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## Pioneering the New Era: The SBI Group's Unyielding Pursuit of Innovation

Since its founding, the SBI Group has diligently built a business ecosystem<sup>①</sup> centered around securities, banking, and insurance as its core fields, utilizing the Internet as its main channel. As a result, we have evolved into one of the world's most distinctive and comprehensive financial groups. Anticipating the transformative influence of digital technology, we are poised to embrace an era of vast digital expansion that permeates every facet of society, extending well beyond the confines of the financial sector. To prepare for this profound evolution, the Group is actively building a digital space ecosystem<sup>②</sup> and pursuing business evolution beyond finance with finance as its core. We will achieve this transition by invigorating our organization through transformation and evolution driven by a recurring cycle of “self-denial,” “self-transformation,” and “self-evolution,” leading to the establishment of an organization capable of achieving sustainable growth.

# CHALLENGE TOWARDS THE NEW ERA

## Harnessing Current Trends with Strategic Management Approaches for Sustainable Growth

### Management Strategy for Generating Profit Amidst Rising Uncertainty

Few would dispute that the world economy is in chaos, or that the business environment is fraught with uncertainty. We need to remain alert to developments, including the risk that the Japanese economy will come under pressure from downturns in overseas economies affected by continued monetary tightening and other factors, as well as inflation triggered by surging raw material prices and rising energy costs, and financial market fluctuations.

Enhanced foresight is an absolute necessity for any business that seeks to achieve growth in an environment affected by increasing uncertainties. I use three words from the Chinese classics, all pronounced as *ki* in Japanese, to describe the requirements for this environment. The first *ki* (機) means “sign.” Things do not change abruptly. There are always advance signs. Foresight, which is the ability to detect these signs, is extremely important. It is also extremely important to do things at the right time, which is the meaning of the second *ki* (期). For example, customers will not accept new businesses or services if they are launched too late or too early. The third *ki* (機) means intuition. In business as in other fields, we cannot succeed unless we can intuitively see the real nature of a project.

Two dominant trends when I founded the SBI Group in 1999 were the Internet revolution<sup>③</sup> and the Financial Big Bang in Japan<sup>④</sup>. The Group was able to achieve rapid growth as a pioneer in Internet finance because we were able to discern the real nature of these trends. The Internet was cutting-edge technology at that time. It allowed customers to access vast amounts of data freely and instantaneously, and to make appropriate choices based on that information. That was the start of the era of consumer sovereignty. The SBI Group was quick to see this change. We responded by providing services that really reflected the needs of our customers, including continuous, phased reductions in stock trading commissions.

Our basic approach to business development, which has remained unchanged down to the present day, was to apply a “Customer-centric Principle” to all of our activities, and to have total faith in innovative technologies. The results of this approach are apparent from our consolidated financial results for the fiscal year ended March 31, 2023 (FY2022). Revenue approached the ¥1 trillion level with a 30.8% year-over-year increase to a new record of ¥998.6 billion. There were year-over-year declines in profit from our Investment Business, which was affected by volatility due to its heavy dependence on market trends, and our Crypto-asset Business, which was impacted by an extremely challenging market environment. However, total profit before income tax expense grew to ¥100 billion, thanks to the contribution from the Financial Services Business, which generates comparatively stable earnings. [▶ P.24](#)

In order to achieve sustainable growth, we have focused on the following measures on a Group-wide basis.

### Management Strategy 1: Realizing Neo-securities Initiatives

The securities business is a core source of income for the SBI Group and we have worked on continuous and phased reduction of commissions to realize the Neo-securities initiatives<sup>⑤</sup> announced in 2019. At the same time, we are diversifying our revenue sources to create a structure that does not rely on stock trading commissions. These preparatory steps are bringing us steadily closer to the realization of the Neo-securities initiatives in the first half of FY2023. This transition is expected to trigger a dramatic increase in our customer base, and we are therefore taking steps to strengthen our systems to cope with a rapid surge in transactions. We anticipate that this transition will have a positive effect on the entire SBI Group, since SBI SECURITIES will refer new customers to other Group companies through various channels. [▶ P.20](#)

#### KEYWORDS

##### ① Business ecosystem

[▶ P.04](#)

##### ② Digital space ecosystem

The SBI Group created today's digital financial ecosystem by organically combining the Internet financial ecosystem that it has been building since its founding with new technologies, including blockchain and other elements. We strive for a rapid transition to a digital space ecosystem by harnessing the growth potential of digital spaces (the digital world) to drive further evolution of the digital financial ecosystem.

##### ③ Internet revolution

With the rapid diffusion of the Internet, information is now readily accessible to everyone, and sovereignty has shifted to consumers, consequently transforming the landscape of financial services.

##### ④ The Financial Big Bang in Japan

The collective term for major financial system reforms implemented by the government between 1996 and 2001. Changes included the complete liberalization of stock trading commissions and approval for the establishment of financial holding companies.

##### ⑤ Neo-securities initiatives

[▶ P.20](#)

## KEYWORDS

## ⑥ Regional revitalization

The objective of this strategy is to achieve regional revitalization through cross-sector co-creation, by using the management resources of the SBI Group to contribute to the profitability of regional financial institutions and to spread our technology and expertise to their customers, such as local companies, local residents, and local governments.

## Management Strategy 2:

## Entering a New Stage of Collaboration with Regional Financial Institutions

In January 2023, we changed the trading name of Shinsei Bank, which became a consolidated subsidiary in December 2021, to SBI Shinsei Bank. Since the addition of SBI Shinsei Bank to the SBI Group as a consolidated subsidiary, we have achieved significant synergetic benefits by organically integrating the management resources of the SBI Group and the SBI Shinsei Bank Group. Both groups are also working together and in collaboration with regional financial institutions to pursue regional revitalization⑥, which is one of our overall strategies. These efforts are steadily yielding results. We plan to delist SBI Shinsei Bank through a tender offer by the SBI Group and subsequent acquisition of the remaining shares. We believe that the delisting will allow even closer collaboration with regional financial institutions. Going forward, we will use our experience of strategic capital and business alliances between the SBI Group and nine partner banks as the basis for moving into taking cooperative measures centered on SBI Shinsei Bank. These measures call for further strengthening of business alliances between all regional banks and the SBI Group, regardless of whether or not the banks have capital relationships with the SBI Group. [P.22](#)

## Management Strategy 3:

## Expansion and Creation of Revenue Sources Through Three-way Diversification

We pursue sustainable growth in today's increasingly uncertain business environment by expanding and creating revenue streams and spreading our risks through comprehensive diversification on three levels.

## Three-way Diversification in the SBI Group

<p>■ Customer Diversification</p>	<ol style="list-style-type: none"> <li>1. Promoting Neo-securities initiatives.</li> <li>2. Advancing and solidifying the partnership with the Sumitomo Mitsui Financial Group, Inc.</li> <li>3. Proactively expanding our multipoint ecosystem.</li> <li>4. Leveraging the diverse management resources of the SBI Group to expand our customer base not only in the retail sector but also in the corporate and financial sector.</li> <li>5. Envisioning substantial growth by promoting Neo-bank initiatives through SBI Sumishin Net Bank, reaching and attracting new customer bases within and beyond the financial realm.</li> </ol>
<p>■ Diversification of Financial Products and Services</p>	<ol style="list-style-type: none"> <li>1. In the securities business, we seek to attract new customers considering the shift "from savings to asset building" and enhancing customer satisfaction through further diversification of our products and services.</li> <li>2. In the Crypto-asset Business, we will use M&amp;A and other methods to expand and enhance our services to meet the needs of a wide spectrum of customers.</li> </ol>
<p>■ Diversification of Business Fields</p>	<ol style="list-style-type: none"> <li>1. Positioning Asset Management Business as a core business, endeavoring to reach ¥20 trillion in assets under management by FY2027 through M&amp;A's, establishment of joint ventures, and other methods.</li> <li>2. Pioneering new business domains, such as Web3, integrating innovative technologies from Japan and overseas.</li> <li>3. Expanding our revenue base in Non-financial Business.</li> <li>4. Promoting Osaka as an international financial center.</li> <li>5. Considering potential expansion into new business domains that can generate synergies with existing activities.</li> </ol>

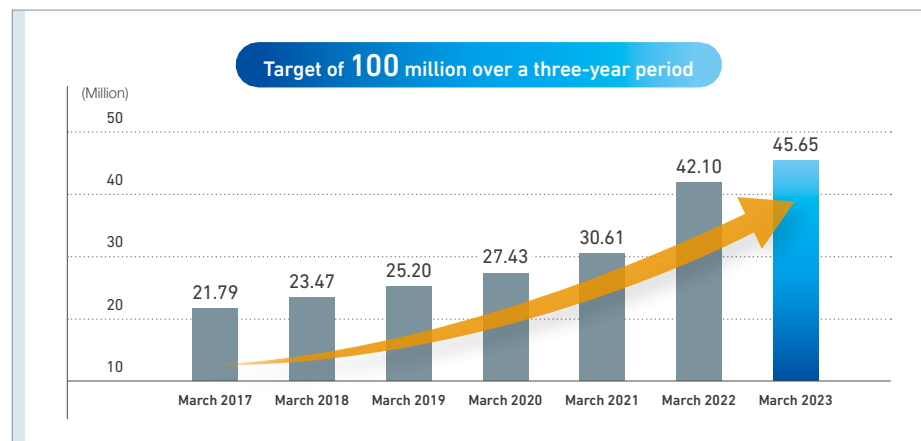
## 1. Customer Diversification

Strong customer satisfaction made possible by our consistent “Customer-centric Principle” approach has allowed the SBI Group to achieve rapid growth. By March 31, 2023, our customer base had grown to approximately 46 million. Going forward, our focus is on attracting not only individual customers, but also business and financial corporations. For example, SBI SECURITIES has maintained the highest share of IPO underwriting in the industry. It will also strengthen its M&A advisory services by establishing an integrated structure ranging from consulting, sourcing, and deal-making to financing and other services. In addition, SBI SECURITIES has established a Foreign Exchange Department to handle over-the-counter currency derivatives, including futures and options, for corporate customers. In the area of real estate finance, we have established SBI Private REIT Investment Corporation to manage open-ended private REITs and provide quality investment opportunities that match the needs of institutional investors.

