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Consolidated Financial Results for the Six Months Ended September 30, 2024 [Japanese GAAP]



November 8, 2024

Company name: SBI Sumishin Net Bank, Ltd.

Listing: Tokyo Stock Exchange

Securities code: 7163

URL: <https://www.netbk.co.jp/contents/company/en/>

Representative: Noriaki Maruyama, President and Chief Executive Officer

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Scheduled date of filing quarterly securities report: November 27, 2024

Scheduled date of commencing dividend payments: December 2, 2024

Specified transaction account: None

Supplementary briefing material on financial results: Available

Financial results briefing session: Scheduled (for institutional investors and analysts)

(Amounts less than one million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2024 (From April 1, 2024 to September 30, 2024)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Ordinary income		Ordinary profit (loss)		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2024	68,197	26.4	18,983	16.3	12,411	1.4
September 30, 2023	53,961	16.9	16,321	14.0	12,238	28.2

(Note) Comprehensive income: Six months ended September 30, 2024: ¥11,848 million [81.8%]

Six months ended September 30, 2023: ¥6,518 million [44.9%]

	Net income per share	Diluted net income per share
Six months ended	Yen	Yen
September 30, 2024	82.31	—
September 30, 2023	81.15	—

(Note) Diluted net income per share is not presented since there has been no potential dilutive shares.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
September 30, 2024	10,815,360	162,097	1.5
March 31, 2024	10,676,416	151,608	1.4

(Reference) Capital amount: As of September 30, 2024: ¥162,097 million

As of March 31, 2024: ¥151,608 million

(Note) “Capital adequacy ratio” is calculated by dividing net assets at the end of the period by assets at the end of the period.

The “capital adequacy ratio” is not the capital adequacy ratio defined in the Capital Adequacy Ratio Notification.

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	–	7.50	–	9.00	16.50
Fiscal year ending March 31, 2025	–	9.00			
Fiscal year ending March 31, 2025 (Forecast)			–	9.50	18.50

(Note) Revision of latest announced estimates for cash dividends per share of common stock: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (From April 1, 2024 to March 31, 2025)

(% indicates changes from the previous corresponding period.)

	Net income attributable to owners of the parent		Net income per share
	Millions of yen	%	Yen
Fiscal year ending March 31, 2025	28,000	12.7	185.68

(Note) Revision of latest announced forecast of consolidated earnings: None

* Notes:

(1) Significant changes in the scope of consolidation during the six months ended September 30, 2024: None

(2) Changes in accounting policies, changes in accounting estimates, and restatement

1) Changes in accounting policies due to revisions to accounting standards: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Restatement: None

(3) Number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

As of September 30, 2024: 150,793,800

As of March 31, 2024: 150,793,800

2) Total number of treasury shares at the end of the period:

As of September 30, 2024: 10,467

As of March 31, 2024: 1,639

3) Average number of outstanding shares during the period:

Six months ended September 30, 2024: 150,775,309

Six months ended September 30, 2023: 150,793,800

(Overview of Non-consolidated Financial Results)

Non-consolidated Financial Results for the Six Months Ended September 30, 2024 (April 1, 2024 to September 30, 2024)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Ordinary income		Ordinary profit (loss)		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended						
September 30, 2024	66,308	27.6	18,347	17.5	11,941	8.9
September 30, 2023	51,953	17.5	15,611	10.2	10,961	14.5

	Net income per share
Six months ended	Yen
September 30, 2024	79.20
September 30, 2023	72.69

(2) Non-consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Millions of yen	Millions of yen	%
September 30, 2024	10,813,820	159,947	1.5
March 31, 2024	10,674,141	149,928	1.4

(Reference) Capital amount: As of September 30, 2024: ¥159,947 million
As of March 31, 2024: ¥149,928 million

(Note) “Capital adequacy ratio” is calculated by dividing net assets at the end of the period by assets at the end of the period.

The “capital adequacy ratio” is not the capital adequacy ratio defined in the Capital Adequacy Ratio Notification.

