

SBI HOLDINGS, INC.

(Incorporated in Japan with limited liability)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2023

The board of directors (the “Directors”) of SBI HOLDINGS, INC. (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended September 30, 2023.

(Amounts are rounded to the nearest million Japanese yen)

1. Consolidated Financial Results

(1) Consolidated Operating Results

(Percentages represent year-on-year changes)

	Revenue		Profit before income tax expense		Profit for the period		Profit attributable to owners of the Company	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2023	574,825	28.3	70,241	31.8	48,241	26.5	37,088	360.8
Six months ended September 30, 2022	448,155	34.1	53,283	(51.2)	38,129	(57.1)	8,050	(89.5)

	Total comprehensive income		Basic earnings per share attributable to owners of the Company	Diluted earnings per share attributable to owners of the Company
	Millions of yen	%	Yen	Yen
Six months ended September 30, 2023	109,829	47.7	136.00	119.93
Six months ended September 30, 2022	74,341	(10.8)	31.28	28.23

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the Company	Ratio of equity attributable to owners of the Company to total assets
	Millions of yen	Millions of yen	Millions of yen	%
September 30, 2023	24,227,440	1,782,370	1,094,336	4.5
March 31, 2023	22,301,975	1,751,982	1,016,112	4.6

2. Dividends

(Declared date)	Dividend per share				
	End of 1 st Q	End of 2 nd Q	End of 3 rd Q	Year-end	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	—	30.00	—	120.00	150.00
Fiscal year ending March 31, 2024	—	30.00			
Fiscal Year ending March 31, 2024 (forecast) (Note)			—	—	—

(Note) Fiscal year ending March 31, 2024 forecast is to be determined.

3. Total number of shares outstanding (Common stock)

(1) Number of shares outstanding (including treasury stock)	: September 30, 2023	: 275,276,790shares
	March 31, 2023	: 272,358,290shares
(2) Number of treasury stock	: September 30, 2023	: 28,894shares
	March 31, 2023	: 27,451shares
(3) Average number of shares outstanding	: Six months ended September 30, 2023	: 272,710,099shares
	Six months ended September 30, 2022	: 257,310,430shares

The Group prepared the consolidated financial statements in accordance with IFRSs.

This financial summary is exempt from quarterly review procedures required by Financial Instruments and Exchange Act.

1. BUSINESS RESULTS

(1) Results of Operations

The Group's consolidated results of operations for the six months ended September 30, 2023 were as follows. Revenue increased 28.3% year-on-year to ¥574,825 million, profit before income tax expense increased 31.8% to ¥70,241 million and profit attributable to owners of the Company increased 360.8% to ¥37,088 million.

The Group has applied IFRS 17 from the first quarter of the fiscal year ending March 31, 2024. The figures for the six months ended September 30, 2022 and March 31, 2023 have been retrospectively adjusted to reflect this change in accounting policy.

The results of operations for each reporting segment of the Group for the six months ended September 30, 2023 were as follows.

The Group changed the reporting segment name "Non-Financial Business" to "Next Gen Business" from the second quarter ended September 30, 2023.

	Revenue			Profit before income tax expense		
	Six months ended	Six months ended		Six months ended	Six months ended	
	September 30, 2022	September 30, 2023		September 30, 2022	September 30, 2023	
	Millions of Yen	Millions of Yen	%	Millions of Yen	Millions of Yen	%
Financial Services Business	381,032	487,791	28.0	70,223	70,875	0.9
Asset Management Business	8,355	14,050	68.2	1,346	2,151	59.8
Investment Business	29,882	56,711	89.8	4,794	10,411	117.2
Crypto-asset Business	20,534	16,066	(21.8)	(12,781)	674	—
Next Gen Business	14,379	12,200	(15.2)	584	(2,373)	—
Total	454,182	586,818	29.2	64,166	81,738	27.4
Elimination or Corporate	(6,027)	(11,993)	—	(10,883)	(11,497)	—
Consolidated Total	448,155	574,825	28.3	53,283	70,241	31.8

(% represents year-on-year changes)

(Financial Services Business)

The Financial Services Business consists of a wide range of finance-related business inside and outside Japan, including securities brokerage business, banking services business, and life, property, and casualty insurance business.