We believe that SBI Shinsei Bank can also contribute to the expansion of our corporate customer base by providing financing services to customers of SBI SECURITIES and SBI Investment investees. In addition, we will use the BANKIT®<sup>7</sup> platform provided by APLUS to expand our corporate business by leveraging its capacity to help both financial and non-financial businesses to expand into financing and payment businesses and implement DX.

In addition to these initiatives, we will also focus on the formation of partnerships with companies in the financial sector and other industries, such as SBI Sumishin Net Bank’s Neo-bank initiatives<sup>8</sup>, under our open partnership philosophy, and the provision of SBI Group products and services to partner companies. By pursuing initiatives such as these, we aspire to expand the SBI Group’s customer base to over 100 million over a three-year period.

### Customer Base



## 2. Diversification of Financial Products and Services

The SBI Group has successfully broadened its array of financial products and services through collaboration within and beyond the Group. Going forward, we will develop new securities, banking, and insurance products to meet the needs of the next generation, while also expanding our line-up in areas with future potential, such as crypto-assets.

We see the Japanese government’s policy of encouraging a shift “from savings to asset building” as a positive impetus for this strategy. SBI SECURITIES will expand its foreign stock trading service and launch the fully automated AI investment service “SBI Wrap.” It will also

## KEYWORDS

### <sup>7</sup> BANKIT®

APLUS is the business entity for this financial platform and is registered as a fund transfer business and issuer of prepaid payment instrument. BANKIT® was created to provide partner companies with a cafeteria-style selection (a format that allows a free selection of functions) of financial services. The platform uses the capabilities of SBI Shinsei Bank, including exchanges, credit functions, etc.

### <sup>8</sup> Neo-bank initiatives

Under this concept, SBI Sumishin Net Bank works with its partner companies to create systems based on its behind-the-scenes role as a provider of banking functions in order to ensure a smooth, efficient experience for customers using the services of those companies.



## KEYWORDS

## 9 NISA/iDeCo

→ P.123

## 10 Web3

→ P.123

## 11 Staking service

→ P.123

## 12 Blockchain

Blockchain is a type of distributed ledger technology that uses blocks of encrypted information connected in chronological order, or a chain, making it essentially impossible to alter the contained transactional data already in the sequence. A major feature of blockchain is its secure data structure that makes it highly resistant to falsification and deletion, because any attempt to alter past information will create a discrepancy in matching information between blocks that are connected before and after the altered data block. Originally developed as a foundational technology for the public transaction ledger of the crypto asset Bitcoin, blockchains are now being used not only in financial transactions but also in such diverse fields as real estate, supply chain, and healthcare.

## 13 Security tokens

→ P.123

provide an options service for individual stocks, expand its lineup of real estate-related products, such as small-lot real estate trust beneficiary rights, and enhance its NISA and iDeCo<sup>9</sup> services as a strategic area.

In the Crypto-asset Business which is expected to grow in the future, we are working to enhance our medium- to long-term earning power by using M&A to expand our business in this area. In March 2023, we acquired BITPoint Japan, which operates the BITPOINT crypto-asset trading platform, as a wholly owned subsidiary. In April 2023, we added HashHub, a provider of specialized crypto-asset and Web3<sup>10</sup> research services and crypto-asset services, to the SBI Group. As crypto-asset exchanges in the SBI Group, SBI VC Trade and BITPOINT are expanding the range of crypto-assets handled and enhancing their management services, including staking services<sup>11</sup>. We will continue to expand our earnings from the Crypto-asset Business by diversifying the range of products and services that we offer, and by pursuing synergies among Group companies.

## 3. Diversification of Business Fields

Our third level of diversification is the diversification of our business domains. In the financial area, for example, we will expand our Asset Management Business, which we have identified as an area capable of generating relatively stable profit alongside financial services. We will also move into business areas with future growth potential, such as Web3, and into new business areas offering opportunities for synergies with our existing businesses.

While the Asset Management Business is becoming increasingly important for asset management of both individuals and corporations, we will strive to achieve further business expansion by using M&As and the establishment of joint ventures to enhance our ability to offer management products that match the needs of our customers. SBI Global Asset Management changed its trading name after terminating its licensing agreement with the U.S. company Morningstar, Inc. on March 30, 2023. The return of the Company's original brand has been accompanied by restructuring of the SBI Group's Asset Management Business and a transition to a new structure. We will evolve beyond our role as an integrated asset management group by focusing on business development in overseas markets, especially in Asia. While the SBI Group's balance of assets under management stood at approximately ¥7.9 trillion as of March 31, 2023, we aspire to increase this to ¥20 trillion by the end of March 2028.

We have also identified the digital space field as an area with potential in medium- to long-term growth. In the Web3 era, blockchain<sup>12</sup> technology is expected to provide the infrastructure for the accelerating digitalization of all areas of society, leading to the development of the digital space field. The Internet financial ecosystem developed by the Group has evolved into today's digital financial ecosystem through organic convergence with the latest technologies. Going forward, our goal is to achieve a rapid transition to a digital space ecosystem by capturing the growth potential of the rapidly expanding digital space and further developing our digital financial ecosystem.

One area in which we will pursue specific initiatives is security tokens (STs)<sup>13</sup>, which are expected to emerge as next-generation financial products. SBI SECURITIES is already building a track record in this area, including six ST issuances. The SBI Group is helping to develop systems and infrastructure and was instrumental in the establishment of the Japan STO Association as a self-regulatory body. We also supported the establishment of the Japan Digital Space Business Federation as a cross-industry business organization dedicated to the development of digital space. I am currently serving as representative chairperson of this organization, which over 100 organizations have joined since its formation. Additionally, we moved into the field of e-Sports with the establishment of SBI e-Sports in 2020. This company will help to develop customers for the future by strengthening our contact points with young people of the digital generation through management of pro-gaming team and other activities.

In August 2021, we signed an agreement concerning collaborative initiatives to promote Osaka Prefecture and Osaka City as an international financial center. The entire SBI Group has provided wide-ranging support for the establishment of a next-generation international financial center in Osaka. Those initiatives are about to accelerate. Osaka Digital Exchange (ODX) which was established in April 2021, has been operating a proprietary trading system (PTS)<sup>14</sup> since June 2022 and is now making preparations for the creation of Japan's first ST trading market. The Sumitomo Mitsui Financial Group, Inc., Nomura Holdings, Inc., and Daiwa Securities Group Inc. are all shareholders in ODX. A number of overseas companies, including Virtu Financial and CBOE, are also planning to participate.

Additionally, we are working toward the creation of the Osaka Fintech Center as a cluster for fintech companies in the Kansai region. The Kansai region offers many advantages, including an international airport, which had the most direct flights to Asian destinations of any airport in Japan before the COVID-19 pandemic. We will leverage those advantages to attract clusters of companies involved in advanced technologies, such as Web3 and AI. We took an important first step by establishing SBI Digital Hub with Project Company, Inc. in November 2022. The new company will serve as a hub to link companies that own advanced technologies with companies that can commercialize those technologies.

For some time, we have been considering the creation of a new business domain that would generate synergies by integrating the multiple existing business initiatives referred to in this message, such as our regional development strategy, the international financial center concept, and our efforts to create a fintech center in Osaka. In July 2023, we reached basic agreement with Powerchip Semiconductor Manufacturing Corporation (PSMC), a major Taiwanese semiconductor foundry<sup>15</sup>, concerning the establishment of a company to prepare for the launch of JSMC as Japan's first semiconductor manufacturer. The preparatory work to be carried out by the new company will include the selection of a factory site, the formulation of a business plan, and the development of a financing plan.

The SBI Group decided to expand into the semiconductor field, with a particular focus on automotive and industrial devices, because we judged that the present time offered a unique opportunity in terms of "Timing blessed by the heavens," "Advantage of the landscape," and "Harmony of the people." By "Timing blessed by the heavens," I mean that the Japanese government has positioned semiconductor manufacturing as a priority industry and is mobilizing national resources to support its development. In addition, the concentration of the semiconductor foundry industry in Taiwan has heightened geopolitical risks amid the current tensions between the U.S. and China. We believe that in this environment, countries in the Middle East, Asia, Europe, and North America will look to Japan as a new hub in the global semiconductor supply chain.