* These consolidated financial results for the six months ended September 30, 2024, are outside the scope of the interim audit procedures to be performed by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecasts and other notes

The forward-looking statements contained in this document, including the financial results forecasts, are based on information currently available to SBI Sumishin Net Bank, Ltd. (the “Company”) and certain assumptions deemed to be reasonable, and the Company does not promise achievement. Actual results may differ significantly from these forecasts due to a wide range of factors.

Table of Contents - Attachments

1. Overview of Business Results for the Six Months Ended September 30, 2024	5
(1) Overview of Business Results for the Six Months Ended September 30, 2024	5
(2) Overview of Financial Position for the Six Months Ended September 30, 2024	5
2. Interim Consolidated Financial Statements and Primary Notes	6
(1) Interim Consolidated Balance Sheet	6
(2) Interim Consolidated Statement of Income and Comprehensive Income	7
Interim Consolidated Statement of Income	7
Interim Consolidated Statement of Comprehensive Income	8
(3) Interim Consolidated Statement of Changes in Net Assets	9
(4) Notes to the Interim Consolidated Financial Statements	11
(Notes on going concern assumptions)	11
(Additional information)	11
(Notes on segment information)	12
3. Interim Non-consolidated Financial Statements	14
(1) Interim Non-consolidated Balance Sheet	14
(2) Interim Non-consolidated Statement of Income	15
(3) Interim Non-consolidated Statement of Changes in Net Assets	16
 (Supplement) Explanatory Material for the Six Months Ended September 30, 2024	

1. Overview of Business Results for the Six Months Ended September 30, 2024

(1) Overview of Business Results for the Six Months Ended September 30, 2024

Regarding the status of profit and loss for the six months ended September 30, 2024, ordinary profit was 18.9 billion yen (a year-on-year increase of 16.3%) due to steady growth of mortgage loans, main products of the Company, and an increase in payment-related fees attributable to the expansion of the customer base and the progress of cashless payments. However, net income attributable to owners of the parent amounted to 12.4 billion yen (a year-on-year increase of 1.4%) because gain on transfer of the guarantee business of 1.5 billion yen was recognized for the six months ended September 30, 2023 and income taxes-deferred and deferred tax liabilities of 0.6 billion yen related to temporary difference was recognized for the six months ended September 30, 2024 for the subsidiary's shares based on the resolution to sell its shares.

Regarding the status of reportable segments for the six months ended September 30, 2024, for the digital banking business, an increase in fees and commissions including lending administration fees on the origination of mortgage loans, the main business of the Company, and payment-related fees attributable to the progress in cashless payments, and an increase in net interest income due to an increase in interest income on loans and other products which outweighed an increase in interest expenses caused by rising interest rates on domestic deposits contributed to gross profit of 34.2 billion yen (a year-on-year increase of 12.0%). As a result of increases in expenses such as system related expenses and outsourcing expenses related to office work, expenses were 17.5 billion yen (a year-on-year increase of 10.4%) and ordinary profit was 16.7 billion yen (a year-on-year increase of 13.7%). For the BaaS business, in addition to the factors including an increase in account fee owing to an increase in bank accounts, with the steady performance of NetMove Corporation, a consolidated subsidiary of the Company, gross profit was 6.1 billion yen (a year-on-year increase of 56.7%), expenses were 3.7 billion yen (a year-on-year increase of 64.9%) due to advertising and other related expenses incurred for the "NEOBANK®" service in addition to continuous system investments, and ordinary profit was 2.4 billion yen (a year-on-year increase of 45.6%). As for the THEMIX business, as the business is in the start-up phase in which upfront expenses are incurred, ordinary loss of 138 million yen was recorded.

Profit per share was 82.31 yen.

(2) Overview of Financial Position for the Six Months Ended September 30, 2024

Regarding the status of assets and liabilities for the six months ended September 30, 2024, total assets were 10,815.3 billion yen, an increase of 138.9 billion yen from the fiscal year ended March 31, 2024. Loans amounted to 8,383.7 billion yen, an increase of 411.0 billion yen from the fiscal year ended March 31, 2024, due to active efforts for mortgage loans and other products. Securities amounted to 554.4 billion yen, a decrease of 8.0 billion yen from the fiscal year ended March 31, 2024. Meanwhile, liabilities amounted to 10,653.2 billion yen, an increase of 128.4 billion yen from the fiscal year ended March 31, 2024. Deposits amounted to 9,463.4 billion yen, an increase of 0.3 billion yen from the fiscal year ended March 31, 2024. In addition, borrowed money amounted to 1,000.0 billion yen, an increase of 200.0 billion yen from the fiscal year ended March 31, 2024. Net assets amounted to 162.0 billion yen, an increase of 10.4 billion yen from the fiscal year ended March 31, 2024, due to changes in net unrealized losses on available-for-sale securities and net deferred gains on hedges, while recording 12.4 billion yen of net income attributable to owners of the parent.

