

25 Years of History— The SBI Group's Evolution into a Trillion-yen Company

The founding of the SBI Group 25 years ago in 1999 was set in motion by the “Internet revolution” and the “Financial Big Bang” in Japan. The Group has remained one step ahead of these two major trends and has evolved into a major corporate group with a market capitalization and revenues both in excess of ¥1 trillion. We have achieved this growth by consistently following our “Customer-centric Principle” and using our faith in innovative technologies as the foundation for a business ecosystem in which we can achieve synergy and mutual evolution within the Group. In the securities business, we have continually moved ahead with bold and innovative initiatives. For example, we led the Japanese industry through “ZERO Revolution” by eliminating all commissions on online trading of domestic stocks. We have also expanded beyond the financial sector into other fields of business under our strategy of “going beyond finance with finance at its core.”

We will continue to evolve by contributing to the maintenance and development of society through the business activities of the SBI Group, and by working towards harmonious coexistence and shared prosperity with society.

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Representative Director,
Chairman, President & CEO

KEYWORDS

1 Internet Revolution

With the rapid spread of the Internet, information has become readily accessible to everyone, which leads to establishing a consumer sovereignty and thereby transforming the nature of financial services.

2 Japanese Financial Big Bang

The collective term for major financial system reforms implemented by the government from FY1996 to FY2001. Changes included the complete liberalization of stock trading commissions and approval which allowed establishment of financial holding companies.

3 "ZERO Revolution"

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4 Blockchain

Blockchain is a type of distributed ledger technology that uses blocks of encrypted information connected in chronological order, or a chain, making it 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 after the altered data block. Originally developed as a foundational technology of the crypto asset Bitcoin, blockchains are now being used not only in financial transactions but also in various diverse fields such as real estate, supply chain, and healthcare.

Achievements of the Past 25 Years and to Achieve Further Growth in the Future

Growth and Success Through Contribution to the Solution of Social Issues

Our consolidated results for FY2023 show that the SBI Group broke through the ¥1 trillion barrier with revenue of ¥1,210.5 billion. Profit before income tax expense reached ¥141.6 billion, which represents the highest earnings in our history with the exception of FY2021, when we recorded a gain on negative goodwill resulting from the acquisition of the SBI Shinsei Bank. We are the first company in the Japanese securities business to amass 13 million accounts, and we are the leading securities company in terms of our share of individual stock trading value. In addition to the securities business, our record of achievement in other businesses, such as the banking business and the Investment Business, we also rank among the top business groups in Japan. The customer base of the entire SBI Group has expanded exponentially since our founding and has reached over 50 million as of March 31, 2024.

The SBI Group was able to achieve this level of growth in just 25 years by consistently remaining ahead of trends, and by contributing to the resolution of social issues through our business activities. When the SBI Group was founded in 1999, I was aware of three major social issues. First, Japan had fallen behind Europe and the U.S. in financial sector deregulations. This limited securities investments mainly to high-income level people and delayed the democratization of securities investments. Second, the Japanese financial sector itself limited competition by operating defensively through the so-called "convoy system." Third, Japan was lagging the U.S. by five years in terms of the Internet industry development. I resolved to launch a business after deciding that the time was right to break through these barriers by riding two great waves of change: the Internet revolution¹, and the Japanese Financial Big Bang². SBI SECURITIES disrupted the securities industry and expanded the investor population by progressively eliminating all commissions on online trading of domestic stocks. This approach earned the support of large numbers of investors and enabled us to achieve dramatic growth. Our launching of "ZERO Revolution"³ in September 2023 was a major step towards the popularization of investment.

With the spread of the Internet, our customers gained unlimited, instant access to large amounts of information, enabling them to make appropriate choices based on that information. The era of consumer sovereignty had arrived. We were among the first to detect this change, and by offering services that truly matched the needs of our customers, we have been able to achieve rapid growth as a pioneer in online finance. "Thorough devotion to innovative technology" is one of our Fundamental Business Building Concepts, and this has allowed us to achieve growth and success by continually introducing and using the latest technologies within the Group. Advanced technologies, such as blockchain⁴ and AI, create new markets and transform the competitive environment. Because many of these innovations emerge from venture companies, we have benefited from the existence of venture capital operations within the SBI Group. Together with a core belief in the strength of innovative technologies, this factor has given us an important advantage. Through our venture capital activities, we invest in promising investee companies in Japan and overseas. Our Group companies then introduce innovative technologies developed by those ventures and disseminate them across multiple industries. This process drives a virtuous cycle that brings growth both in the venture companies as well as in the SBI Group.

