

Strengthening and Enhancing Our Financial Capabilities to Support Continuing Business Expansion

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Record Performance Despite an Unstable Economic Environment

The economic environment remained unstable throughout FY2021. In the second half of the fiscal year, just as the economic environment appeared to be emerging from the COVID-19 pandemic and returning to normal, an unexpected geopolitical factor in the form of Russia's invasion of Ukraine triggered a surge in energy prices that have resulted in an upward trend for inflation. World interest rates, which had previously remained low, grew in Europe and the United States, although in contrast to that, remained low in Japan. This created an unusual situation in which the yen was the only major currency to experience extreme weakening. Despite this challenging situation, the consolidated results for the SBI Group in FY2021 set new records for the second consecutive year. Revenue increased 41.1% year-over-year to ¥763.6 billion, profit before income tax expense increased 194.0% to ¥412.7 billion, and profit for the year attributable to owners of the Company increased 352.4% to ¥366.9 billion. In each case, these figures are record highs for the Company since its founding.

These results include one-off profit (loss) items, such as a gain from negative goodwill resulting from the acquisition of Shinsei Bank as a consolidated subsidiary in December 2021. However, even if the effect of adding Shinsei Bank to the con-

solidation were excluded, consolidated results for the SBI Group still represent record highs, with revenue increasing 29.1% year-over-year to ¥698.7 billion, profit before income tax expense increasing 42.6% to ¥200.1 billion, and profit for the period attributable to owners of the Company increasing 60.5% to ¥130.1 billion.

We also set new records for segment revenues in FY2021. The Financial Services Business increased 26.1% year-over-year to ¥396.2 billion; the Asset Management Business increased 54.4% to ¥317.8 billion; and the Biotechnology, Healthcare & Medical Informatics Business increased 76.3% to ¥9.9 billion.

Early Realization of Benefits from Synergy with Shinsei Bank

The effects of the acquisition of Shinsei Bank as a consolidated subsidiary on the financial results for FY2021 included recording of gain on negative goodwill, etc., which was reflected in the figures for the third quarter and added to period profit and loss in the January–March quarter of 2022. The corresponding amounts were ¥212.6 billion for profit before income tax expense, and ¥236.8 billion for profit for the year attributable to owners of the Company. Profits from Shinsei Bank will be included in profits for the whole year for

the first time in FY2022. While this one-time factor in FY2021 will no longer apply, we believe that closer collaboration between Shinsei Bank and the SBI Group will result in a steady contribution to our profitability. We are currently considering a variety of collaborative initiatives with Shinsei Bank with the goal of achieving benefits from synergy with them, while also exercising due care over potential conflicts of interest. Shinsei Bank has a broad customer base with over eight million customers. We will examine the attributes of these customers and match them with the services offered by the SBI Group.

Continuing Business Expansion is Our Basic Policy

The SBI Group has achieved rapid business growth to date. We have identified priority business areas and our basic policy calls for the continuing pursuit of a strategy for business expansion through concentrated capital investment in those areas. Regarding the balance between investments and recoveries, we anticipate the amount invested will continue to outpace recoveries. While recoveries are significantly influenced by market trends, our policy is to recover funds from investments after a specific number of years. Our goal is to manage our financial activities in a manner that ensures the continual expansion of our investments while renewing our assets each year.

We will prioritize the balance between internal reserves and the procurement of new funds in our investment activities. When sound, attractive opportunities emerge, we will invest aggressively. Our main investment areas will continue

to be fintech, crypto-asset, FX, and asset management. The SBI Group has been investing in crypto-asset related businesses since 2017 and continue to have a strong interest in this area. We will also continue to prioritize the Asset Management Business as we expect both individuals and corporations to focus increasingly on ways to protect their assets under the circumstances of high interest rates and a weak yen. A key event in relation to this area was the signing in May 2022 of a basic agreement on the conversion of Okasan Asset Management Co., Ltd., which handles asset management for the OKASAN SECURITIES GROUP INC., into a joint venture. We are striving to maintain an active investment posture in this business segment because of the potential for synergies, not only with crypto-asset and asset management, but also with our existing businesses.