2. Interim Consolidated Financial Statements and Primary Notes

(1) Interim Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Cash and due from banks	1,665,582	1,534,637
Monetary claims bought	207,986	193,807
Money held in trust	13,148	12,148
Securities	562,510	554,449
Loans	7,972,760	8,383,788
Foreign exchanges	8,341	7,191
Other assets	208,561	89,947
Tangible fixed assets	3,210	4,646
Intangible fixed assets	28,299	29,352
Deferred tax assets	8,883	8,578
Reserve for possible loan losses	(2,867)	(3,186)
Total assets	10,676,416	10,815,360
Liabilities		
Deposits	9,463,139	9,463,476
Payables under securities-lending transactions	145,284	91,717
Borrowed money	800,000	1,000,000
Foreign exchanges	6,363	5,411
Other liabilities	106,975	90,347
Reserve for bonuses	920	461
Liabilities for retirement benefits	16	16
Reserve for point program	1,180	937
Reserve for reimbursement of deposits in dormant accounts	56	58
Reserve under special laws	9	—
Deferred tax liabilities	861	836
Total liabilities	10,524,807	10,653,263
Net assets		
Capital stock	31,000	31,000
Capital surplus	13,633	13,648
Retained earnings	122,430	133,484
Treasury stock	(2)	(20)
Total shareholders' equity	167,061	178,112
Net unrealized gains (losses) on available-for-sale securities	(15,614)	(15,748)
Net deferred gains (losses) on hedges	161	(266)
Total accumulated other comprehensive income	(15,452)	(16,015)
Total net assets	151,608	162,097
Total liabilities and net assets	10,676,416	10,815,360

SBI Sumishin Net Bank, Ltd. (7163)
Financial Results for the Six Months Ended September 30, 2024

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

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Ordinary income	53,961	68,197
Interest income	26,176	31,998
Interest on loans	20,104	23,680
Interest and dividends on securities	5,005	6,455
Fees and commission income	23,871	31,014
Other operating income	3,809	4,898
Other income	104	286
Ordinary expenses	37,640	49,214
Interest expenses	5,021	7,378
Interest on deposits	5,026	7,976
Fees and commission expenses	14,843	21,353
Other operating expenses	178	486
General and administrative expenses	17,388	19,500
Other expenses	207	496
Ordinary profit	16,321	18,983
Extraordinary income	1,537	56
Gains on disposal of fixed assets	7	—
Reversal of reserve for financial instruments transaction liabilities	—	9
Gains on business transfer	1,529	40
Gain on change in equity	—	6
Extraordinary losses	321	84
Losses on disposal of fixed assets	0	14
Impairment losses	180	60
Provision of reserve for financial instruments transaction liabilities	0	—
Other	140	9
Income before income taxes	17,537	18,955
Income taxes-current	5,015	6,016
Income taxes-deferred	295	528
Total income taxes	5,311	6,544
Net income	12,226	12,411
Loss attributable to non-controlling interests	(12)	—
Net income attributable to owners of the parent	12,238	12,411

SBI Sumishin Net Bank, Ltd. (7163)
Financial Results for the Six Months Ended September 30, 2024

(Interim Consolidated Statement of Comprehensive Income)

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net income	12,226	12,411
Other comprehensive income	(5,707)	(562)
Net unrealized gains (losses) on available-for-sale securities	(8,316)	(134)
Net deferred gains (losses) on hedges	2,609	(428)
Comprehensive income	6,518	11,848
Comprehensive income (loss) attributable to		
Owners of the parent	6,530	11,848
Non-controlling interests	(12)	—

(3) Interim Consolidated Statement of Changes in Net Assets
For the Six Months Ended September 30, 2023

