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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>

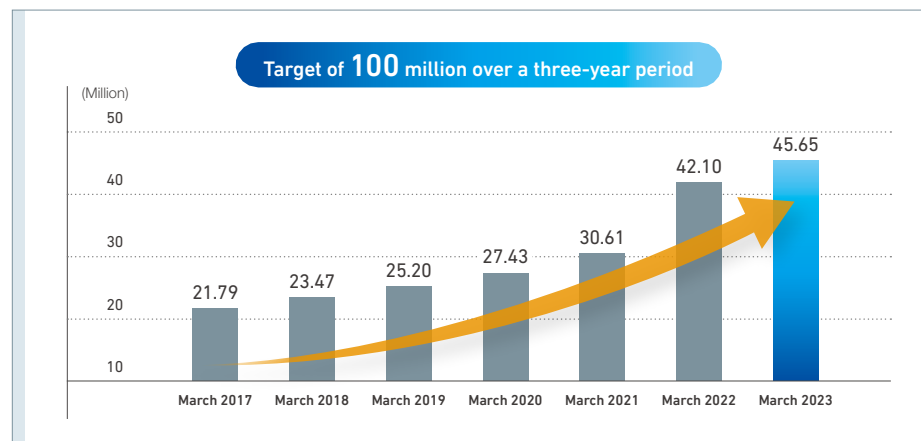
## 1. Customer Diversification

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

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## 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

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## 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.

