditors regarding management-related issues or problems.

**Initiatives During the Past Year to Upgrade Corporate Governance**

The Board of Directors continued to fulfill its responsibilities of reaching necessary decisions and supervising management activities during the fiscal year by holding at least one meeting each month.

In addition, to reinforce management oversight functions, corporate auditors performed audits covering many items during the fiscal year based on an auditing plan. Furthermore, the Internal Audit Department, in conjunction with external specialists, conducted comprehensive internal audits that included group companies. Through these activities, the company worked to further improve its operating efficiency and to prevent the occurrence of improper activities and errors.

SBI Holdings is dedicated to supplying its varied investor base with accurate information concerning its business operations. The company holds quarterly information meetings to announce earnings, and provides a report on operations following the annual shareholders meeting. In addition, information meetings are held for individual investors in major Japanese cities, where the CEO of SBI Holdings discusses the company's operations and strategies. Our disclosure activities also include attendance at many investor relations conferences in Japan and other countries.

Earnings releases, press releases, along with streaming videos of quarterly earnings announcements and information meetings, as well as other relevant materials are quickly posted on the SBI Holdings website. The SBI Channel is another example of the company's firm commitment to the disclosure of information. This channel, found on the SBI Holdings website, gives investors the opportunity to view streaming videos where the CEO discusses the group's performance and recent events.