Virtuous Cycle of Relationships and Virtue

A key factor behind the growth of the SBI Group is our business ecosystem. This organizational structure is based on the two major principles of complex systems science: "The whole is greater than the sum of the parts," and "The whole should have new qualities that an individual part cannot achieve." Since the founding of the SBI Group in 1999, we have

established a business ecosystem that functions as an economic community and realizes its high growth potential from synergy and mutual evolution that cannot be achieved by a single company alone. We were the first in the world to create such an extremely unique “corporate ecosystem” that encompasses securities, banking, insurance, investment, asset management, and other business. Diversified groups made up of businesses with little relevance to each other run the risk of conglomerate discount^⑤. However, our business ecosystem has delivered growth because our Group companies generate synergy and achieve mutual evolution and growth.

Whenever we move into a new field, I always consider how efficiently the resulting synergy and mutual evolution will generate growth. However, my focus has gradually shifted to the strengthening of interdependence. Initially, I decided to have the mindset of “Zui-En” (隨緣= to follow a relationship of fate), which needs to be a good relationship in itself. I believe that our ability to form and build on good relationships is linked to the ways in which we make use of the rare opportunities provided to us. When we use relationships to perform virtuous actions, we are blessed with good outcomes and good rewards.

In the business world, virtuous action means working for the society and people through an organization created by the joining of like-minded people. If we do this, we will be blessed with more good relationships and our business will prosper. The SBI Group has prospered by pursuing synergy in a business ecosystem made up of interdependent relationships. Our history over the past 25 years is literally the result of a virtuous cycle of relationships and virtue. We have practiced this principle by achieving growth through our relationships that we have formed between one business to another.

Restructuring the Business Portfolio

In the 25 years since its founding, the SBI Group has continually pursued self-evolution. Going forward, we will restructure our business portfolio in response to changes in the business environment and business structures. We will pursue the following strategies in line with this restructuring.

The medium-term vision adopted by the SBI Group in April 2021 calls for the achievement of consolidated profit before income tax expense of over ¥300 billion, and the maintenance of an ROE of 10% or higher. However, there have been a number of changes since then, hence, this requires a radical rethink. First, we achieved the target of consolidated profit before income tax expense of over ¥300 billion early with a result of ¥412.7 billion in FY2021. Our ROE in that year reached 49.4%. In addition, SBI SECURITIES introduced “ZERO Revolution,” and we undertook a major acquisition that brought the SBI Shinsei Bank into the Group. Developments such as these have caused rapid and far-reaching changes to the business structure that existed when our vision was formulated, and we anticipate further changes resulting from active M&A activities and other factors. Therefore, we believe that the vision needs to be fundamentally reconsidered.

1. “ZERO Revolution” – Expanding Our Customer Base

“ZERO Revolution” which SBI SECURITIES launched in September 2023 eliminated commissions on online trading of domestic stocks. The negative impact of “ZERO Revolution” on SBI SECURITIES’ revenues in FY2023 was estimated to be approximately ¥15.8 billion. However, its consolidated financial results for the same year set new records, with operating revenue of ¥203.4 billion and operating income of ¥68.7 billion. These figures represent increases of 16.2% and 10.6% respectively over the previous year’s results. This was achieved due to its efforts to diversify revenue sources by strengthening financial revenues, trading revenues and revenues from its wholesale business, which began more than four years before “ZERO Revolution” was announced, as well as utilizing SBI Group’s collective strengths.

The total number of securities comprehensive accounts held by the SBI Group began to expand at an accelerating pace such as an increase of one million accounts in just four months after the start of “ZERO Revolution.” The dramatic expansion of SBI SECURITIES’ customer base as a result of “ZERO Revolution” has already started to have a positive effect

KEYWORDS

⑤ Conglomerate Discount

A situation in which the corporate value of a diversified group of companies (conglomerate) is less than the sum of the corporate values of each business. Business diversification makes it difficult to see the overall picture and synergies between the businesses, resulting in declining market valuations and stock prices.