As we pursue this business expansion strategy, we expect post-merger integration (PMI) and the maintenance of plan-do-check-act (PDCA) cycles for new businesses to become increasingly important in relation to our mergers and acquisitions (M&A) activities. The acquisition of Shinsei Bank is a good example of this approach. The SBI Group and the Shinsei Bank Group have started to explore the potential for synergies across our organizations, from the front- and middle-, to back-office operations. We expect to see benefits to these synergies emerge in the near future through collaboration with the SBI Group. Speedy decision-making is vital in times of uncertainty, and the SBI Group places a high value on the entrepreneurial spirit. Ideally, that philosophy will have a positive influence on Shinsei Bank Group, triggering changes that will lead to improved profitability.

Consolidated Financial Results for FY2021 (IFRS)

	FY2020	Before consolidation of Shinsei Bank*		After consolidation of Shinsei Bank	
		FY2021	YoY % change	FY2021	YoY % change
Revenue (Billions of yen)	541.1	698.7	+29.1	763.6	+41.1
Profit before income tax expense (Billions of yen)	140.4	200.1	+42.6	412.7	+194.0
Profit for the year (Billions of yen)	97.5	148.5	+52.3	355.7	+264.8
Profit attributable to owners of the Company (Billions of yen)	81.1	130.1	+60.5	366.9	+352.4
Ratio of profit to equity attributable to owners of the Company (ROE) (%)	16.0	20.8	+4.8 points	49.4	+33.4 points

* Excluding recording of gain on negative goodwill, etc., resulting from Shinsei Bank becoming a consolidated subsidiary, and Shinsei Bank's consolidated statement of income for the January–March period of 2022

Financial Strategy Reflecting the Cost of Capital

The methods used to procure funds can be broadly categorized into procurement from internal sources, such as revenues earned by Group companies and amounts recovered from investments, and procurement from external sources, including loans from financial institutions. Because the SBI Group has invested actively in recent years, our liabilities have also tended to increase. However, we believe that we still have ample scope to raise additional funds. In fact, Rating and Investment Information, Inc. raised the rating for SBI Holdings and SBI SECURITIES by one notch in April 2022, to A- and A, respectively. Reasons for these higher ratings include the expansion of our business base following Shinsei Bank becoming a consolidated subsidiary, with which we have a complementing relationship. In general, M&A rarely results in a higher rating. We see the new ratings as a positive factor, since they will allow us to expand our procurement capacity while curbing interest rate hikes. Utilizing internal reserves together with funds procured externally, we would like to financially support a well-balanced growth trajectory, while rigorously screening investments to ensure returns that will be commensurate with the cost of capital.

Management Focused on Stakeholder Dialog

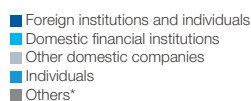
In the past, shareholders, investors, and other stakeholders have commented that the SBI Group's business areas were difficult to understand. In part as a response to this feedback,

we have changed our business structure from three segments to five in management accounting, effective from FY2022. For example, our overseas financial businesses, such as the SBI SAVINGS BANK in South Korea, were included in the Asset Management Business because they were originally positioned as investments. In keeping with the nature of their business activities, they have now been reallocated to the Financial Services Business. The Asset Management Business has been divided into the Investment Business and the Asset Management Business. The Crypto-asset Business has become a segment in its own right, reflecting the importance of this business area. As a result of these changes, the new Financial Services Business will focus mainly on securities-, banking-, and insurance-related businesses in Japan and overseas. We also made changes affecting the strategic direction and scale of our investment in the Biotechnology, Healthcare & Medical Informatics Business, including the sale in February 2022 of our entire shareholding in Quark Pharmaceuticals, which was the main cause of losses in this area. The remaining assets have been placed in the Non-financial Business, together with the digital space business, which was previously included in the "Others" segment. We hope this new segment structure will lead to a better understanding of the SBI Group by clearly identifying business areas that are easily affected by the market environment and those that are more resilient.