Japan's "Advantage of the landscape" includes the presence of many semiconductor-using industries, including automobile manufacturing, biotechnology, and AI. In addition, Japan has a large share of the market for semiconductor manufacturing equipment and materials and is amply supplied with other necessities for semiconductor production, such as water and land, as well as logistics and electric power infrastructure. These advantages will be extremely important at a time when the world semiconductor market is expected to reach ¥100 trillion by 2030.

"Harmony of the people" encompasses PSMC. It is the third largest semiconductor foundry in Taiwan and the sixth largest in the world. It is also one of the few companies in the world to produce both memory and logic chips. In addition, PSMC has a business model for the mass-production of high-quality, low-cost semiconductors in the 28nm and higher range, which account for over 90% of demand for automotive semiconductors. The SBI Group has powerful financing capabilities networks within and beyond the Group and will be able to provide stable, long-term access to finance, which will be essential for the development of the semiconductor industry. The goal is to leverage the financing capabilities of the SBI Group and the technology, expertise, engineering talent, and other resource of PSMC to turn Japan into a hub in the global semiconductor supply chain.

## KEYWORDS

### <sup>14</sup> Proprietary trading system (PTS)

Proprietary trading systems allow stocks to be traded outside of public exchanges such as the Tokyo Stock Exchange. As of June 30, 2023, there are three such systems in Japan: Japannext, Osaka Digital Exchange, and Cboe Japan Limited. The first two of the three are members of the SBI Group. While competition between public exchanges and the PTS sector is reducing trading costs in the U.S., in Japan the PTS is still not widely used, and the Tokyo Stock Exchange still accounts for most trading of listed stocks.

### <sup>15</sup> Foundry

→ P.123

## KEYWORDS

**16 Task Force on  
Climate-Related Financial  
Disclosures (TCFD)**

Established following a G20 directive to the Financial Stability Board (FSB) in April 2015, the TCFD published its recommendations in a final report delivered in June 2017. These recommendations provide a common global framework for the disclosure of climate change-related information that can be used as the basis for comparisons. The TCFD recommends the disclosure of information about climate change-related risks and opportunities in four categories: governance, strategy, risk management, and metrics & targets.

## A Corporate Group Dedicated to Growth in Partnership with Society

### Empowering Growth by Fulfilling the Commitments to Social Responsibility

We believe that the initiatives of the SBI Group will contribute not only to our sustainable growth as a business group, but also to prosperity for society. I place particular importance on the fulfillment of our social responsibilities, which was one of the five founding corporate missions of the SBI Group. This mission recognizes the social significance of businesses as important elements of society. Businesses must contribute to the maintenance and advancement of society by responding to the needs of their stakeholders. Businesses that fail to do this are unlikely to achieve growth and development.

We have consistently pursued this mission since the founding of the SBI Group. We believe that it aligns with sustainability management, the purpose of which is to achieve sustainable improvement in corporate value while also considering environmental, social, and economic sustainability. In FY2021, we formulated our Basic Sustainability Principles and Materialities, and in FY2022, we adopted KPIs designed to inform stakeholders about our progress on each of the Materialities. We are also responding positively to social concerns about climate change, which has become a global issue. In May 2023, we declared our support for the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)<sup>16</sup>. We also expanded the scope of our greenhouse gas (GHG) emission disclosures to include parts of Scope 3 emissions.

One of our key management priorities is the achievement of growth and prosperity in partnership with society. In addition to our contributions to society through our core business activities, we have also engaged in more direct social contribution activities in line with the ideas of Harvard Professor Michael Porter, who equated social contribution activities with strategic investment. For example, we established the SBI Children's Hope Foundation to support efforts to improve the welfare of children suffering from abuse and other forms of deprivation in 2005, which transitioned to a public interest incorporated foundation structure in 2010. We will continue these initiatives in the future and also prioritize transmission of information, with the goal of ensuring that all stakeholders are fully informed about our activities.

### Co-creation with Stakeholders to Enhance our Corporate Value

We believe that we can sustainably enhance our corporate value by linking three interrelated forms of value into a virtuous circle that combines shareholder value and human resource value, with customer value as the foundation. We see the creation of this virtuous circle with our various stakeholders as the best way to achieve sustainable medium- to long-term growth in our corporate value.

The starting point for this mechanism to improve corporate value is the enhancement of customer value. To achieve this, we have pursued a customer-oriented approach to business by consistently applying the "Customer-centric Principle" to the activities of the SBI Group, based on the concept that the public benefit leads to private benefit. One example of this is the phased reduction of share trading commissions by SBI SECURITIES. Our Neo-securities initiatives, which we plan to implement in the first half of FY2023, will transform the Japanese securities business landscape.

A concept that is attracting intense interest at present is human capital management, which seeks to maximize value by treating human resources as capital. As stated earlier, the SBI Group has always recognized human value as an essential element for the improvement of corporate value. We have expanded our recruitment activities, the goal of which is to attract talented people who share the management philosophy of the SBI Group and can immediately be deployed as strategic human resources to support our rapidly expanding business operations, regardless of gender, nationality, or ethnicity. We are also working to develop our employees' abilities and promote diversity and inclusion.

For mid-career recruits that make up over 90% of the SBI Group's workforce and many new employees who are added to the Group through M&A and other processes, we will make great efforts to share our business philosophy and concepts with all of these people, so that we can pursue our management strategies together as a unified Group. [P.41](#)

The stagnation of the price-to-book ratio (P/B ratio) of Japanese companies is seen as a problem in relation to shareholder value and we recognize that one of the reasons for this is that corporate value has not been manifested in our case. One of the ways in which we have worked to solve the problem in the past is through new share issues by subsidiaries. The most recent initial public offerings made were by SBI Leasing Services in October 2022, SBI Sumishin Net Bank in March 2023, and Rheos Capital Works in April 2023. All were implemented as new listings on the Tokyo Stock Exchange. We are currently making preparations for initial public offerings by SBI Biotech and SBI ALApromo, which are involved in the area of biotechnology, healthcare & medical informatics business. By manifesting the business value of our Group companies, we would like to strive to ensure that the stock market appropriately evaluates our Group, which operates related businesses in a wide range of areas.

Shareholder value is directly influenced by shareholder returns. In FY2022, we changed our stance on the total payout ratio, which consists of the total dividend and share buy-backs. Our policy for the foreseeable future will be to pay out around 30% of profit before income tax expense generated consistently by our Financial Services Business. We believe that by basing our payout ratio on the Financial Services Business, which generates relatively stable cash flows, we have made our policy on returns more predictable for shareholders and investors.

The SBI Group has laid the groundwork for adaptability, enabling seamless adjustments to future shifts in the business landscape. Our unified efforts as a Group will persist, embracing novel endeavors to optimize our corporate value. We eagerly anticipate our esteemed shareholders' unwavering guidance and support.





## Feature: Vital Strategies of the SBI Group

# 01 NEO-SECURITIES

## Realizing Neo-securities Initiatives

### STRATEGY

Our goal is to expand the customer base of the entire SBI Group through the realization of Neo-securities initiatives in the first half of the fiscal year ending March 2024.

### Commitment to the Customer-centric Principle lies in Neo-securities Initiatives

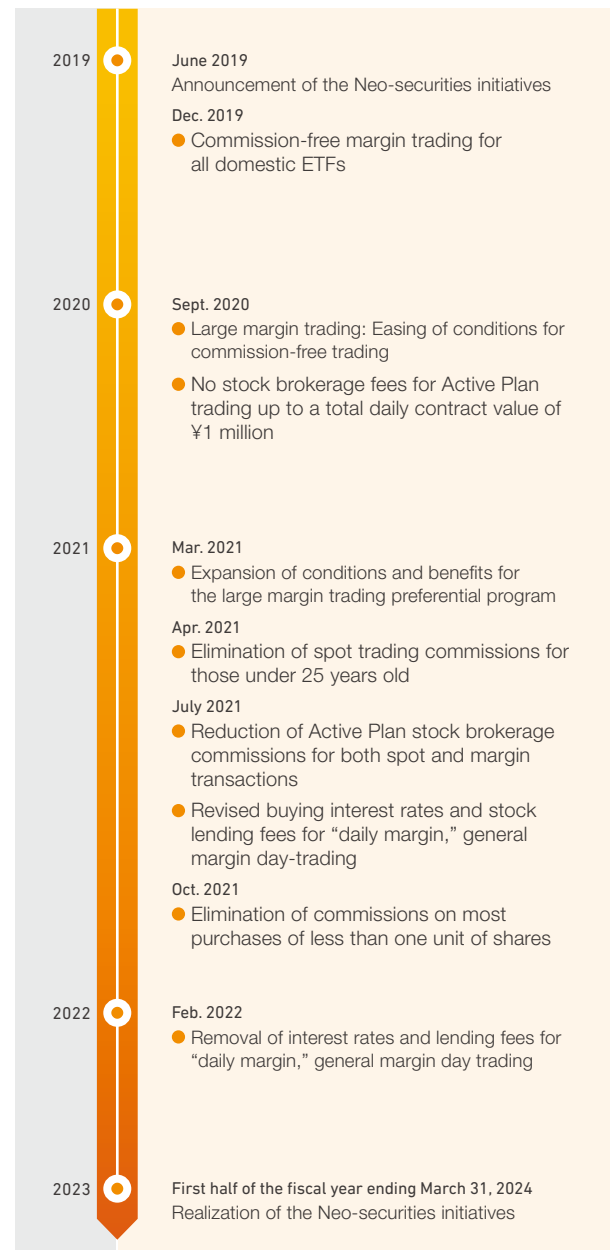
The SBI Group laid the foundation for Neo-securities initiatives in June 2019 to facilitate the elimination of commissions and certain other charges paid by investors engaging in online trading of Japanese stocks.