KEYWORDS

6 Negative Interest Rate Policy

A type of monetary policy in which the central bank applies a negative interest rate to a part of the reserves held by private financial institutions. The Bank of Japan first introduced this policy in January 2016 to stimulate the economy by encouraging private banks to increase lending in Japan, under the deflationary environment prevailing for an extended period.

on the SBI Group's entire business ecosystem with the Group's overall customer base expanding by more than 10% from the previous year end to reach 50.5 million as at the end of March 2024. In future, individual customers who opened accounts with SBI SECURITIES in response to "ZERO Revolution" are likely to become interested in a wide range of other financial products offered by SBI SECURITIES. In addition, an account with SBI SECURITIES can become a gateway to bring awareness for products and services of other SBI Group companies. We will also endeavor to achieve growth across the entire SBI Group by using various channels to introduce customers attracted by "ZERO Revolution" to other Group companies. [▶ P.18](#)

2. Comprehensive Strengthening of the Banking Business

While the securities business has traditionally been the SBI Group's main source of profits, there has been a significant increase in the contribution from the banking business in recent years. In FY2023, the banking business accounted for 53.8% of profit before income tax expense from financial services, compared with 42.0% from the securities business. In March 2024, the Bank of Japan ended the negative interest rate policy⁶ and raised the policy interest rate from minus 0.1% to 0.0%-0.1%. We expect this turnaround in interest rate policy to have a positive effect on the SBI Group's banking business. We will respond to these changes in our business structure by allocating more of the SBI Group's management resources to the banking business and taking comprehensive steps to enhance profitability.

Since becoming a consolidated subsidiary of SBI Holdings in December 2021, SBI Shinsei Bank has implemented a variety of initiatives in partnership with the SBI Group. These measures are steadily yielding benefits.

Especially in the retail business, collaboration between the SBI Shinsei Bank and SBI SECURITIES in the areas of financial instruments intermediary services and banking agency services are generating particularly large effects. In October 2022, SBI Shinsei Bank and SBI SECURITIES began to simultaneous account openings which has brought substantial increases in the number of retail accounts held by SBI Shinsei Bank, as well as in its retail deposit balance. When it joined the SBI Group at the end of December 2021, SBI Shinsei Bank had 3.05 million retail accounts with a retail deposit balance of ¥4.7 trillion. By March 31, 2024, the number of retail accounts increased to 3.53 million, while retail deposit balance grew to ¥5.9 trillion.

In the field of institutional business, SBI Shinsei Bank has not only accelerated its marketing activities, but also dramatically expanded its networks to business and financial corporations by capitalizing on relationships with partners developed by SBI Group companies. The benefits of these efforts are apparent at many levels. For example, shortly after the SBI Shinsei Bank joined the SBI Group, between March 31, 2022 and March 31, 2024, its corporate deposits increased by 250% to ¥5.6 trillion. Over the same period, the number of new corporate customers increased by 231% to 116, while loan distributions to regional banks expanded by 48% to ¥428.7 billion.

Going forward, SBI Shinsei Bank intends to further enhance its earning power through a combination of organic growth partly assisted by rising interest rates, as well as through non-organic growth achieved through the strengthening of collaboration within the SBI Group and other strategies, such as M&As.

We regard the repayment of public funds injected into SBI Shinsei Bank as a duty of the SBI Group that must be achieved. SBI Shinsei Bank completed the delisting process, including the buy-back of fractional shares, in February 2024. By repurchasing fractional shares held by the Deposit Insurance Corporation of Japan, it repaid approximately ¥19.3 billion of the remaining ¥350 billion of public funds. We will propose a specific mechanism for the repayment of public funds to the Deposit Insurance Corporation and Resolution and Collection Corporation by the end of March 2025 with the goal of reaching agreement among the four parties, including the SBI Shinsei Bank, by the end of June 2025. [▶ P.20](#)

3. Enhancing the Profitability of Overseas Business

SBI Group has been expanding its business development overseas under the slogan "from

Japan's SBI to the World's SBI." In the future, the SBI Group will promote the integration of its domestic and overseas operations and further increase the profitability of its overseas operations.

In order to promote this initiative efficiently and effectively, SBI Holdings plans to establish a new Overseas Business Management Division to enhance the efficiency and effectiveness of the SBI Group's overseas business in anticipation of further expansion. We also decided to aggregate overseas subsidiaries established by the SBI Group under this unit. We are deploying staff with extensive experience in areas such as financial services and other business segments. Our current goal is to increase total profit before income tax expense from overseas businesses to 20%–30% of the total profit before income tax expense of the SBI Group.

Key focus areas include the rapidly growing ASEAN. These areas' economies have already achieved significant scale and are seen as having enormous future potential. The basic rule of finance is that funds flow from low-interest to high-interest markets, and from countries with low growth rates to those with high growth rates. While the SBI Group has focused on expanding its business activities in Southeast Asia from an early time, it will continue to advance its expansion in the future.