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	31,000	13,625	98,723	—	143,349
Changes during period					
Dividends of surplus					—
Purchase of shares of consolidated subsidiaries		(24)			(24)
Purchase of treasury stock					—
Disposal of treasury stock					—
Net income attributable to owners of the parent			12,238		12,238
Net changes in items other than shareholders' equity					
Total changes during period	—	(24)	12,238	—	12,213
Balance at the end of the period	31,000	13,601	110,961	—	155,563

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Total accumulated other comprehensive income		
Balance at the beginning of the period	(11,409)	(335)	(11,744)	87	131,691
Changes during period					
Dividends of surplus					—
Purchase of shares of consolidated subsidiaries					(24)
Purchase of treasury stock					—
Disposal of treasury stock					—
Net income attributable to owners of the parent					12,238
Net changes in items other than shareholders' equity	(8,316)	2,609	(5,707)	(32)	(5,740)
Total changes during period	(8,316)	2,609	(5,707)	(32)	6,473
Balance at the end of the period	(19,726)	2,274	(17,451)	54	138,165

SBI Sumishin Net Bank, Ltd. (7163)
Financial Results for the Six Months Ended September 30, 2024

For the Six Months Ended September 30, 2024

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	31,000	13,633	122,430	(2)	167,061
Changes during period					
Dividends of surplus			(1,357)		(1,357)
Purchase of shares of consolidated subsidiaries					—
Purchase of treasury stock				(120)	(120)
Disposal of treasury stock		14		102	117
Net income attributable to owners of the parent			12,411		12,411
Net changes in items other than shareholders' equity					
Total changes during period	—	14	11,054	(17)	11,051
Balance at the end of the period	31,000	13,648	133,484	(20)	178,112

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Total accumulated other comprehensive income		
Balance at the beginning of the period	(15,614)	161	(15,452)	—	151,608
Changes during period					
Dividends of surplus					(1,357)
Purchase of shares of consolidated subsidiaries					—
Purchase of treasury stock					(120)
Disposal of treasury stock					117
Net income attributable to owners of the parent					12,411
Net changes in items other than shareholders' equity	(134)	(428)	(562)	—	(562)
Total changes during period	(134)	(428)	(562)	—	10,488
Balance at the end of the period	(15,748)	(266)	(16,015)	—	162,097

(4) Notes to the Interim Consolidated Financial Statements

(Notes on going concern assumptions)

Not applicable.

(Additional information)

NetMove Corporation (“NetMove”), which is a consolidated subsidiary of the Company, operates three businesses comprising of the payment, solution and innovation businesses. While the Company has pursued synergies within the group, and sought to expand the businesses of respective group companies, it has determined that the option to divest and sell the payment business and concentrate its management resources in other businesses is a better choice than the option to scale the payment business within the group.

At the Board of Directors meeting held on September 30, 2024, the Company resolved to transfer NetMove’s solution and innovation businesses, except the payment business, to a newly incorporated company (NEOBANK TECHNOLOGIES Co., Ltd.) through an incorporation-type company split. On the same day, the Company entered into a share transfer agreement for NetMove’s shares with U-NEXT HOLDINGS Co., Ltd.

(Common control transaction)

Outline of business divestiture at the consolidated subsidiary

(1) Name of the successor company to which the business is divested through a company split

NEOBANK TECHNOLOGIES Co., Ltd.

(2) Nature of divested business

Nature of business: Solution and innovation businesses

(3) Scheduled date of company split

December 2, 2024

(4) Other matters related to the transaction including the legal form

Company split: Incorporation-type company split in which NetMove is the splitting company and the newly incorporated company (NEOBANK TECHNOLOGIES Co., Ltd.) is the successor company

(Transfer of shares of consolidated subsidiary)

Outline of share transfer

(1) Name of transferee

U-NEXT HOLDINGS Co., Ltd.

(2) Name and nature of business of subsidiary whose shares will be transferred

Name: NetMove

Nature of business: Payment business

(3) Scheduled date of share transfer

December 2, 2025

As a result of this share transfer, the Company’s shareholding ratio of NetMove will be reduced from 100% to 0%, and therefore NetMove will no longer be its consolidated subsidiary.