SBI SECURITIES has achieved a position of industry leadership by consistently applying the “Customer-centric Principle” and offering trading commissions significantly lower than those of its competitors ever since its establishment. These philosophies have driven the promotion of Neo-securities initiatives by the SBI Group. On another front, Robinhood Markets Inc. began offering stock trading service free of commissions in 2014, which forced the U.S. securities industry to shift from a business model dependent on trading commissions. In October 2019, the major U.S. online brokerage company Charles Schwab Corp stopped charging commission fees for online trading of U.S. stocks, ETFs, stock options, etc.

Anticipating the trend towards commission-free trading in Japan, SBI SECURITIES took the lead by introducing the Neo-securities initiatives, becoming the first Japanese securities company to do so. Being aware that the realization of this concept would require the establishment of a revenue base that was not reliant on brokerage commissions, SBI SECURITIES has worked to diversify its revenue sources by prioritizing product and service diversification. At the same time, it implemented gradual measures to reduce transaction costs. In the result of these measures, the percentage of operating revenue derived from online domestic stock trading commission declined to 11.2% in the fiscal year ended March 2023.

Our greatest priority as we worked to implement the Neo-securities initiatives was the development of systems capable of handling rapid growth in customer numbers. We believe that we have addressed this need by creating a robust system development and administration structure through the establishment of SBI Simplex Solutions in February 2023 as a joint venture with Simplex Holdings, Inc. The primary role of this new company is the development and operation of systems for the SBI Group, including SBI SECURITIES.

### Initiatives to Reduce Transaction Costs for Investors



## Revenue Source Diversification, the Key to Realization of the Neo-securities Initiatives

Two factors have enabled the SBI Group to promote the Neo-securities initiatives by dramatically reducing the percentage of operating revenue derived from commissions on online domestic stock trading. First, we have used M&A and other methods to diversify our revenue sources. Second, we have continually implemented a variety of measures to strengthen our earning capacity.

We have diversified our revenue sources by increasing our trading revenue through the expansion of FX trading. We have also expanded margin trading, leading to growth in our financial revenue. Further expansion of our product lineup has also helped to broaden our revenue base. For example, we expanded our stock-type business, such as accumulation-type fund investment service with credit cards issued by seven companies, including Sumitomo Mitsui Card Company, and our fully automated AI investment “SBI Wrap.” We have also expanded our foreign stock trading services, which are in high demand from customers. Another important factor has been the strengthening of our wholesale business, as evidenced by the fact that we have maintained the highest IPO underwriting share in the industry since FY2012. More recently, we have also been focusing our efforts on the real estate finance business. For example, we have expanded our existing business based on sales of real estate small-lot beneficiary interests via SBI MONEYPLAZA. In addition, we are actively pursuing M&As to create synergy benefits by expanding the SBI Group to include companies working in the areas of real estate development, real estate asset management, and public REITs. We are responding to strong customer demand for opportunities to invest in real estate finance products, and in May 2023, we established a private REIT asset management company.

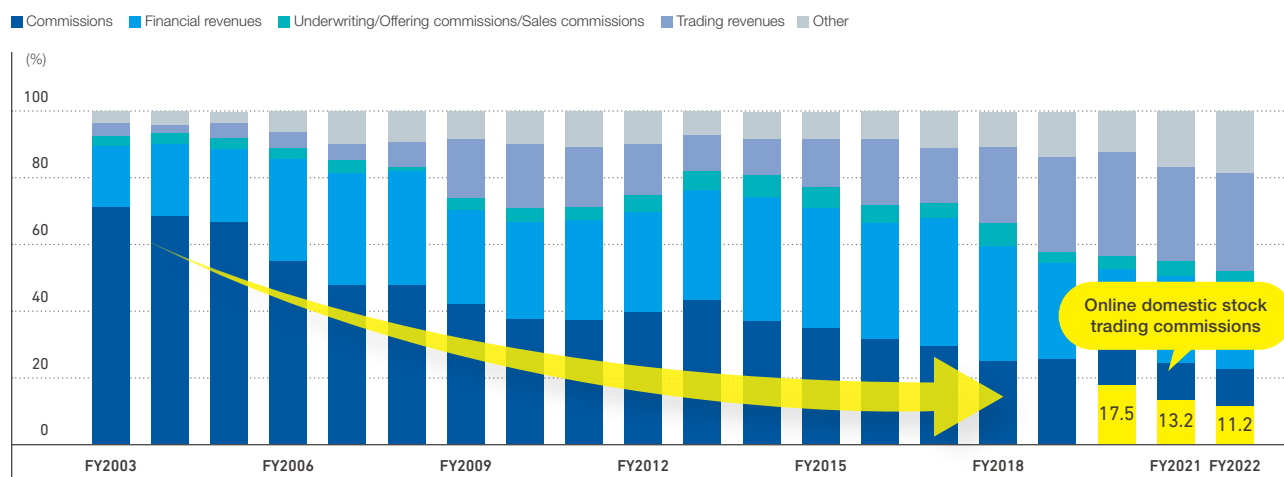
## Group-wide Customer Base Expansion Through Neo-securities Initiatives

With a total of approximately 10.04 million accounts as of March 31, 2023, the SBI Group has become the first financial group in Japan to hold more than 10 million securities accounts. We are also, by far, the industry leader in terms of our share of individual stock trading value, which rose from 44.1% in FY2021 to 46.0% in FY2022. The realization of the Neo-securities initiatives is expected to attract substantially more customers to SBI SECURITIES, which already has the largest customer base in the industry.

SBI SECURITIES is also expected to attract more customers through its role as the online securities service provider for “Olive,” a mobile integrated financial service established by the Sumitomo Mitsui Financial Group. In addition, we are determined to harness the shift from savings to asset formation, which is being promoted by the Japanese government. The expansion of the Nippon Individual Savings Account (NISA) and individual-type Defined Contribution pension plan (iDeCo) systems in 2024 will provide additional impetus for efforts to attract customers planning to start investing in stocks under these systems. [▶ P.123](#)

We anticipate that the attraction of additional customers through these initiatives will lead to customer base expansion not only for SBI SECURITIES, but for the entire SBI Group. For example, a customer who opens a new securities account with SBI SECURITIES might also open an SBI Shinsei Bank account at the same time and then obtain a housing loan from SBI Shinsei Bank and insurance coverage from SBI Life Insurance, and so on. In this way, SBI SECURITIES will become the gateway for spreading the benefits of the Neo-securities initiatives throughout the SBI Group.

### Composition of Operating Revenue (Net Sales) of SBI SECURITIES



Note: Non-consolidated results are shown for FY2003 and FY2014. Consolidated results are shown for other fiscal years.

# 02 REGIONAL REVITALIZATION

## Entering a New Stage of Collaboration with Regional Financial Institutions

### STRATEGY

Strengthen business alliances between SBI Group companies and regional financial institutions across Japan by actively pursuing collaborative initiatives centered on SBI Shinsei Bank.

