

Financial Strategy / Message from the Officer in Charge of Finance

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and Executive Officer
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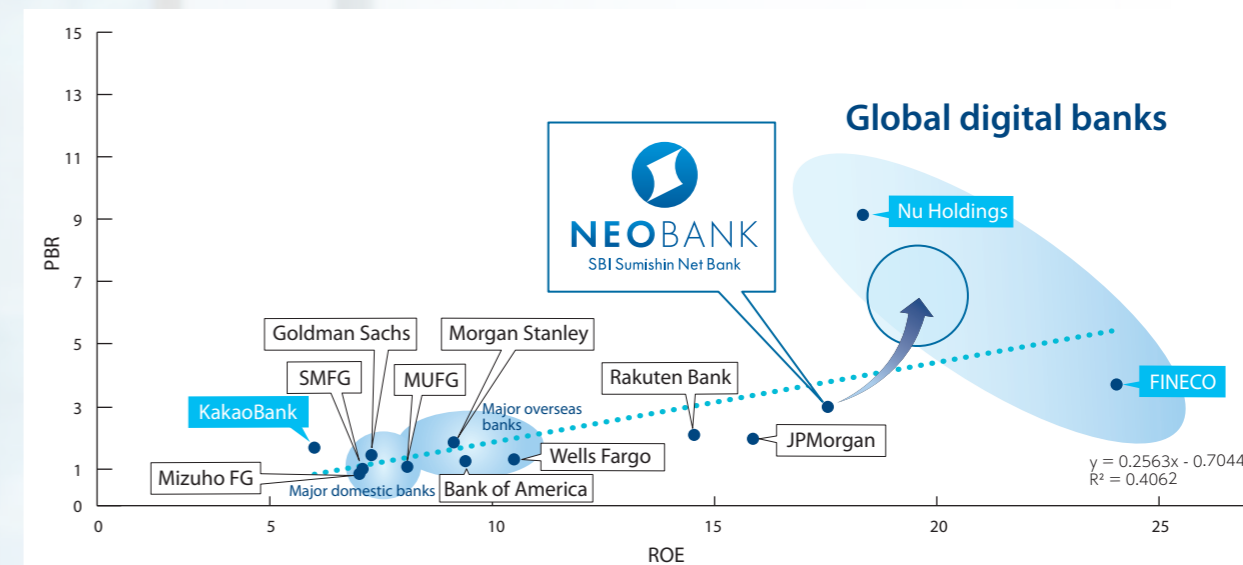
We aim to achieve our target of 20% ROE through sustainable profit growth by strengthening our management foundation with a financial strategy that strikes an optimal balance between offense and defense.

Towards Greater Corporate Value

Since my appointment as a director in 2009, I have been responsible for financial accounting and planning with the goal of enhancing our company's corporate value. In March 2023, with the support of our stakeholders, we successfully listed our shares on the Tokyo Stock Exchange Standard Market, making fiscal 2023 a highly significant year as we marked our first financial reporting as a publicly listed company. At the time of our listing, there were concerns that our company's price would stagnate due to external factors such as the collapse of overseas financial institutions and the situation in Ukraine. However, as of June 2024, our stock price

has grown to 2.6 times the offering price, with a PBR of 2.9 times, and looking at the relationship between ROE and PBR, it is also achieving a reasonably high evaluation within the banking industry. As CEO Maruyama mentioned in his opening message, our company is focused on achieving sustainable growth through the execution of a management strategy that emphasizes "creation" and "transformation." As the officer in charge of finance, I am committed to converting our growth strategy into a financial strategy aimed at realizing new initiatives that will transform, and at times transcend, our industry. I will continue to dedicate myself to the sustainable growth of our company and the enhancement of our corporate value over the medium to long term.

ROE/PBR regression analysis of major domestic and foreign banks and global digital banks



As of July 12, 2024

Achieved ROE Target One Year Early

The number we place the most importance on as a KPI is ROE. We were able to achieve our target of 17% for fiscal 2024 one year ahead of schedule in fiscal 2023. In addition, net income for fiscal 2023 was 24.8 billion yen, which also surpassed the forecast of 23.4 billion yen. Further, the amount of new

originated mortgages, our main product, and the number of accounts at NEOBANK, our BaaS business, exceeded our target figures, and we believe that we had generally good results in fiscal 2023. As a result, we were able to return dividends to our shareholders in the form of a one-yen-per-share increase over our initial dividend forecast.

Earnings forecast and actual results for the fiscal year ended March 31, 2024

	(Consolidated)	Forecast for the fiscal year ended March 31, 2024	Results for the fiscal year ended March 31, 2024	Achievement
Financial indicator	ROE	16.5% or higher	17.5%	◎
Profit indicator	Ordinary profit	34.0 billion yen	34.8 billion yen	○
	For digital banking business only	32.0 billion yen	31.2 billion yen	△
	For BaaS business only	2.0 billion yen	3.6 billion yen	○
	Net income attributable to owners of the parent	23.4 billion yen	24.8 billion yen	○
KPI	Number of accounts	7 million accounts or more	7.26 million accounts	○
	For BaaS business only	1.5 million accounts or more	1.58 million accounts	○
	Amount of mortgages originated	1,700 billion yen or more	1,738.6 billion yen	○