(4) Other matters related to the transaction including the legal form

Share transfer in which consideration received is only assets including cash

(5) Name of reportable segment in which the subsidiary whose shares will be transferred is included

BaaS business

(Notes on segment information)

1. General information about reportable segments

The Group's reportable segments are components of the Group for which separate financial information can be provided and is used by management periodically to determine the allocation of resources and assess performance.

Digital banking business:

This segment principally provides the banking services, such as deposit services and lending services provided primarily through the mobile application and internet channels, and the financial services including the debit card service. A subsidiary relating to this segment is Yuryo Loan, Co. Ltd.

BaaS (Banking as a Service) business:

This segment provides the banking function to business partners. By utilizing the banking function provided by the Company, business partners can operate their banking services and the customers of the business partners can access the same products and services as those offered in the digital banking business. Subsidiaries and affiliates relating to this segment are NetMove Corporation, Dayta Consulting Co., Ltd., JAL Payment Port Co., Ltd., and NeoBank Services Co., Ltd.

THEMIX business:

This segment operates the non-financial services. Such services primarily include the business related to data marketing and advertising that utilize data, which customers have agreed to be used (financial data platform business), forestry and forestry administration DX (DX Platform Business), and support business related to carbon credit (carbon credit platform business). Subsidiaries and affiliates relating to this segment are THEMIX Data, Inc., THEMIX Green, Inc., and Mapry Corporation.

2. Information about gross operating profit and profit or loss by reportable segment

(Six months ended September 30, 2023)

(Millions of yen)

	Reportable segment			Adjustments	Total
	Digital banking business	BaaS business	THEMIX business		
Gross operating profit	30,601	3,915	45	(746)	33,815
Expenses	(15,865)	(2,252)	(143)	767	(17,494)
Ordinary profit (loss)	14,735	1,663	(97)	20	16,321

- (Notes)
1. "Gross operating profit" is presented instead of sales of companies in other industries.
 2. "Gross operating profit" includes net interest income (expenses), net fees and commission income (expenses), and net other operating income (expenses).
 3. Amounts in parentheses represent losses or expenses.
 4. "Expenses" include general and administrative expenses in the consolidated financial statements, as well as credit-related expenses of 195 million yen. Credit related expenses are included in "Digital banking business."
 5. Adjustments include elimination of intersegment transactions and others.
 6. Segment assets and segment liabilities are not presented because the assets and liabilities are not allocated to the reportable segments for the internal management of the Group.

SBI Sumishin Net Bank, Ltd. (7163)
Financial Results for the Six Months Ended September 30, 2024

(Six months ended September 30, 2024)

(Millions of yen)

	Reportable segment			Adjustments	Total
	Digital banking business	BaaS business	THEMIX business		
Gross operating profit	34,283	6,135	141	(1,865)	38,696
Expenses	(17,523)	(3,713)	(280)	1,804	(19,713)
Ordinary profit (loss)	16,760	2,422	(138)	(60)	18,983

- (Notes)
1. "Gross operating profit" is presented instead of sales of companies in other industries.
 2. "Gross operating profit" includes net interest income (expenses), net fees and commission income (expenses), and net other operating income (expenses).
 3. Amounts in parentheses represent losses or expenses.
 4. "Expenses" include general and administrative expenses in the consolidated financial statements, as well as credit-related expenses of 423 million yen. Credit related expenses are included in "Digital banking business."
 5. Adjustments include elimination of intersegment transactions and others.
 6. Segment assets and segment liabilities are not presented because the assets and liabilities are not allocated to the reportable segments for the internal management of the Group.

3. Matters concerning changes in reportable segments

The Company has changed the measurement method to enhance the allocation criteria for mortgage loan origination fees earned from January 2024 in order to reflect business results by reportable segment more appropriately. As a result of this change, as compared to the previous method, gross operating profit and ordinary profit of the digital banking business increased by 601 million yen, respectively, and for the BaaS business, expenses increased and ordinary profit decreased by the same amount, respectively.

Segment information for the six months ended September 30, 2023 is disclosed based on the information prepared using the previous measurement method.