We will also prioritize the expansion of our financial services in regions other than Southeast Asia. One example of this strategy is the core role played by SBI Shinsei International in the expansion of our overseas Japanese equities business, which is based in London. SBI Shinsei International supplies information about investment and loan projects in Europe and the Middle East to SBI Shinsei Bank. It also provides British investors with information about the Japanese equity market based on surveys and analysis carried out by SBI SECURITIES, as well as corporate access and advisory services. The wide-ranging role of SBI Shinsei International in Europe also includes providing European office functions for SBI Group companies.

Another priority region for the SBI Group is the Middle East, which has become a global money hub. In December 2023, we signed a memorandum of understanding with Aramco, one of the world's largest integrated energy and chemical companies, to consider a business alliance. In February 2024, we established a Saudi Arabian subsidiary, SBI Middle East. Based in the capital city, Riyadh, this company will work towards the further expansion of our business in the Middle East. In May, we have also signed memorandums of understanding with the Saudi Ministry of Investment and several leading companies for partnerships in various fields, and are now making steady progress under those agreements. We are also expanding our business partnerships with leading company in the United Arab Emirates (UAE). In January 2024, we began to operate a \$100 million joint venture fund in partnership with SC Ventures, which is an associate of the Standard Chartered Bank, a major British financial institution, to invest in fields such as DeFi⁷ and metaverse⁸.

The African region, which is expected to achieve rapid growth in the future as the final frontier, is also a key focus for the SBI Group. In November 2023, we concluded a basic strategic capital alliance agreement with Novastar Ventures, a UK venture capital firm that invests in Africa. SBI Holdings will contribute \$40 million to the fund managed by this company and support Japanese investors to invest in the fund, while Novastar will create opportunities for joint investment with the SBI Group and provide information about African markets.

4. Turning Asset Management Business into a New Pillar of Revenue

Among the SBI Group's five business segments, the Financial Services Business and Asset Management Business are seen as generating relatively stable profits. We will endeavor to build the Asset Management Business into a new core pillar of revenue.

In addition to using M&As, we have also prioritized the development and introduction of new investment products as a strategy for expanding assets under management. We are focusing, in particular, on alternative investments⁹, which are attracting interest as a new growth field. As a result of the rapid interest rate hikes implemented by the U.S. Federal Reserve Board since the second half of 2022, and the rekindling of inflationary fears in 2024, the traditional method of diversified investment between stocks and bonds has

KEYWORDS

7 DeFi

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8 Metaverse

A term created by combining the words "meta" and "universe" and refers to a virtual space electronically constructed on the Internet and leveraging services provided therein. Within this virtual space, alter egos (called avatars) are created to interact with others around the world, and individuals can also engage in economic activities such as shopping. With the development of extended reality (XR) technologies such as virtual reality (VR), augmented reality (AR), and mixed reality (MR), and the advent of blockchain technology, it is expected that a part of everyday life will shift to activities in the metaverse.

9 Alternative Investments

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KEYWORDS

10 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, 2024, there are three such systems in Japan: Japannext, Osaka Digital Exchange, and Cboe Japan Limited. The first two belong to the SBI Group. It is commonly understood that in the U.S., while competition between public exchanges and the PTS sector is reducing trading costs, on the other hand in Japan, the PTS is still not commonly used, and the Tokyo Stock Exchange still accounts for most of the trading of listed stocks.

11 Security Token

→ P.129

become less effective. This has triggered increased interest in alternative investments, which follow different trends from traditional assets. In addition, investment diversification has been put forward as a key strategy under the government's "Policy Plan for Promoting Japan as a Leading Asset Management Center." Our initiative to expand the offer of alternative investment products also aligns with this current trend. In February 2024, we established SBI Alternative Asset Management (SBI AAM) jointly with KKR, a U.S. company, which is the leader in the field of alternative investments, including private equity, debt, and real estate. SBI AAM supplies information related to alternative investments to SBI Asset Management (SBI AM) and SBI AM plans to begin providing products that make use of such information in the first half of FY2024. Furthermore, as soon as preparations are completed, SBI AAM itself will start developing and providing alternative investment products. In May 2024, we established SBI-Man Asset Management jointly with the Man Group, a U.K. company that has become a leader in "alternative strategies" based on combinations of various non-traditional investment strategies. We will start providing new products in August 2024.

In May 2024, the SBI Group's assets under management exceeded ¥10 trillion. We will continue to work towards our target of doubling this to ¥20 trillion by the end of FY2027. → P.23

5. Expansion into the Semiconductor-related Business

Finance itself is an information industry, and there is a close linkage between finance and transactions in goods and services, we believe that advantages can be gained when companies in the financial sector expand into other industries. In addition to its business activities as a comprehensive financial group, the SBI Group is therefore moving beyond the financial sector into other industries with the goal of supplying essential goods, services, and information used in various aspects of everyday life. Rising geopolitical risks have raised awareness of the importance of producing semiconductor in Japan. The SBI Group announced its intention to expand into the semiconductor-related business in July 2023. We believe that we can use our powerful domestic and international financing capabilities and networks to contribute by providing access to the reliable, long-term finance needed to ensure the sustainability of this business.