Formulating the Next Medium-term Management Plan

In formulating the next Medium-term Management Plan (FY2025 to 2027), it is important to have a bold vision for the company's new challenges, as well as to have a detailed financial strategy and measures to support this, and to be able to steadily implement them. We will carry out simulations with an eye to all changes in the financial environment, including rises in policy interest rates, and steadily and rapidly push ahead with various measures. In particular, we will formulate and execute a financial strategy that works backwards from the overall growth strategy, with the aim of achieving our target of 20% ROE, our most important KPI, sooner rather than later. While most banks in Japan are hovering around 7% ROE, achieving this 20% figure is no easy task. We will continue to work towards improving ROE while seeking the optimal balance for our company, such as accelerating the growth of our banking business, strengthening our non-interest business, and appropriately managing credit risk. In the future, in addition to profits from the digital banking business, we aim to increase our profits through fee income from the BaaS business and growth in the new non-financial business: THEMIX.

Regarding mortgages, SBI Sumishin Net Bank's main earnings driver, we plan to further expand the number of franchise outlets (actual mortgage outlets in a franchise format) that carry our sign in order to grow the amount of new originated mortgages from approximately 1.7 trillion yen in fiscal 2023 to 2 trillion yen in fiscal 2024. We currently have 44 outlets (as of June 2024), mainly in the Tokyo metropolitan area, and we plan to increase this to 200 in the future. Further,

in response to the Bank of Japan's increase in the policy interest rate, we raised our deposit interest rates and, in May 2024, we raised our short-term prime rate, the benchmark interest rate for mortgages. Even with future changes to the policy interest rate, we will review the optimal balance between our deposit and lending rates and take action as appropriate. Even in the competitive environment of mortgages, we do not consider interest rates alone to be our standard of value. Rather, we aim to continue to achieve the top position in terms of the overwhelming share of new originated mortgages by enhancing customer convenience through the digitization of time-consuming application procedures and interactions between different people involved in the process, and by improving the quality of our products and services by developing more outstanding offerings.

In addition to promoting our business, we will continue to ensure sound management by taking appropriate measures to control risk-weighted assets (RWA), and our expected loss ratio for mortgages, which account for the majority of our loans, is 0.015%, which is very low compared to figures from national and international companies. However, even for safe assets, the regulatory capital adequacy ratio is calculated using the same method as other companies. We aim to improve returns while appropriately controlling risk.

In order to achieve sustainable growth through these measures, we are also focusing on non-financial and human capital. Investment in technology, including systems, is vital to Internet banks. Investing in technology will allow us to create better services that will bring about change, and we will then be able to pass these benefits on to our customers. The result of this will lead to greater customer support and better

business performance. We are also stepping up our investment in human capital that will drive our business forward. In fiscal 2023, we reviewed the starting salary for new graduates and introduced a personnel system that embodies our corporate value. We believe our employees are currently of a very high standard. Not only do we have people who specialize in banking, but we also have many people who come from different industries, such as tech, and this is an important factor in our success. For employees from a variety of backgrounds to be able to fully demonstrate their abilities and succeed, it is essential to have the support of corporate functions such as human resources, finance, accounting, legal affairs, and public relations, and we believe that it is important as a human resources strategy to highlight these less obvious areas and make them a strength of the company as a whole. We believe that the most important thing is to enhance our reliability and achieve sustainable growth in order to create new experiences for our customers, improve convenience, and assure safety based on our "customer-centric approach."

Becoming a "Social Enterprise"

Over the past decade, the perception of Internet banks has evolved significantly. Once perceived as a bank engaged in a novel initiative, it is now recognized in a new light. I believe that in the future, Internet banks like ours, which prioritize convenience, will become even more widespread. Personally, I hope to see our current assets, valued at around 10 trillion yen, grow to 20 or 30 trillion yen, ultimately positioning us alongside, or even ahead of, the megabanks.

However, our goal is not merely to chase profits. We aspire to be a bank recognized and chosen by many for our social contributions. The THEMIX business, which aims to contribute to the global environment, and specifically within that business, initiatives such as the digital transformation of the primary industry and the Carbon Platform project are prime examples. Additionally, if we can develop a system that leverages verified financial data, with customer consent, to benefit both companies and advertisers, it would be a significant contribution to society. We are fully committed to investing in these socially beneficial new fields.

To Our Stakeholders

In fiscal 2023, we successfully enhanced our shareholders' understanding of SBI Sumishin Net Bank through various engagements, including one-on-one meetings, small group discussions, seminars for individual investors, and the general shareholders' meeting. We believe our current reputation reflects our consistent efforts to meet our set objectives. Moving forward, we will continue to improve our disclosure materials, including financial statements, through IR and SR activities, and we will communicate our progress and financial strategy at the appropriate times. As the officer responsible for finance, I am committed to further strengthening our management foundation and clearly outlining our path to achieving our goals, ensuring that investors gain a deeper and accurate understanding of our company.

I thank all of our stakeholders for their understanding and support.

Share price movement since listing

The share price achieved 2.6 times the offering price.



Note: Data as of the end of June 2024. Share price movement based on closing prices from March 29, 2023.