3. Interim Non-consolidated Financial Statements

(1) Interim Non-consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Cash and due from banks	1,662,675	1,531,669
Monetary claims bought	203,082	189,136
Money held in trust	13,148	12,148
Securities	571,806	563,771
Loans	7,978,762	8,385,619
Foreign exchanges	8,341	7,191
Other assets	201,486	87,723
Other	201,486	87,723
Tangible fixed assets	3,048	4,502
Intangible fixed assets	25,882	26,945
Deferred tax assets	8,765	8,289
Reserve for possible loan losses	(2,858)	(3,178)
Total assets	10,674,141	10,813,820
Liabilities		
Deposits	9,465,829	9,466,369
Payables under securities-lending transactions	145,284	91,717
Borrowed money	800,000	1,000,000
Foreign exchanges	6,363	5,411
Other liabilities	104,653	88,991
Income taxes payable	5,712	6,031
Other	98,940	82,959
Reserve for bonuses	835	388
Reserve for point program	1,180	937
Reserve for reimbursement of deposits in dormant accounts	56	58
Reserve under special laws	9	—
Total liabilities	10,524,213	10,653,873
Net assets		
Capital stock	31,000	31,000
Capital surplus	13,625	13,640
Legal reserve of capital surplus	13,625	13,625
Other capital surplus	—	14
Retained earnings	120,757	131,342
Legal reserve of retained earnings	6,226	6,497
Other retained earnings	114,531	124,844
Retained earnings brought forward	114,531	124,844
Treasury stock	(2)	(20)
Total shareholders' equity	165,380	175,962
Net unrealized gains (losses) on available-for-sale securities	(15,614)	(15,748)
Net deferred gains (losses) on hedges	161	(266)
Total valuation and translation adjustments	(15,452)	(16,015)
Total net assets	149,928	159,947
Total liabilities and net assets	10,674,141	10,813,820

(2) Interim Non-consolidated Statement of Income

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Ordinary income	51,953	66,308
Interest income	26,026	32,013
Interest on loans	19,987	23,682
Interest and dividends on securities	5,005	6,455
Fees and commission income	22,422	29,646
Other operating income	3,461	4,379
Other income	43	269
Ordinary expenses	36,341	47,961
Interest expenses	5,014	7,374
Interest on deposits	5,026	7,976
Fees and commission expenses	14,609	21,363
Other operating expenses	39	161
General and administrative expenses	16,083	18,601
Other expenses	595	460
Ordinary profit	15,611	18,347
Extraordinary income	—	50
Reversal of reserve for financial instruments transaction liabilities	—	9
Gains on business transfer	—	40
Extraordinary losses	10	51
Loss on disposal of fixed assets	0	10
Impairment losses	9	41
Provision of reserve for financial instruments transaction liabilities	0	—
Income before income taxes	15,601	18,345
Income taxes-current	4,429	5,678
Income taxes-deferred	210	725
Total income taxes	4,640	6,403
Net income	10,961	11,941

SBI Sumishin Net Bank, Ltd. (7163)
Financial Results for the Six Months Ended September 30, 2024

(3) Interim Non-consolidated Statement of Changes in Net Assets
For the Six Months Ended September 30, 2023

(Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings			Treasury stock	Total shareholders' equity
		Legal reserve of capital surplus	Other capital surplus	Total capital surplus	Legal reserve of retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at the beginning of the period	31,000	13,625	—	13,625	6,000	92,111	98,111	—	142,737
Changes during period									
Dividends of surplus									—
Purchase of treasury stock									—
Disposal of treasury stock									—
Net income						10,961	10,961		10,961
Net changes in items other than shareholders' equity									
Total changes during period	—	—	—	—	—	10,961	10,961	—	10,961
Balance at the end of the period	31,000	13,625	—	13,625	6,000	103,072	109,072	—	153,698

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Valuation and translation adjustments	
Balance at the beginning of the period	(11,409)	(335)	(11,744)	130,992
Changes during period				
Dividends of surplus				—
Purchase of treasury stock				—
Disposal of treasury stock				—
Net income				10,961
Net changes in items other than shareholders' equity	(8,316)	2,609	(5,707)	(5,707)
Total changes during period	(8,316)	2,609	(5,707)	5,253
Balance at the end of the period	(19,726)	2,274	(17,451)	136,246