The results of operations of the Financial Services Business for the six months ended September 30, 2023 were as follows. Revenue increased 28.0% year-on-year to ¥487,791 million, and profit before income tax expense increased 0.9% year-on-year to ¥70,875 million.

(Asset Management Business)

The Asset Management Business primarily consists of setting, solicitation, and management of investment trust, investment advice, and provision of financial products information.

The results of operations of the Asset Management Business for the six months ended September 30, 2023 were as follows. Revenue increased 68.2% year-on-year to ¥14,050 million, and profit before income tax expense increased 59.8% year-on-year to ¥2,151 million.

(Investment Business)

The Investment Business primarily consists of fund management and investment in Internet technology, fintech, blockchain, finance, and biotechnology-related venture companies in Japan and overseas.

The results of operations of the Investment Business for the six months ended September 30, 2023 were as follows. Revenue increased 89.8% year-on-year to ¥56,711 million, and profit before income tax expense increased 117.2% year-on-year to ¥10,411 million.

(Crypto-asset Business)

The Crypto-asset Business primarily consists of crypto-asset exchange business which provides crypto-asset exchange and trading services.

The results of operations of the Crypto-asset Business for the six months ended September 30, 2023 were as follows. Revenue decreased 21.8% year-on-year to ¥16,066 million, and profit before income tax expense amounted to ¥674 million for the six months ended September 30, 2023 (¥12,781 million of loss before income tax expense for the six months ended September 30, 2022).

(Next Gen Business)

The Next Gen Business primarily consists of Biotechnology, Healthcare & Medical Informatics Business which includes development and distribution of pharmaceutical products, health foods, and cosmetics with 5-aminolevulinic acid (5-ALA), a kind of amino acid which exists in vivo, research and development of antibody drugs and nucleic acid medicine in the field of cancer and immunology, the digitization of medical and health information, providing solutions and services that promote and the use of medical big data, and medical finance, business working on advanced fields related to Web 3.0, renewable energy business, and business developing in new overseas markets including Africa.

The results of operations of the Next Gen Business for the six months ended September 30, 2023 were as follows. Revenue decreased 15.2% year-on-year to ¥12,200 million, and loss before income tax expense amounted to ¥2,373 million for the six months ended September 30, 2023 (¥584 million of profit before income tax expense for the six months ended September 30, 2022).

(2) Financial Conditions and Cash Flows

As at September 30, 2023, total assets amounted to ¥24,227,440 million and increased by ¥1,925,465 million from total assets of ¥22,301,975 million as at March 31, 2023. The Group's equity increased by ¥30,388 million to ¥1,782,370 million from the fiscal year ended March 31, 2023.

As at September 30, 2023, the Group's cash and cash equivalents amounted to ¥3,461,923 million and increased by ¥261,007 million from that of ¥3,200,916 million as at March 31, 2023. The changes of cash flows for each activity and the reasons for changes are as follows:

(Operating Cash Flows)

Cash flows from operating activities amounted to ¥25,802 million in net cash inflows (¥1,591,491 million in net cash inflows for the six months ended September 30, 2022). The net cash inflows were primarily due to a ¥553,745 million cash inflow from an increase in customer deposits in the banking business and a ¥107,532 million cash inflow from an increase in trade and other accounts payable, despite a ¥488,038 million cash outflow from an increase in trade and other accounts receivable and a ¥163,324 million cash outflow from an increase in assets/liabilities related to securities business .

(Investing Cash Flows)

Cash flows from investing activities amounted to ¥152,605 million in net cash inflows (¥959,767 million in net cash outflows for the six months ended September 30, 2022). The net cash inflows were primarily due to a ¥1,269,423 million cash inflow from proceeds from sales or redemption of investment securities, despite a ¥1,109,216 million cash outflow from purchases of investment securities.