6. Expanding the Digital Assets Industry

In January 2024, the U.S. Securities and Exchange Commission approved trading in spot bitcoin exchange-traded funds (ETFs) in the U.S. for the first time. This has accelerated the entry of institutional investors into the crypto asset market. Developments as such are expected to drive further market expansion as crypto assets move away from their role as speculative products. Moreover, crypto assets are built on distributed ledger technology, which can be used for a wide range of other applications. The SBI Group is working to create innovative products and services based on the attributes of this technology.

One product that is seen as offering potential for future growth is stablecoins. Because the stablecoins are pegged to movements in the value of legal tender, they are less prone to rapid price fluctuations, which has been an issue with many crypto assets. For this reason, they are expected to be used increasingly not only as investments, but also to pay for products and services, including money transfers. We recognize the future growth potential of these assets, and therefore, in November 2023, the SBI Group signed a memorandum of understanding in preparation for the establishment of a comprehensive business partnership with U.S. Circle, which issues the USDC. SBI VC Trade is currently applying for approval to provide electronic payment instruments services, and once this approval has been obtained, the SBI Group will be the only company group in Japan with three licenses to handle stablecoins: banking, trust banking, and electronic payment instruments services. We plan to make preparations for the distribution of USDCs in Japan so that we can use our advantage of being the pioneer for the development of this market. → P.25

In December 2023, Osaka Digital Exchange, which first launched its PTS¹⁰ business in June 2022, began to operate START as Japan's first secondary security token (ST)¹¹ market. By providing tradability for STs, which are still in the early stages of evolution as

investment tools, START is expected to provide the impetus for their increased use as a new method for procuring funds.

Ensuring a Sustainable Future for the SBI Group

Enhancing Corporate Value

SBI Group has achieved rapid growth by always staying ahead of current trends, and by contributing to the resolution of social issues through business activities. Continual self-transformation and evolution in addition to sustained improvement in our corporate value are essential to our long-term future as a corporate group capable of existing in harmony with society. I believe that the SBI Group can sustainably enhance its corporate value through a virtuous cycle by linking three interrelated forms of value, namely, the customer value as the foundation, as well as the shareholder value and human capital value. This mechanism to enhance corporate value has constantly supported our activities. Since the founding of the SBI Group, we have consistently applied our “Customer-centric Principle” as the key to the improvement of customer value. “ZERO Revolution,” which resulted in the elimination of commissions on online trading of domestic stocks, is a perfect example of our application of the “Customer-centric Principle.” [▶ P.10](#)

We see dialogue between shareholders and the management team as an especially important aspect of our efforts to enhance shareholder value in recent years. We have increased the frequency of private meetings with institutional investors and created opportunities for direct communication with individual shareholders through briefings and others. The restructuring of our business segments from a management accounting viewpoint in FY2022 was prompted by our commitment to providing clear information to investors. We believe that these forward-looking initiatives were reflected in our P/B Ratio which improved from 0.70 at the end of March 2023 to 0.91 as of March 31, 2024. [▶ P.28](#)

Our approach to the improvement of human capital value includes reconsideration of framework in such fields as evaluation, training, and compensation, as well as initiatives to secure talented people across the entire Group. For example, given the rapid expansion of the SBI Group’s overseas activities has heightening the importance of recruiting more people with the skills needed to work globally, we are now actively recruiting people from overseas universities. In April 2024, we decided to raise our salary levels, especially for those who are ranked as junior employees through to middle management, and have expanded the incentive program for officers and employees, which is expected to lead to executives and employees working with a stronger awareness of the company’s share price and corporate value. [▶ P.43](#)

SBI Group firmly believes that companies can only prosper in harmony with society, and that the creation of a better society is the best way to ensure a better future for companies. By consistently applying the “Customer-centric Principle” since the founding of the SBI Group, we have built a broad support base and built positive relationships within and beyond the Group. We are enabling the continued growth of the SBI Group together with society by working towards the resolution of social issues and the realization of a sustainable society through activities guided by sound ethical values. We have reached the 25th anniversary of the SBI Group with a heightened determination to meet the expectations of all stakeholders and achieve further growth. We look forward to your continuing support and guidance.