### Delisting of SBI Shinsei Bank Shares Through a Tender Offer

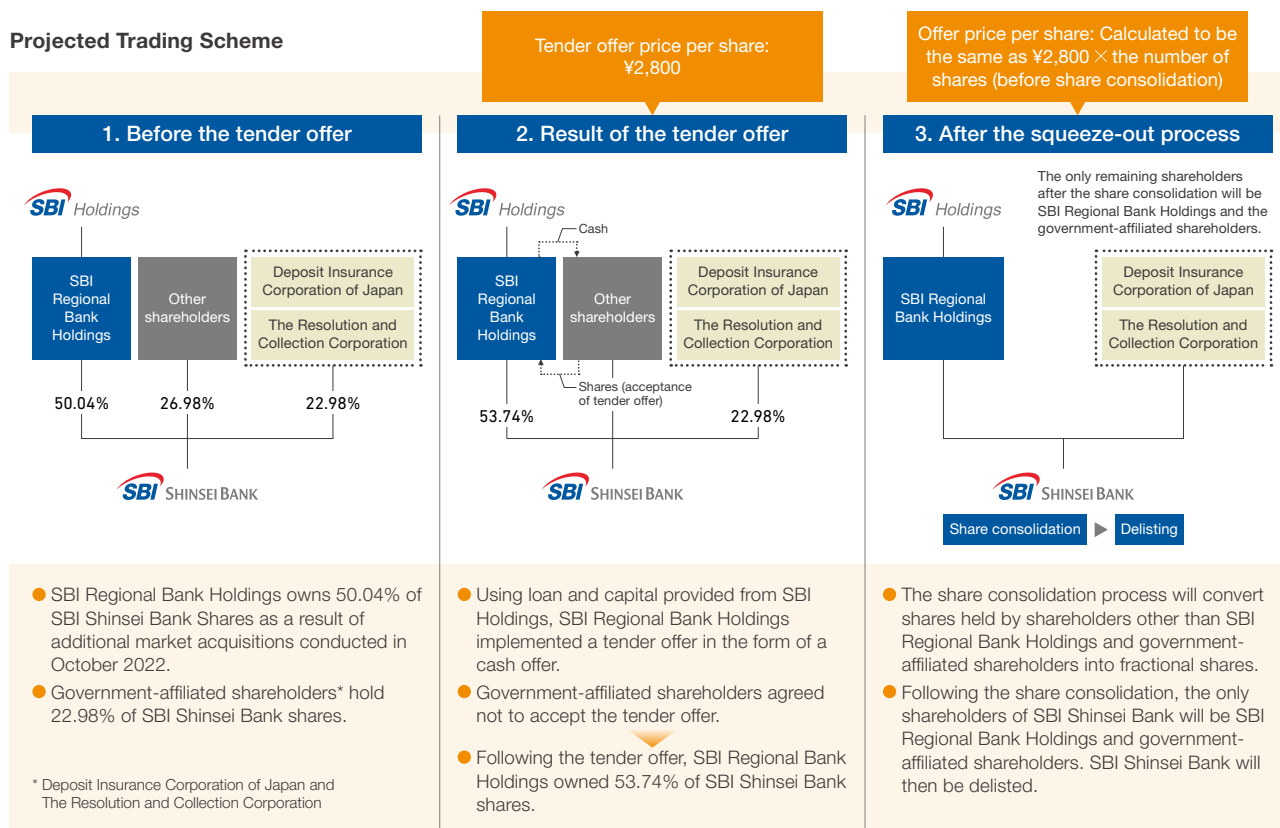
SBI Shinsei Bank became a consolidated subsidiary of the Company in December 2021. From the outset, we have regarded the repayment of the public funds injected into SBI Shinsei Bank as a vital management priority, and believe that there is a social responsibility to develop a roadmap toward this goal as quickly as possible.

The repayment of these public funds will only be possible if we can improve the profitability of SBI Shinsei Bank. However, if we had maintained the listing of SBI Shinsei Bank, it would have been difficult in the short term to implement up-front investments and measures that would have resulted

in temporary cost increases, since the significance of these measures would be difficult for minority shareholders to understand. Moreover, there is a need to reflect the interests of minority shareholders when making decisions concerning transactions with the SBI Group that would have led to slower decision-making, etc., which together prevent quick and flexible implementation of measures from the perspective of medium- to long-term growth.

For these reasons, the SBI Group conducted a tender offer for SBI Shinsei Bank shares between May 15 and June 23, 2023, with our wholly owned subsidiary, SBI Regional Bank Holdings, as the tender offer. As a result, the percentage of SBI Shinsei Bank shares held by the SBI Group reached 53.74%\*<sup>1</sup> on the settlement start date of June 30.

### Projected Trading Scheme



As a result of the acquisition of SBI Shinsei Bank shares through this tender offer, as well as the subsequent squeeze-out procedures\*2, SBI Shinsei Bank is expected to be delisted with SBI Regional Bank Holdings, the Deposit Insurance Corporation of Japan, and The Resolution and Collection Corporation as the only remaining shareholders.

At the time of the tender offer, we concluded an agreement with SBI Shinsei Bank, the Deposit Insurance Corporation of Japan, and The Resolution and Collection Corporation on May 12, 2023, regarding the handling of public funds. Under this arrangement, all four parties will work to reach agreement on a specific mechanism for repayment of the public funds by the end of June 2025.

\*1 The shareholding ratio was calculated by dividing the total number of shares issued by SBI Shinsei Bank as of March 31, 2023, subtracting the number of treasury shares held on the same date, by the number of voting rights pertaining to the shares.

\*2 SBI Regional Bank Holdings intends to implement a share consolidation process that will convert shares held by parties other than SBI Regional Bank Holdings and government-affiliated shareholders into fractional shares. This will require the passage of a special resolution by a two-thirds majority of shareholders present at an Extraordinary General Meeting of Shareholders, attended by shareholders holding a majority of voting rights. Thereby acquiring fractional shares held by minority shareholders.

## Acceleration of Regional Revitalization Strategy Through the Delisting of SBI Shinsei Bank

We see the delisting of SBI Shinsei Bank as a way to cut the ties between the share price and repayment of public funds, allowing the Company to make management decisions with greater speed and flexibility. Going forward, we will further enhance the profitability of SBI Shinsei Bank by formulating and rapidly implementing medium- to long-term strategies that align with that of the SBI Group.

The delisting will also contribute to the SBI Group's ongoing regional revitalization strategy, since it will allow SBI Shinsei Bank to expand its collaboration with regional financial institutions. We will endeavor to realize our concept of becoming the "Forth Megabank" by becoming a wide-area regional platform with SBI Shinsei Bank as its core.

Under our regional revitalization strategy, we have been comprehensively utilizing our management resources to enhance the profitability of regional financial institutions. SBI Shinsei Bank Group is already starting to achieve success as a platform provider working in close partnership with the SBI Group. Examples include participation in co-financing deals arranged by regional financial institutions for local companies and the participation of local financial institutions in financing projects arranged by SBI Shinsei Bank. SBI Shinsei Bank is also building a track record in the area of sustainable finance, not only with banks that have capital and business partnerships with the SBI Group, but also with many regional financial institutions. SBI Shinsei Bank subsidiaries are also achieving success as providers of various services to regional financial institutions. Examples include the BANKIT® financial platform operated by APLUS, provision of credit guarantees by Shinsei Financial, and the sale of operating assets to leasing subsidiaries of regional financial institutions by Showa Leasing, which also provides debt collection services.

Going forward, we will use the experience accumulated by

the SBI Group with its nine capital and business alliance partners to enhance the ability of SBI Group and SBI Shinsei Bank Group companies to collaborate with every regional financial institutions in Japan, regardless of whether or not there is a capital relationship. Our ultimate goal is to pursue the benefits of efficiency improvements and an expanding range of business activities through wide-ranging collaboration based on our envisaged role as a wide-area platform provider dedicated to supporting the sustainable growth in regions throughout Japan. By progressing through these stages, we will endeavor to realize our concept of creating Japan's "Forth Megabank" group, centered on SBI Shinsei Bank, as a structure that will support the operations of regional financial institutions nationwide.

The rapid rise of interest rates, especially in the overseas markets, led to the failure of a number of European and U.S. financial institutions in the first six months of 2023, triggering global financial instability. With global financial markets still in turmoil, it is possible that a similar situation will emerge in the Japanese financial sector. The SBI Group is determined to contribute both to improvement in the profitability of regional financial institutions, and to the stabilization of the Japanese financial system.

## Transition to a New Stage of Collaboration with Regional Financial Institutions

### Stage 1

- Make full use of the management resources of the SBI Group to enhance the profitability of regional financial institutions.

### Stage 2

- Once the SBI Group has become the majority shareholder of Shinsei Bank (currently, SBI Shinsei Bank), pursue collaboration with all regional financial institutions, regardless of whether or not they have a capital relationship with the SBI Group.

### Stage 3

- Pursue the benefits of improvements in efficiency and the expansion of our business scope through wide-ranging collaboration based on the concept of supporting the sustainable growth of regions throughout Japan through the provision of a wide-area platform centered on SBI Shinsei Bank.

We will link these three stages to our concept of becoming the "Forth Megabank" with SBI Shinsei Bank as the core.



## Message from the Managing Executive Officer & CFO

# Executing Financial Strategy and Solidifying the Procurement Foundation to Enhance Corporate Value with Sustainability

## Hideyuki Katsuchi

SBI Holdings  
Managing Executive Officer & CFO



## FY2022: A Year of Large Changes in Financial Markets

Amidst the changes in the business environment during FY2022, the greatest impact on the SBI Group came from higher global interest rates. An inflationary mood settled in as a result of fluctuating exchange rates driven by changes in these interest rates, as well as from the heightened geopolitical risk stemming from Russia's invasion of Ukraine, which continued from the previous fiscal year. In light of the sudden movement towards a weak yen and strong dollar – a result in differences between Japan's ongoing financial industry deregulation and the U.S.' interest rate hikes – the Bank of Japan announced a major correction to its “monetary easing” policy in December 2022. Outside of Japan, the rising uncertainty in conditions surrounding monetary policy, which resulted in the collapse of several banks in the U.S. and Europe, left the feeling that the business environment had undergone major changes.

Despite this business environment, the Group's consolidated financial results for FY2022, the year ended March 31, 2023, included revenue of ¥998.6 billion (up 30.8% year-over-year), a record high tantamount to reaching the one-trillion-yen mark. However, profit before income tax expense declined to ¥100.8 billion (down 75.6% year-over-year) and profit for the year attributable to owners of the Company was ¥35.0 billion (down 90.5% year-over-year). (If the effects of the ¥195.6 billion gain from negative goodwill from making SBI

Shinsei Bank a consolidated subsidiary in the previous fiscal year are excluded (a one-time event), then profit before income tax expense would be down 53.6% year-over-year and profit for the year attributable to owners of the Company would be down 74.2% year-over-year.)