(Financing Cash Flows)

Cash flows from financing activities amounted to ¥62,066 million in net cash inflows (¥672,087 million in net cash inflows for the six months ended September 30, 2022). The net cash inflows were primarily due to a ¥908,000 million cash inflow from proceeds from issuance of bonds payable, despite a ¥755,413 million cash outflow from redemption of bonds payable and a ¥73,807 million cash outflow from repayment of long-term loans payable.

2. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

(1) Interim Condensed Consolidated Statement of Financial Position

	As at March 31, 2023	As at September 30, 2023
	Millions of Yen	Millions of Yen
Assets		
Cash and cash equivalents	3,200,916	3,461,923
Trade and other accounts receivable	10,447,026	11,056,297
Inventories	98,149	120,599
Assets related to securities business	4,517,282	5,252,346
Other financial assets	494,923	648,198
Operational investment securities	581,364	658,950
Other investment securities (includes ¥222,987 million and ¥249,750 million pledged as collateral as at March 31 and September 30, 2023, respectively)	1,997,856	1,914,431
Reinsurance contracts assets	24,033	22,953
Investments accounted for using the equity method	199,882	206,686
Investment properties	72,124	84,934
Property and equipment	124,655	131,139
Intangible assets	366,040	412,926
Assets held for sale	75,873	135,192
Other assets	87,280	119,183
Deferred tax assets	14,572	1,683
Total assets	22,301,975	24,227,440
Liabilities		
Bonds and loans payable	3,680,355	3,859,804
Trade and other accounts payable	482,677	625,044
Liabilities related to securities business	3,888,249	4,459,334
Customer deposits for banking business	11,472,323	12,134,243
Insurance contract liabilities	151,952	150,128
Income tax payable	16,951	13,737
Other financial liabilities	595,150	830,443
Provisions	43,811	40,228
Liabilities directly associated with assets held for sale	47,283	101,166
Other liabilities	121,082	170,504
Deferred tax liabilities	50,160	60,439
Total liabilities	20,549,993	22,445,070
Equity		
Capital stock	139,272	143,307
Capital surplus	186,774	203,846
Treasury stock	(76)	(80)
Other components of equity	61,047	113,855
Retained earnings	629,095	633,408
Equity attributable to owners of the Company	1,016,112	1,094,336
Non-controlling interests	735,870	688,034
Total equity	1,751,982	1,782,370
Total liabilities and equity	22,301,975	24,227,440

(2) Interim Condensed Consolidated Statements of Income and Comprehensive Income
Interim Condensed Consolidated Statement of Income

	Six months ended September 30, 2022	Six months ended September 30, 2023
	Millions of Yen	Millions of Yen
Revenue (Interest income of ¥186,492 million and ¥241,517 million and Insurance revenue ¥39,513 million and ¥43,036 million included for the six months ended September 30, 2022 and 2023, respectively)	448,155	574,825
Expense		
Financial cost associated with financial income	(37,908)	(81,934)
Provision for credit losses	(37,880)	(56,934)
Insurance service expenses	(37,258)	(38,242)
Operating cost	(95,535)	(112,854)
Selling, general and administrative expenses	(170,195)	(196,293)
Other financial cost	(6,797)	(18,845)
Other expenses	(10,941)	(5,830)
Total expense	<u>(396,514)</u>	<u>(510,932)</u>
Gain on bargain purchase	-	319
Share of the profit of associates and joint ventures accounted for using the equity method	1,642	6,029
Profit before income tax expense	<u>53,283</u>	<u>70,241</u>
Income tax expense	(15,154)	(22,000)
Profit for the period	<u><u>38,129</u></u>	<u><u>48,241</u></u>
Profit for the period attributable to		
Owners of the Company	8,050	37,088
Non-controlling interests	30,079	11,153
Profit for the period	<u><u>38,129</u></u>	<u><u>48,241</u></u>
Earnings per share attributable to owners of the Company		
Basic (Yen)	31.28	136.00
Diluted (Yen)	28.23	119.93

