

Message from the Managing Executive Officer & CFO

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

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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

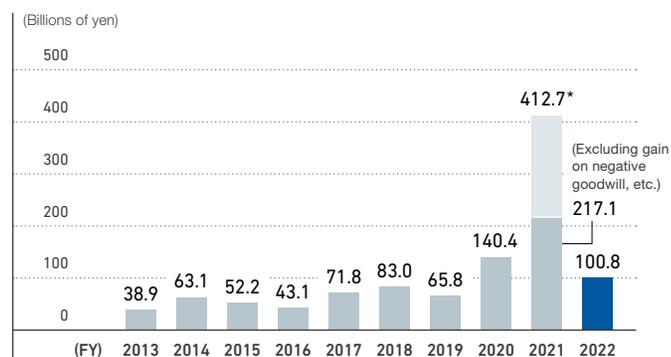
Tokyo Stock Exchange in March 2023. On that occasion, the Company sold its holdings of common stock, recording roughly ¥10.7 billion in profit before income tax expense in FY2022. Initial public offerings were also made for SBI Leasing Services in October 2022 and Rheos Capital Works in April 2023. Meanwhile, 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.

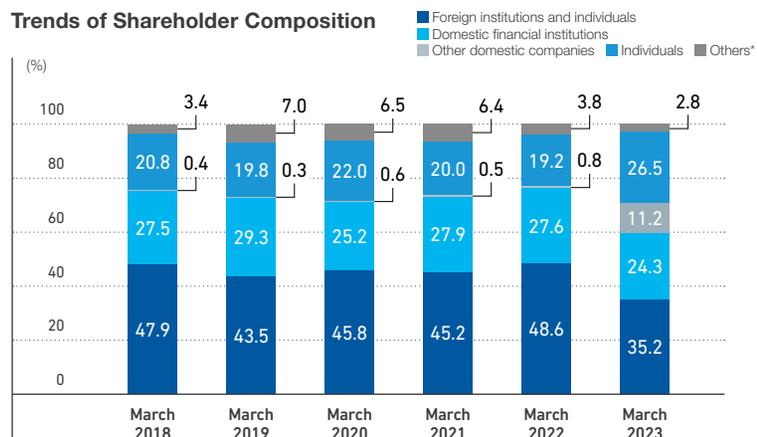
Next, I offer my thoughts on the need to make things "easy to understand" regarding the condition of the SBI Group beyond what or how we have communicated to date. Starting in the fiscal year under review, the business segments were restructured from a management accounting viewpoint – an action taken 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