

The SBI Group's Endeavors to Enhance Corporate Value Together with Its Stakeholders



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In 2016, DIAM Asset Management, Mizuho Trust & Banking's Asset Management Department, Mizuho Asset Management Co., Ltd., and Shin Kong Investment Trust Co., Ltd. were integrated into an asset management company, Asset Management One Co., Ltd., which has the largest balance of assets under management in Asia.

Expectations for Building a Resilient Corporate Nature Based on "Fluidity and Immutability"

I find it appealing that the SBI Group is expanding its business in adjacent areas by leveraging SBI SECURITIES' customer base as a competitive advantage, and that the Group strategy pursues synergies with other businesses, including venture capital.

What I focus on in my analysis of investee companies is the idea of a "corporate winning move." No matter how beautiful a corporate philosophy is or how rational a group strategy is, if the company cannot manage a "winning move" that appropriately fits their situation, then any improvement in performance will be out of reach. The SBI Group provides many opportunities to meet with top management for individual meetings, as well as proactively disclosing information regarding the initiatives and results of each of their business segments, which is very helpful. However, since the Group has such a wide range of businesses and changes are rapid, comprehending the Group overall is not easy. In this regard, I feel that improvements in the explicitness of their disclosures would help improve the situation.

In addition, the SBI Group's average ROE¹ of 10.8% over the last five fiscal years is more than two percentage points above the market average of 8.1%², so I regard that the Company's capital efficiency is at a high level. However, based on chronological analysis, financial leverage has been on an upward trend over the past several years, and given the uncertainty of the current social and economic environment, I believe it is time to restrain the expansion of the balance sheet and improve the return on investment and margin.

There is a phrase "fluidity and immutability," which means that while constantly maintaining unchanging value, things will advance by adopting new values simultaneously. Similar to this phrase, I expect that the SBI Group will flexibly transform itself along with the trends of time, to establish a resilient corporate nature, while maintaining the core value of the "Customer-centric Principle."

¹ Calculated as a simple average from SBI Holdings' publicly released data. The denominator is the average equity for the beginning and ending of the fiscal year for equity attributable to owners of the Company

² Calculated based on publicly available data from Bloomberg for the ROE of TOPIX components



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The Japanese arm of an asset management company based in the U.K., which has a history of more than 200 years. Invests in Japanese stocks on a long-term holding basis, while considering the medium- to long-term growth potential.

Focusing on Regional Revitalization Initiatives also from a Standpoint of Solutions to Social Issues

As for the SBI Group, I highly appreciate the fact that it has successfully diversified its services with securities, banking and insurance, utilizing the Internet as its core concept, and that it continues to provide a stable and affordable financial infrastructure with a strong understanding of its customers.

For over 20 years, centered on the U.K. headquarters, the Schroder Group has adopted operational methods for ESG to evaluate corporate value and to make investment decisions.

When evaluating companies in the financial sector, we prioritize on how they differentiate in terms of social (S) and governance (G) aspects, from importance (materiality) viewpoints. Among such efforts, the SBI Group's recent initiatives for "regional revitalization" are a point of focus. I am also in charge of the decisions on investments in Japanese regional banks, and I have great expectations of how the SBI Group will contribute to the recovery and revitalization of the profitability of regional financial institutions, which have a sense of stagnation. If two or three successful cases can be found among the Group's initiatives, it may spread to the reform of the regional banks across the country. Investors look forward to the Group's efforts to link their own growth with the growth of regional financial institutions and local economies that they support, which is of great social significance.

As for governance issues, I feel secure in President Kitao and the directors who have been there since the inception of the company to continue to lead the various Group companies. However, when considering future business expansion opportunities, as well as the successor issue, I believe that increasing the number of opportunities for each director to articulate their management strategy for their respective business segments will further nurture internal confidence.