Interim Condensed Consolidated Statement of Comprehensive Income

	Six months ended September 30, 2022	Six months ended September 30, 2023
	Millions of Yen	Millions of Yen
Profit for the period	38,129	48,241
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Financial assets measured at FVTOCI	(5,553)	3,219
Changes in own credit risk on financial liabilities	(59)	(36)
Remeasurement of defined benefit plans	(195)	(305)
Share of other comprehensive income of investments accounted for using the equity method	(22)	346
	<u>(5,829)</u>	<u>3,224</u>
Items that may be reclassified subsequently to profit or loss		
Financial assets measured at FVTOCI	(14,141)	(6,689)
Currency translation differences	52,063	58,178
Fluctuations in discount rates of insurance contracts	1,755	1,464
Share of other comprehensive income of investments accounted for using the equity method	2,364	5,411
	<u>42,041</u>	<u>58,364</u>
Other comprehensive income, net of tax	<u>36,212</u>	<u>61,588</u>
 Total comprehensive income	 <u>74,341</u>	 <u>109,829</u>
 Total comprehensive income attributable to		
Owners of the Company	41,293	89,801
Non-controlling interests	33,048	20,028
Total comprehensive income	<u>74,341</u>	<u>109,829</u>

(3) Interim Condensed Consolidated Statement of Changes in Equity

Six months ended September 30, 2022

	Attributable to owners of the Company					Non-controlling interests	Total equity	
	Capital stock	Capital surplus	Treasury stock	Other components of equity	Retained earnings			Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen			Millions of Yen
As at April 1, 2022	99,312	151,390	(62)	42,865	631,098	924,603	658,655	1,583,258
Cumulative effect of accounting change	-	-	-	-	905	905	385	1,290
Restated balance as at April 1, 2022	99,312	151,390	(62)	42,865	632,003	925,508	659,040	1,584,548
Profit for the period	-	-	-	-	8,050	8,050	30,079	38,129
Other comprehensive income	-	-	-	33,243	-	33,243	2,969	36,212
Total comprehensive income	-	-	-	33,243	8,050	41,293	33,048	74,341
Issuance of new shares	39,869	39,851	-	-	-	79,720	-	79,720
Change in scope of consolidation	-	-	-	-	-	-	(621)	(621)
Dividends paid	-	-	-	-	(29,424)	(29,424)	(7,730)	(37,154)
Treasury shares purchased	-	-	(7)	-	-	(7)	-	(7)
Treasury shares sold	-	(0)	1	-	-	1	-	1
Share-based payment transaction	-	341	-	-	-	341	108	449
Changes of interests in subsidiaries without losing control	-	(7,618)	-	-	-	(7,618)	36,145	28,527
Transfer from other components of equity to retained earnings	-	-	-	125	(125)	-	-	-
As at September 30, 2022	139,181	183,964	(68)	76,233	610,504	1,009,814	719,990	1,729,804

Six months ended September 30, 2023

	Attributable to owners of the Company					Non-controlling interests	Total equity	
	Capital stock	Capital surplus	Treasury stock	Other components of equity	Retained earnings			Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen			Millions of Yen
As at April 1, 2023	139,272	186,774	(76)	61,047	629,095	1,016,112	735,870	1,751,982
Profit for the period	-	-	-	-	37,088	37,088	11,153	48,241
Other comprehensive income	-	-	-	52,713	-	52,713	8,875	61,588
Total comprehensive income	-	-	-	52,713	37,088	89,801	20,028	109,829
Issuance of new shares	4,035	2,504	-	-	-	6,539	-	6,539
Change in scope of consolidation	-	-	-	-	-	-	(5,200)	(5,200)
Dividends paid	-	-	-	-	(32,680)	(32,680)	(9,423)	(42,103)
Treasury shares purchased	-	-	(4)	-	-	(4)	-	(4)
Treasury shares sold	-	(0)	0	-	-	0	-	0
Share-based payment transaction	-	170	-	-	-	170	28	198
Changes of interests in subsidiaries without losing control	-	14,398	-	-	-	14,398	(53,269)	(38,871)
Transfer from other components of equity to retained earnings	-	-	-	95	(95)	-	-	-
As at September 30, 2023	<u>143,307</u>	<u>203,846</u>	<u>(80)</u>	<u>113,855</u>	<u>633,408</u>	<u>1,094,336</u>	<u>688,034</u>	<u>1,782,370</u>