Stance on Shareholder Composition

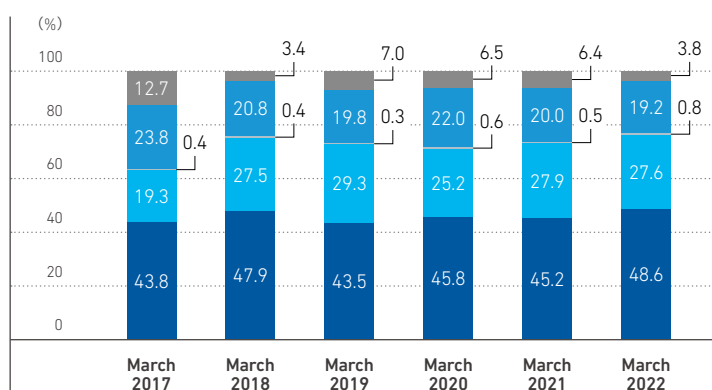
- The total number of shareholders is **134,576**, of which the number of shareholders who hold one unit or more is **88,261***
- Shareholding ratio of domestic and foreign institutional investors is **76.1%**

Actively promote initiatives for individual investors to raise the ratio of individual shareholders to achieve a balanced shareholder composition.



* Including treasury shares

Trends of Shareholder Composition



Policy on Shareholder Returns

Following the aforementioned changes to our business segment structure, we have also changed our basic policy on shareholder returns, effective from FY2022. Previously, our policy was to determine the total shareholder return ratio, which is the total amount for dividends plus share repurchase, by 1) setting the minimum total shareholder return ratio to be at least 40%, and 2) including an adjustment to the return ratio due to deductions in the fair value through profit and loss (FVTPL) of operating investment securities from consolidated profit before income tax expense, which is separate from cash flows. However, shareholders and investors appear to have found this policy difficult to understand, in part because of the way the second condition has been applied over the past couple of years, during which there has been an increase in the percentage of profit before income tax expense contributed by the Asset Management Business. As an interim measure, we have decided to set the total shareholder returns at around 30% of profit before income tax expense from the new Financial Services Business segment, effective from FY2022. We aspire to clarify our approach to shareholder returns by using the Financial Services Business, which has a relatively stable profit level compared with other segments of the SBI Group, as the standard level for shareholder returns.

Our ability to engage in dialog with individual shareholders and investors has been limited over the past couple of years because of the COVID-19 pandemic. We are striving to take a more active stance on communications going forward, and in June 2022 we have begun to resume our briefings for individ-

ual shareholders in Japan. Overseas institutional investors currently hold 48.6% of shares in SBI Holdings (as of March 31, 2022). Our goal is to achieve a more balanced shareholder mix by actively implementing initiatives targeting these individual shareholders and investors.

My Mission and Goals

Few financial institutions in the world are as actively committed to growth as the SBI Group. I see this as a key advantage. My most important mission is to strengthen and expand the financial functions that will enable the SBI Group to maintain its position as a unique financial institution. Financial institutions are often adopting a more cautious stance in this unstable economic environment, but I see the present environment as an opportunity to leverage the strengths of the SBI Group, including our ability to make speedy decisions. I believe that it is precisely in times such as these that we should maintain a consistent investment policy of using SBI Group's unique qualities to proactively enter and invest in new fields ahead of our competitors, while also thoroughly applying the PDCA assessment and review cycle.

IR Activities (FY2021)

Activity	Times	Activity Content
Financial results briefing for institutional investors and analysts	4	Financial results briefing held quarterly focusing on financial performance and outlook
IR conferences for overseas institutional investors	1	Conducts online meetings with overseas institutional investors during IR conferences hosted by securities companies
Current Management Information Briefing for shareholders	1	Briefing held shortly after the General Meeting of Shareholders every June
Individual meetings for institutional investors and analysts	As required	Meetings held as needed upon request from domestic and overseas institutional investors and analysts
Uploading of IR materials and videos to the Company website	As required	Posting of timely disclosure materials including financial results, press releases, videos, and information on sustainability initiatives

Note: Meetings for individual investors and small meetings for domestic institutional investors, which are normally held every year, were canceled for FY2021 due to the COVID-19 pandemic.