

The establishment of a revenue base that is capable of delivering consistent profits, even under the effect of market conditions

Director, Managing Executive Officer & CFO
Shumpei Morita



Question

What factors contributed to the record high operating revenue and operating income in FY2014?

If the previous operating income record set in FY2005 can be attributed to the buoyant stock market conditions, then the record set in FY2014 can be attributed to the SBI Group's efforts to strengthen its overall revenue base. Operating income for the year amounted to ¥68.2 billion, and even if the one-time gain of ¥16.0 billion from the sale of SBI Mortgage were excluded, the remaining ¥52.2 billion is still significantly higher than the ¥42.2 billion recorded for FY2013, as well as the previous record high of ¥49.6 billion set in FY2005. This new record high was achieved in spite of a ¥4.3 billion loss from the change in fair value, and loss on sales of operational investment securities held through the Asset Management Business, compared with a ¥9.4 billion gain in FY2013.

The SBI Group's Financial Services Business companies are closely linked within the Group's business ecosystem. By taking advantage of the customer base and transaction value of SBI SECURITIES, it became possible to increase the deposit balance of SBI Sumishin Net Bank, and the transaction volumes of SBI Japannext and SBI Liquidity Market. More recently, SBI FXTRADE has been able to realize a dramatic growth in its customer base and revenue by leveraging the transaction infrastructure of SBI Liquidity Market. At the same time, unprofitable businesses are progressing toward the reduction of their losses, with SBI Insurance finally on the verge of profitability.

In this way, businesses that are not influenced by the stock market, such as banking, foreign exchange and insurance, are expanding and providing an improved stability to the SBI Group's revenue base. The Group's core securities business has

also experienced sustained growth, where revenue from other than flow-type business has expanded, owing to an increase in open interest credit balance and investment trust balance, resulting in more consistent profits even when the market trends are unfavorable, but with the ability to achieve even further revenue increases when the markets are more bullish. Such is the current state of the earnings capacity of the SBI Group.

Question

What is the outlook for FY2015?

The SBI Group has gotten off to a good start in FY2015, and we expect the positive trend to continue. Even without considering the gain from the sale of SBI Mortgage in FY2014, the companies in the Financial Services Business have improved their earnings capacity, and are strong enough to continue to achieve increased profits. Additionally, with the results of the business "Selection and Concentration" and the potential earnings from the Biotechnology-related Business, it is sufficiently possible that as a whole, FY2014 financial results may be exceeded. In the Biotechnology-related Business, a subsidiary of SBI Biotech may receive an upfront fee in the first half of the fiscal year, and SBI Pharmaceuticals possesses multiple promising pipelines, with the possibility of licensing-out of technology.

With reference to a new business, the addition of SBI Life Insurance to the Group will further heighten the growth potential of the Financial Services Business. SBI Life Insurance has been in preparations for the past year to start the process of obtaining new insurance policies, and we are expecting that by leveraging the Group's business ecosystem, as well as the online and face-to-face channels, that the company will experience rapid growth. Furthermore,

owing to the Group's significant increase in assets under management, we are in the process of strengthening our asset management capabilities. We expect that this will also become a new source of strength for the SBI Group as well.

Question

From your perspective as CFO, what challenges do you see ahead?

The immediate priority is the Biotechnology-related Business, which is currently a deficit business, and needs to become profitable and self-sufficient. In the Financial Services Business, now that SBI Insurance is on track toward achieving profitability, SBI Card is scheduled to come under the umbrella of SBI Sumishin Net Bank, and since SBI Savings Bank has made good progress in the Asset Management Business, the Group can now fully focus on the monetization of the Biotechnology-related Business. SBI Pharmaceuticals has made remarkable progress in its clinical trials and basic research activities over the past couple of years. Therefore it can be said that it will be a top priority for the SBI Group as a whole to connect such results to future earnings.

From a medium- to long-term perspective, business expansion in Asia will be a priority. The SBI Group has accelerated its business growth through strategies that befits the prevailing trends. In Asia, the Group started with investment operations, but now has expanded its overseas financial services business through joint ventures with prominent partner companies in various countries. The network that was established in this manner will provide the impetus for the medium- to long-term growth of the Group.