(4) Interim Condensed Consolidated Statement of Cash flows

	Six months ended September 30, 2022	Six months ended September 30, 2023
	Millions of Yen	Millions of Yen
Cash flows from operating activities		
Profit before income tax expense	53,283	70,241
Depreciation and amortization	26,756	28,398
Gain on bargain purchase	-	(319)
Share of profit of investments accounted for using the equity method	(1,642)	(6,029)
Interest and dividend income	(196,085)	(258,668)
Interest expense	46,335	99,603
Increase in operational investment securities	(47,990)	(62,712)
Increase in trade and other accounts receivable	(680,742)	(488,038)
Increase in trade and other accounts payable	26,696	107,532
Increase in assets/liabilities related to securities business	(307,859)	(163,324)
Increase in customer deposits in the banking business	2,978,497	553,745
(Decrease) increase in bonds and loans payable in banking business	(560,760)	41,637
Increase in payables under securities lending transactions	117,037	25,708
Others	1,792	(80,975)
Subtotal	1,455,318	(133,201)
Interest and dividend income received	187,479	247,854
Interest paid	(37,017)	(75,484)
Income taxes paid	(14,289)	(13,367)
Net cash generated from operating activities	1,591,491	25,802
Cash flows from investing activities		
Purchase of investment property	(30,688)	(18,954)
Purchases of intangible assets	(18,096)	(20,519)
Purchases of investment securities	(1,204,211)	(1,109,216)
Proceeds from sales or redemption of investment securities	329,699	1,269,423
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(9,424)	(2,670)
Proceeds from sales of subsidiaries	16	-
Payments of loans receivable	(34,126)	(65,379)
Collection of loans receivable	43,602	89,709
Others	(36,539)	10,211
Net cash (used in) generated from investing activities	(959,767)	152,605

	Six months ended September 30, 2022	Six months ended September 30, 2023
	Millions of Yen	Millions of Yen
Cash flows from financing activities		
Increase (decrease) in short term loans payable	356,036	(16,341)
Proceeds from long-term loans payable	147,656	57,390
Repayment of long-term loans payable	(55,267)	(73,807)
Proceeds from issuance of bonds payable	668,603	908,000
Redemption of bonds payable	(493,892)	(755,413)
Proceeds from issuance of shares	79,720	6,539
Proceeds from stock issuance to non-controlling interests	9,883	1,004
Contributions from non-controlling interests in consolidated investment funds	20,219	10,979
Cash dividends paid	(29,400)	(32,659)
Cash dividends paid to non-controlling interests	(2,047)	(3,222)
Distributions to non-controlling interests in consolidated investment funds	(5,745)	(6,254)
Purchase of treasury stock	(7)	(4)
Proceeds from sale of interests in subsidiaries to non-controlling interests	-	268
Payments for purchase of interests in subsidiaries from non-controlling interests	(15,683)	(24,590)
Others	(7,989)	(9,824)
Net cash generated from financing activities	<u>672,087</u>	<u>62,066</u>
Net increase in cash and cash equivalents	1,303,811	240,473
Cash and cash equivalents at the beginning of the period	2,499,370	3,200,916
Effect of changes in exchange rate on cash and cash equivalents	22,439	20,534
Cash and cash equivalents at the end of the period	<u><u>3,825,620</u></u>	<u><u>3,461,923</u></u>

(5) Notes to Condensed Interim Consolidated Financial Statements

Assumptions for Going Concern

None

Changes in Accounting Policies

Except for the following standard that has been newly applied, the accounting policies adopted in the consolidated financial statements for the fiscal year ended March 31, 2023, are applied consistently in the preparation of these consolidated financial statements.

Statement of standards	Summary of new standards and amendments
IFRS 17 Insurance Contracts	Revision to the definition and accounting treatment of insurance contracts

The Group had applied IFRS 4 "Insurance Contracts" until the fiscal year ended March 31, 2023. However, it has applied IFRS 17 "Insurance Contracts" ("IFRS 17") from the first quarter of the fiscal year ending March 31, 2024.