Major factors behind this decline in profits include (1) impairment losses reported in business segments with high volatility owing to their high reliance on financial markets, (2) valuation differences of ¥42.7 billion reported owing to certain fair-value estimates for holdings of listed stocks in overseas markets (including ¥30.7 billion in cumulative valuation losses at TPBank in Vietnam through January 31, 2023), and (3) a loss before income tax expense of ¥18.4 billion in the Crypto-asset Business segment owing to such drivers as depressed crypto-asset market prices and the bankruptcy of certain counterparties.

Nevertheless, profit before income tax expense in the Financial Services Business segment, one of the core businesses of the Group, rose 42.0% year-over-year owing to gains from negative goodwill discussed above, indicating steady growth. The segment achieved large increases in revenue and profit as SBI SECURITIES succeeded in diversifying its revenue sources and achieved record-high operating income. Meanwhile, SBI Shinsei Bank reported results under JGAAP accounting of gross operating profit of ¥240.2 billion (up 10.4% year-over-year) and profit before income tax expense of ¥51.7 billion (up 82.0% year-over-year). In its first full fiscal year, SBI



Shinsei Bank was able to contribute to consolidated performance in FY2022, accounting for over 40% of segment revenues and roughly 30% of segment profit before income tax expense. It thus became a pillar of revenue stability for the Group on par with SBI SECURITIES. The change in mindset throughout SBI Shinsei Bank is palpable, and this is evident from financial results that express the beneficial synergies within the Group. In the years ahead, I foresee the bank making a steady contribution to consolidated profits.

We also plan to realize the Neo-securities initiatives in the first half of FY2023, acknowledging that such realization will likely suppress revenue in the short term. However, this could be alleviated by revenue contributions from (1) increased diversification of revenues at SBI SECURITIES, and (2) growth from Group companies including SBI Shinsei Bank and TPBank (which became an equity method associate in February 2023).

### Finance Strategy in Support of a Sustainable Growth Track

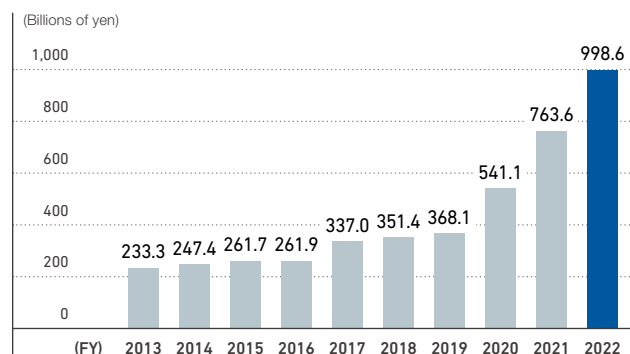
As an outgrowth of a management policy that prioritizes the facilitation of sustainable growth through business expansion, the SBI Group has set a basic policy calling for continual pursuit of a business expansion strategy through capital investment in fields identified as key sectors. Regarding the balance between investment cash outflows and inflows, our investment stance continues to be forward thinking, while in FY2022, we recouped funds via initial public offerings of Group companies and received dividends from subsidiaries.

One initial public offering by a subsidiary is SBI Sumishin Net Bank, which was listed on the Standard Market of the

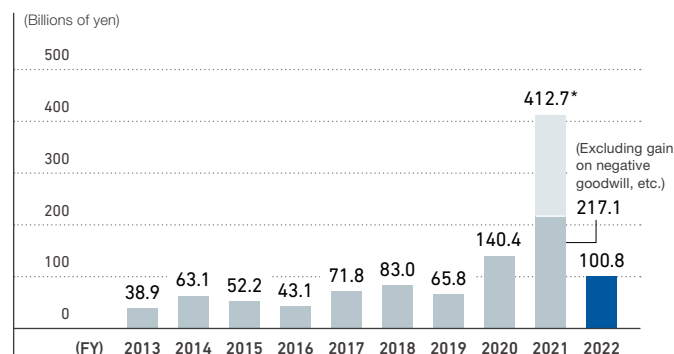
Tokyo Stock Exchange in March 2023. On that occasion, the Company sold its holdings of common stock, recording roughly ¥10.7 billion in profit before income tax expense in FY2022. Initial public offerings were also made for SBI Leasing Services in October 2022 and Rheos Capital Works in April 2023. Meanwhile, preparations for listing were made by SBI Biotech and SBI ALApromo in the Non-financial Business. First-time issuance of dividends from portfolio companies also continued in FY2022, which enabled a steady recovery of invested funds. These mainly involved subsidiaries and associates that operate in the Financial Services Business: SBI Sumishin Net Bank, SBI SAVINGS BANK of South Korea, and TPBank of Vietnam. We are now at a stage where this type of funds recovery is progressively increasing, and under this, I believe we have built a virtuous cycle of investment outflow and inflow.

In order to advance sustainable growth based on business expansion, solidifying our fund procurement foundation continues to be of major importance from a financial viewpoint. There are increasingly more instances in which fund procurement is utilized through the internal collection of profits from Group companies and the harvesting of funds from investment projects. Yet, I would like to achieve a stronger balance in procuring funds from both internal and external sources, while offering continuous financial support for growth. Regarding external procurement of funds, in addition to the capital contribution we received from the Sumitomo Mitsui Financial Group in July 2022, we have established stable and favorable relationships of trust with transacting banks, especially Mizuho Bank and Sumitomo Mitsui Banking Corporation, and corporate bond investors. Looking ahead to the future, I would like to develop this relationship with an eye

### Revenue



### Profit Before Income Tax Expense



\* Figures in parentheses for FY2021 include one-time factors (gain on negative goodwill etc., of ¥195.6 billion) recorded when SBI Shinsei Bank became a consolidated subsidiary

on business expansion. Because we are able to exercise synergies with existing businesses effectively, we are not changing our stance regarding the aggressive pursuit of M&A. On the macro side, where rising interest rates are having an effect and conditions are unstable, we seek to add a new layer to our procurement base to allow us to respond flexibly and dynamically to take hold of opportunities in times like today.

### Bringing Out Hidden Corporate Value

At the end of FY2022, SBI Holdings had a price-to-book ratio (P/B ratio) of 0.7x, which suggests that the Company is not receiving an appropriate valuation from the market. I see this as a critical issue for management.

After contemplating possible reasons for the Company being priced below its book value, the first cause I come up with is that a high proportion of the entire Group is accounted for by the banking business. At the end of FY2022, the Company's total assets were about ¥22 trillion, and the banking business led by SBI Shinsei Bank accounted for over 60% of these assets. The banking business in Japan has had an extremely low P/B ratio for over ten years, and I surmise this is having more than just a little effect on the Company's corporate valuation. The effect of the gain from negative goodwill generated when SBI Shinsei Bank was combined as a consolidated subsidiary in December 2021, was a sudden increase in the Company's stated capital. This is a factor for the depressed P/B ratio.

The second factor is the complexities behind having a broad range of business domains, which I believe has made it

difficult for investors to evaluate the Company. The SBI Group consists not only of financial businesses such as securities, banking, and insurance, but also the Crypto-asset Business and businesses outside the financial industry. This leads me to conclude that providing an appropriate valuation of all these businesses is a difficult matter.

When thinking about how to remove these two factors, I believe it starts with having the entire Group support the further growth of SBI Shinsei Bank and improve its income. Also, while the low level of P/B ratios in the banking business has been pointed out, valuations of Japanese banks have started to come under review since the Bank of Japan revised its monetary policy in December 2022. Looking ahead, I see that there must be a focus on how interest rates normalize. If this process brings forward evidence of a recovery in profitability within the banking sector, I believe a revision to valuations will be a major step forward. During this time, if SBI Shinsei Bank can achieve high profitability by leveraging synergies within the Group and making a positive contribution to SBI Holdings' stock price, then this should lead to the elimination of the issue of P/B ratio being below 1x.

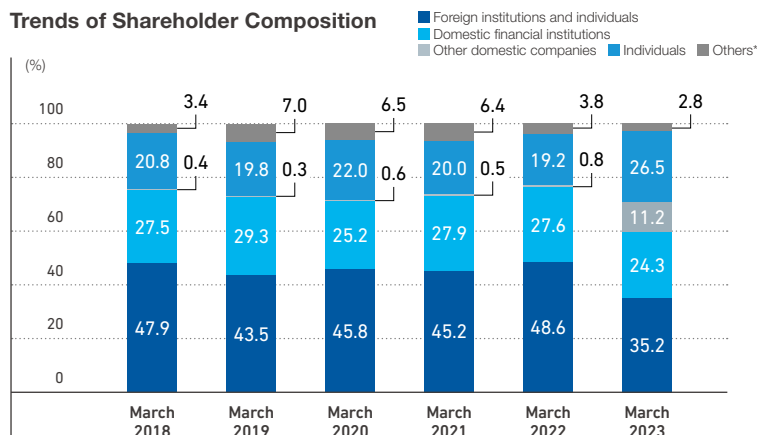
Next, I offer my thoughts on the need to make things "easy to understand" regarding the condition of the SBI Group beyond what or how we have communicated to date. Starting in the fiscal year under review, the business segments were restructured from a management accounting viewpoint – an action taken from this perspective to facilitate better understanding. We are also looking at further improvements as we continue to search for ways to make our disclosures more effective. Furthermore, the listing of subsidiaries will make certain portions of Group value more clear, but whose

### Shareholder Composition as of March 31, 2023

- The total number of shareholders is **213,956**, of which the number of shareholders who hold one unit or more is **130,185\***
- Shareholding ratio of domestic and foreign institutional investors is **59.5%**
- The shareholding ratio for individual investors is **26.5%**, an increase of **7.3 percentage points** from the end of FY2021.