The date of transition to IFRS 17 was April 1, 2022 (the "date of transition"). The Group recognized the cumulative effect of applying this standard at the date of transition and retrospectively applied the standard to the consolidated financial statements for the previous period in accordance with the transitional treatment.

The Group does not present the quantitative information required by paragraph 28 (f) of IAS 8 in accordance with paragraph C3 (a) of IFRS 17. The impact of the application of IFRS 17 on retained earnings at the date of transition is presented in the condensed interim consolidated statement of changes in equity as the cumulative effect of changes in accounting policies. In transitioning to IFRS 17, the Group applied the fair value approach to life insurance contracts, except for certain contracts, because it is impracticable for the Group to apply the fully retrospective approach due to a limitation in obtaining the necessary information, resulting from system development or other reasons. The Group applied the fully retrospective approach to other insurance contracts.

(Fully retrospective approach)

The Group recognized and measured each group of insurance contracts and group of reinsurance contracts at the date of transition as if IFRS 17 had always been applied, and recognized any resulting net difference in equity.

(Fair value approach)

For insurance contracts to which it is impracticable to apply the fully retrospective approach, the Group determines the contractual service margin ("CSM") or a loss component of the liability for remaining coverage at the date of transition as the difference between the fair value of a group of insurance contracts at that date and the fulfilment cash flows measured at that date.

The Group determines all contracts that are measured by applying the fair value approach using reasonable and supportable information available at the transition date.

Some of the groups of insurance contracts that are measured by applying the fair value approach include contracts issued more than one year apart. The Group determines the discount rates at the date of initial recognition of such groups at the date of transition instead of at the date of initial recognition.

For all contracts that are measured by applying the fair value approach, the Group determines the cumulative amount of insurance finance income or expenses recognized in other comprehensive income at the date of transition as nil.

The Group classifies contracts in which it takes on significant insurance risk as insurance contracts, and contracts that transfer significant insurance risk related to underlying insurance contracts as reinsurance contracts.

(a) Aggregation

For the purpose of measurement, insurance contracts are aggregated into groups. The Group determines a group of insurance contracts by identifying portfolios of insurance contracts. Each portfolio of insurance contracts comprises contracts subject to similar risks and managed together, and each portfolio is divided into annual cohorts. The annual cohorts include contracts issued within twelve months, and they are divided into three groups based on contract profitability levels:

- a group of contracts that are onerous at initial recognition;
- a group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and
- a group of the remaining contracts in the portfolio.

(b) Initial recognition

Insurance contracts

The Group recognizes a group of insurance contracts it issued from the earliest of the following:

- the beginning of the coverage period of the group of contracts;
- the date when the first payment from a policyholder in the group becomes due; and
- for a group of onerous contracts, when the group becomes onerous.

(c) Measurement

The Group includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the Group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums or in which the Group has a substantive obligation to provide the policyholder with insurance contract services.

(i) Insurance contracts — Contracts to which the premium allocation approach (“PAA”) is not applied (Initial measurement)

On initial recognition, the Group measures a group of insurance contracts at the total of:

(a) Fulfilment cash flows

The fulfilment cash flows comprise estimates of future cash flows, an adjustment to reflect the time value of money and the financial risks related to the future cash flows, and a risk adjustment for non-financial risk (the consideration that the Group requires for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk).

(b) CSM

The CSM of a group of insurance contracts represents the unearned profit the Group will recognize as it provides services under the contracts.

The Group recognizes an onerous insurance contract on initial recognition if any cash flows arising from the contract at the date of initial recognition in total are a net outflow. In recognizing onerous contracts, the Group recognizes a loss in profit or loss for the net outflow described above and identifies the same amount as a loss component of the liability for remaining coverage.

(Subsequent measurement)

The carrying amount of a group of insurance contracts at the end of each reporting period is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises (a) the fulfilment cash flows related to services to be provided under the contracts in future periods, and (b) the remaining CSM at the reporting date. The liability for incurred claims includes the fulfillment cash flows relating to unpaid incurred claims and expenses, including claims that have been incurred but not yet reported.

The loss component is measured by allocating the subsequent changes in fulfillment cash flows on a systematic basis.

(ii) Insurance contracts — Contracts to which the PAA is applied

For insurance contracts with a coverage period of no more than one year at initial recognition, and certain insurance contracts that would not differ materially in the measurement of liability for remaining coverage from the one that would be produced when measured without applying the PAA, the Group applies the PAA for measuring a group of insurance contracts.

(Initial measurement)

The carrying amount of the liability for remaining coverage at initial recognition of each group of insurance contracts is measured at the premiums received at initial recognition less any insurance acquisition cash flows (cash flows arising from the activities of selling, underwriting and starting the group of insurance contracts that are directly attributable to the portfolio of insurance contracts to which the group belongs) allocated to the group of insurance contracts at that date.

(Subsequent measurement)

The carrying amount of the liability for remaining coverage increases through the amortization of insurance acquisition cash flows recognized as premiums received and expenses. It decreases through the recognition of insurance revenue related to services provided and the allocation of additional insurance acquisition cash flows after initial recognition.

If, at any time during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Group recognizes a loss in profit or loss and increases the liability for remaining coverage to the extent that current estimates of the fulfilment cash flows related to remaining coverage exceed the carrying amount of the liability for remaining coverage.

The Group recognizes the liability for incurred claims for the group of insurance contracts at the fulfilment cash flows relating to incurred claims.

(d) Income and expenses

(i) Insurance revenue

Excluding any investment component, which represents the amount required to be repaid to the policyholder in all circumstances, regardless of whether an insured event occurs, insurance revenue is measured as follows:

(Contracts to which the PAA is not applied)

The Group recognizes insurance revenue as it provides services based on a group of insurance contracts. Insurance revenue represents the total of the changes in the liability for remaining coverage that relates to services for which the Group expects to receive consideration.

(Contracts to which the PAA is applied)

Insurance revenue is the amount of expected premium receipts. In principle, the Group allocates and recognizes the portion of the premiums in each reporting period on the basis of the passage of time.

(ii) Insurance service expenses

Insurance service expenses arising from insurance contracts are recognized in profit or loss when incurred. Excluding repayments of investment components, these expenses comprise:

- Incurred claims and other insurance service expenses;
- Amortization of insurance acquisition cash flows;
- Losses on onerous contracts and reversals of such losses; and
- Adjustment of the liability for incurred claims.

(iii) Insurance finance income or expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from the effect of the time value of money, financial risk and changes in the time value of money and financial risk. The Group has chosen to disaggregate insurance finance income or expenses between profit or loss and other comprehensive income except for

certain insurance contracts. The effect of changes in financial variables, such as discount rates, is presented as fluctuations in discount rates of insurance contracts in the interim condensed consolidated statement of comprehensive income.

Revenue

	Six months ended September 30, 2022	Six months ended September 30, 2023
	Millions of yen	Millions of yen
Financial income		
Interest income		
Income arising from financial assets measured at amortized cost (Note 1)	182,698	235,956
Income arising from debt instruments measured at FVTOCI (Note 2)	3,794	5,561
Income arising from financial assets measured at FVTPL	(6,247)	3,049
Income arising from financial liabilities designated at FVTPL	3,529	3,944
Others	12,621	24,894
Total financial income	196,395	273,404
Insurance Revenue	39,513	43,036
Revenue from contracts with customers		
Revenue from rendering of services	83,812	111,728
Revenue from sales of goods	20,190	41,332
Others	108,245	105,325
Total revenue	448,155	574,825

(Note 1) Interest income arising from loans in the banking and securities businesses and from bonds held in the banking business.

(Note 2) Interest income arising from bonds in the banking and insurance businesses.

Events after the Reporting Period

SBI Shinsei Bank, Limited, a consolidated subsidiary of the Group, conducted a reverse stock split of its common stock at a ratio of 1-for-20,000,000, effective October 2, 2023, following approval of the reverse stock split at an extraordinary shareholders' meeting held on September 1, 2023. The ratio of voting rights held by the Group in SBI Shinsei Bank, Ltd. is 62.5% as a result of the reverse stock split.