\* Including treasury shares

Trends of Shareholder Composition



impact will have significance in manifesting the whole corporate value of the entire Group. I also believe that we should not limit ourselves to operating only the banking business as discussed above. Rather, we should strive to improve the revenue of subsidiaries and equity method associates recently acquired by the Group in order to raise the valuation of the whole Group.

In addition to running a business that is conscious of capital efficiency, as has been done so far, the Group should focus on its ratio of profit to equity attributable to owners of the Company (ROE) as a vital management indicator related to improving shareholder value. One target that was stated in the medium-term vision announced in April 2021 is to ensure that ROE is constantly above the 10% level. This is something that is heavily influenced by the external environment and the stage of growth of the Company, and it assumes that the Company's current cost of capital is between 8% to 9%. While keeping tabs on the cost of procuring funds (and where our credit rating stands), we seek the proper balance between financial health and capital efficiency.

### Bolstering Engagement with Shareholders and Investors

Beginning with FY2022, the Company switched to targeting paying out 30% of profit before income tax expense in the Financial Services Business segment as total returns to shareholders. We have worked hard to facilitate the understanding of shareholders and investors that, among the Group's businesses, we use the Financial Services Business segment and

its relatively stable profits as the standard for determining how much capital to return to shareholders.

In order to deepen understanding of our Group, we proactively communicate with our shareholders and investors. In FY2022, we re-instituted financial results briefings for individual investors in Japan after a hiatus due to the COVID-19 pandemic. We have historically had an unusually high proportion of foreign shareholders and are moving toward a better balance with an increase in the proportion of individual investors. At the end of FY2022, these individual investors numbered 26.5% of all investors, up from 19.2% at the end of FY2021. I believe the positive steps we have taken towards dialogue with individual shareholders has made some headway.

### My Mission and Vision

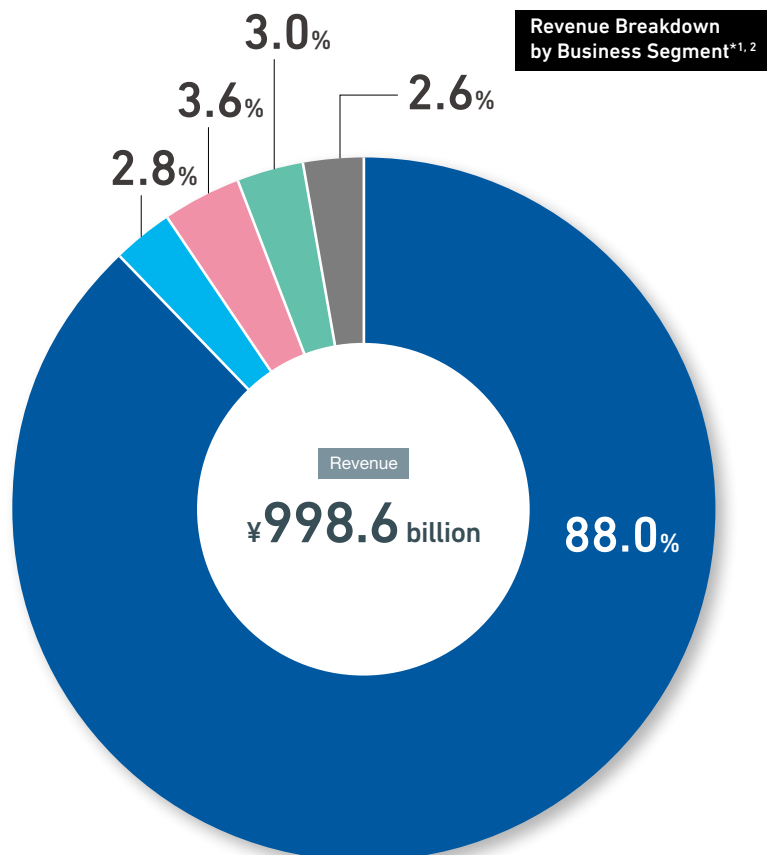
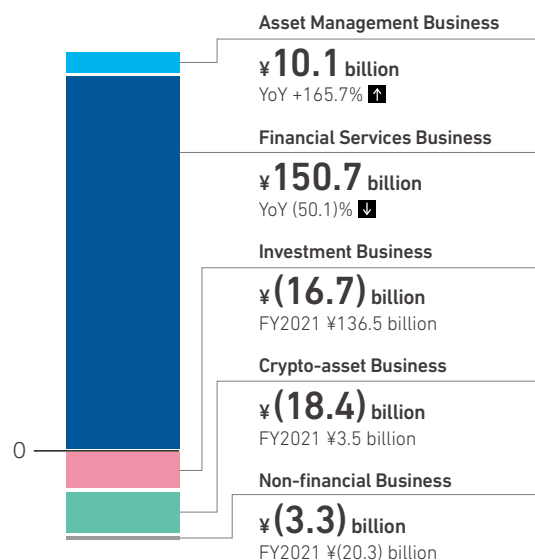
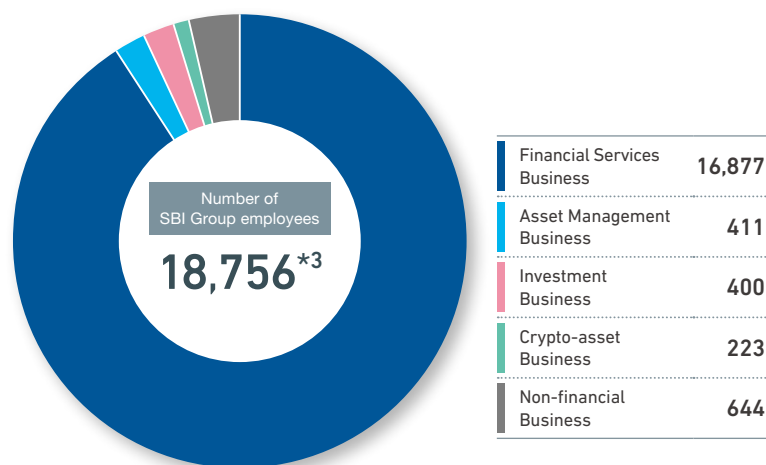
From here on, I wish to provide more support to have SBI "continue to be a financial group that takes on new challenges." The SBI Group takes the approach of "Going Beyond Finance with Finance as the Core," but our essence overflows with a spirit of entrepreneurship that other financial institutions do not have. Accordingly, I hold it as my mission to support new challenges on the financial front and to keep an accurate grasp of corporate conditions on the management front. To this end, I strive to create a sound procurement foundation and financial and management system. Meanwhile, amidst these new challenges and our business expansion, and given the challenges of understanding certain parts of our Group, I will continue to strive towards a state in which all investors can deepen their understanding of the SBI Group.

### IR Activities (FY2022)

Activity	Number of times	Description
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	2	Held meetings with overseas institutional investors during IR conferences hosted by securities companies
Briefings with individual investors	6	Held every six months in Tokyo, Osaka, and Nagoya
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	105	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 initiatives related to sustainability

## Overview of the SBI Group's Business Operations

## SBI GROUP AT A GLANCE (FY2022)

**Financial Services Business**Revenue **¥886.7 billion** YoY +78.2% ↑**Asset Management Business**Revenue **¥28.0 billion** YoY +65.6% ↑**Investment Business**Revenue **¥36.7 billion** YoY (79.4)% ↓**Crypto-asset Business**Revenue **¥30.3 billion** YoY (45.0)% ↓**Non-financial Business**Revenue **¥26.2 billion** YoY +11.2% ↑**Profit Before Income Tax Expense\*2****Ratio of Employees by Business**

\*1 Revenue breakdown percentages by business segment are presented as the composite ratio of the total revenue of each segment.

\*2 Due to change in business segments in FY2022, changes have been applied retroactively to FY2021 for YoY comparison.

\*3 Includes 201 employees who are common across the entire company.

# FINANCIAL SERVICES BUSINESS

## Revenue

¥ **886.7** billion

YoY +78.2% ↑

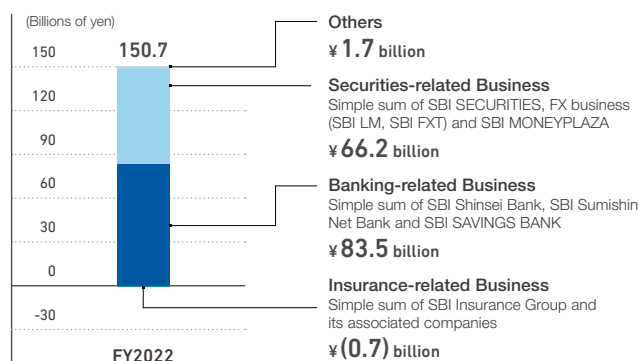
## Profit before income tax expense

¥ **150.7** billion

YoY (50.1)% ↓

42.0% increase after excluding ¥195.6 billion for gain on negative goodwill etc., recorded in FY2021 when SBI Shinsei Bank became a consolidated subsidiary.

## Breakdown of Profit Before Income Tax Expense



## Principal Companies

### Securities-related Business

SBI SECURITIES  
SBI Liquidity Market (SBI LM)  
SBI FXTRADE (SBI FXT)  
SBI MONEYPLAZA  
SBI Neotrade Securities  
FOLIO Holdings  
SBI Benefit Systems  
SBI Simplex Solutions  
Japannext  
Osaka Digital Exchange  
SBI Royal Securities  
SBI Thai Online Securities  
PT BNI SEKURITAS

### Banking-related Business

SBI Shinsei Bank  
Shinsei Financial  
APLUS  
Showa Leasing  
Shinsei Corporate Investment\*  
SBI Sumishin Net Bank  
SBI Regional Bank Holdings

ARUHI  
SBI SAVINGS BANK  
SBI Bank  
SBI LY HOUR BANK  
TIEN PHONG COMMERCIAL  
JOINT STOCK BANK (TPBank)

### Insurance-related Business

SBI Insurance Group  
SBI Insurance  
SBI Life Insurance  
SBI IKIKI SSI  
SBI Nihon SSI  
SBI Resta SSI  
SBI PRISM SSI  
SBI JOGUCHI SAFETY SSI

### Others

SBI NEO FINANCIAL SERVICES  
SBI FinTech Solutions  
SBI Remit  
SBI Business Solutions  
SBI Ripple Asia

\* Transition to Investment Business segment from May 2023

## Business overview for FY2022

### Securities-related Business

- SBI SECURITIES posted record high operating revenue, driven by trading revenue from the FX business, sales of foreign bonds, etc., and margin trading, which reached record highs.
- Successfully diversified revenue sources as part of implementation of the Neo-securities initiatives (elimination of commissions for online trading of domestic stocks) promoted by SBI SECURITIES; commissions from online domestic brokerage transactions declined to 11.2% of operating revenue at SBI SECURITIES.
- Starting in March 2023, SBI SECURITIES participated in Olive, a comprehensive mobile financial service provided by the Sumitomo Mitsui Financial Group, as a main provider of online securities services.

### Banking-related Business

- SBI Shinsei Bank posted both higher revenue and profit compared to the previous fiscal year, owing to increased income from higher corporate loan balances and gains on reversal of provisions made against large doubtful accounts under the J-GAAP.
- SBI Sumishin Net Bank was listed on the Standard Market of TSE in March 2023. As a result of a reduction in the Company's share of common stocks due to partial sale of equity interests, valuation of the shares declined on an IFRS basis, while recording proceeds of approximately ¥10.7 billion on the sale.
- ARUHI, a housing loan lending and brokerage business, became a consolidated subsidiary in November 2022.
- Underlying income and expenditure steadily increased as assets grew at SBI SAVINGS BANK in South Korea; however, revenues increased and profits declined from the previous fiscal year mainly due to higher interest expenses arising from interest rate hikes in South Korea.
- Transitioned TPBank in Vietnam from the Investment Business segment to the Financial Services Business segment by making it an equity method associate in February 2023.

### Insurance-related Business

- The SBI Insurance Group achieved record highs for ordinary revenue, ordinary income, and profit attributable to owners of the Company under the J-GAAP, while recording a loss before income tax expense of ¥0.7 billion under IFRS due to fair value losses.
- The SBI Insurance Group paid dividends from retained earnings for the first time (a year-end dividend of ¥10 per share).



# ASSET MANAGEMENT BUSINESS

## Revenue

¥ **28.0** billion

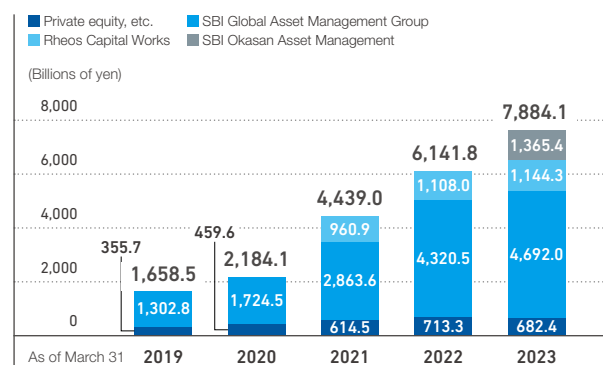
YoY +65.6% ↑

## Profit before income tax expense

¥ **10.1** billion

YoY +165.7% ↑

## SBI Group's assets under management



## Principal Companies

SBI Global Asset Management (formerly Morningstar Japan)  
SBI Asset Management  
Wealth Advisor  
Carret Asset Management  
Rheos Capital Works  
SBI Okasan Asset Management

## Business overview for FY2022

- SBI Global Asset Management (formerly Morningstar Japan) returned the "Morningstar" brand and recognized ¥8.0 billion in profits as consideration. Excluding this one-time factor, downturns in the equity and bond markets caused profits to decline year-over-year, while still achieving an increase in revenues for the 11th straight year.
- Rheos Capital Works was listed on the Growth Market of the TSE in April 2023.

# INVESTMENT BUSINESS

## Revenue

¥ **36.7** billion

YoY (79.4)% ↓

## Profit before income tax expense

¥ **(16.7)** billion

FY2021 ¥136.5 billion

## Breakdown of profit/loss from the change in fair value and profit/loss on sales of investment securities

(Millions of yen)

	FY2021	FY2022
Profit/loss from the change in fair value and profit/loss on sales of investment securities	131,285	(14,358)
Listed Securities	30,246	(32,538)
Unlisted Securities	101,039	18,181

## Principal Companies

SBI Investment  
SBI VENTURES SINGAPORE  
SBI VEN CAPITAL  
SBI Investment KOREA  
SBI (China)  
SBI (Beijing) Investment Management  
SBI FinTech Incubation  
SBI Crypto Investments  
SBI Leasing Services

## Business overview for FY2022

- Investment Business reported a loss before income taxes, because of a fair value loss of approximately ¥42.7 billion this fiscal year due to decline in the share prices of certain overseas-listed stocks (includes approximately ¥30.7 billion in cumulative write-downs of TPBank through the end of January 2023).
- SBI Leasing Services was listed on the Growth Market of the TSE in October 2022.

# CRYPTO-ASSET BUSINESS

## Revenue

¥ **30.3** billion

YoY (45.0)% ↓

## Profit before income tax expense

¥ **(18.4)** billion

FY2021 ¥3.5 billion

## Crypto-assets handled in Crypto-asset Business

(As of June 30, 2023)

Overall number of crypto-assets handled: 27 types

 SBI VC Trade (20 types)

 BITPOINT (18 types)

★=Crypto-assets handled by SBI VC Trade ★=Crypto-assets handled by BITPOINT

★ SOL	★ DAI	★★ BTC	★★ LINK	★ TRX
★ DOGE	★ ATOM	★★ ETH	★★ ADA	★ IOST
★ XTZ		★★ XRP	★★ MATIC	★ BAT
★ AVAX		★★ BCH	★★ SHIB	★ JMY
★ XLM		★★ FLR		★ DEP
★ OAS		★★ LTC		★ KLAY
★ XDC		★★ DOT		★ GXE

## Principal Companies

SBI VC Trade  
BITPoint Japan  
B2C2  
SBI Alpha Trading  
HashHub

## Business overview for FY2022

- Crypto-asset Business reported a loss before income tax expense due to decline in the value of crypto-assets, temporary loss due to the bankruptcy of some business partners, and decrease in overall trading volume in the crypto-asset market in B2C2 and crypto-asset mining businesses.
- BITPoint Japan, which runs the BITPOINT crypto-asset exchange, became a wholly owned subsidiary in March 2023.
- Announced in February 2023 that HashHub, which runs businesses in crypto-asset trading and research, would become a consolidated subsidiary (which took place in April 2023).

# NON-FINANCIAL BUSINESS

## Revenue

¥ **26.2** billion

YoY +11.2% ↑

## Profit before income tax expense

¥ **(3.3)** billion

FY2021 ¥(20.3) billion

## Profit before income tax expense of the biotechnology, healthcare & medical informatics business companies (IFRS)

(Millions of yen)

	FY2021	FY2022
SBI Biotech	366	(205)
5-ALA-related business	(287)	(929)
SBI Pharmaceuticals	(1,125)	(1,245)
SBI ALApromo	298	195
photonamic	328	194
NX Development Corp.	41	48
SBI ALApharma Canada	(287)	(570)
SBI ALApromo GmbH	(26)	(77)

## Principal Companies

SBI ALApharma  
SBI Pharmaceuticals  
SBI ALApromo  
photonamic  
SBI Biotech  
NX Development Corp.  
SBI ALApharma Canada  
Photonics Healthcare  
Medical Data Vision  
SBI DIGITAL MARKETS  
SBI e-Sports  
SBI R3 Japan  
SBINFIT  
SBI Wellness Bank  
SBI ENERGY  
SBI Security Solutions  
SBI Traceability  
Machi no Wa  
SBI Africa  
gumi

## Business overview for FY2022

- In the Non-financial Business segment, we are developing a diverse set of businesses, including Web3, to become the seeds of the future. Machi no Wa, which operates a regional currency business, expanded earnings as a result of adding new local municipalities introducing its services.
- In the Biotechnology, Healthcare & Medical Informatics Business, the losses increased due to higher SG&A spending and foreign exchange losses; however, R&D progressed steadily.