SBI Sumishin Net Bank, Ltd. (7163)
Financial Results for the Six Months Ended September 30, 2024

For the Six Months Ended September 30, 2024

(Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings			Treasury stock	Total shareholders' equity
		Legal reserve of capital surplus	Other capital surplus	Total capital surplus	Legal reserve of retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at the beginning of the period	31,000	13,625	—	13,625	6,226	114,531	120,757	(2)	165,380
Changes during period									
Dividends or surplus					271	(1,628)	(1,357)		(1,357)
Purchase of treasury stock								(120)	(120)
Disposal of treasury stock			14	14				102	117
Net income						11,941	11,941		11,941
Net changes in items other than shareholders' equity									
Total changes during period	—	—	14	14	271	10,313	10,584	(17)	10,581
Balance at the end of the period	31,000	13,625	14	13,640	6,497	124,844	131,342	(20)	175,962

	Valuation and translation adjustments			Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Net deferred gains (losses) on hedges	Valuation and translation adjustments	
Balance at the beginning of the period	(15,614)	161	(15,452)	149,928
Changes during period				
Dividends of surplus				(1,357)
Purchase of treasury stock				(120)
Disposal of treasury stock				117
Net income				11,941
Net changes in items other than shareholders' equity	(134)	(428)	(562)	(562)
Total changes during period	(134)	(428)	(562)	10,019
Balance at the end of the period	(15,748)	(266)	(16,015)	159,947

Explanatory Material

For the Six Months Ended September 30, 2024



[Table of Contents]

1. Profits and Losses	Consolidated/Non-consolidated	.....	1,2
2. Domestic Interest Spread	Non-consolidated	.....	3
3. Net Gains (Losses) on Securities	Consolidated/Non-consolidated	.....	3
4. Capital Adequacy Ratios (domestic standard)	Consolidated/Non-consolidated	.....	4
5. Key Performance Indicators	Consolidated/Non-consolidated	.....	5
6. Deposits and Loans	Non-consolidated	.....	6
7. Disclosure of Claims Classified under the Financial Revitalization Act	Consolidated	.....	7
8. Coverage Ratio of Claims Classified under the Financial Revitalization Act	Consolidated	.....	7
9. Reserve for Possible Loan Losses	Consolidated/Non-consolidated	.....	8
10. Loans by Industry	Non-consolidated	.....	8
11. Unrealized Gains (Losses) on Securities	Consolidated/Non-consolidated	.....	9
12. Derivatives	Non-consolidated	.....	10
13. Deferred Tax Assets and Liabilities	Consolidated/Non-consolidated	.....	11

1. Profits and Losses

[Consolidated]

(Millions of yen)

	Six Months Ended		Six Months Ended September 30, 2023 (B)
	September 30, 2024 (A)	(A) - (B)	
Consolidated gross operating profit	38,696	4,880	33,815
Net interest income	24,623	3,466	21,157
Net fees and commission income	9,660	633	9,027
Net other operating income	4,412	781	3,631
Net gains (losses) on bonds	950	389	560
General and administrative expenses (-)	19,500	2,111	17,388
Credit related expenses (-)	423	228	195
Equity in gains (losses) of affiliates	(31)	(55)	23
Others	242	176	65
Ordinary profit (loss)	18,983	2,661	16,321
Extraordinary income (losses)	(27)	(1,243)	1,215
Income before income taxes	18,955	1,418	17,537
Income taxes - current (-)	6,016	1,000	5,015
Income taxes - deferred (-)	528	232	295
Total income taxes (-)	6,544	1,233	5,311
Net income	12,411	184	12,226
Net income attributable to owners of the parent	12,411	172	12,238
Consolidated net operating profit before provision of reserve for possible loan losses	19,196	2,768	16,427

Note 1: Consolidated gross operating profit = (Interest income - (Interest expenses - Expenses incurred for money held in trust))
+ (Fees and commission income - Fees and commission expenses)
+ (Other operating income - Other operating expenses)

Note 2: Consolidated net operating profit before provision of reserve for possible loan losses = Non-consolidated net operating profit + Subsidiary gross profit - Subsidiary general and administrative expenses - Internal transactions

Gross Operating Profit and Profit or Loss by Segment

Digital Banking Business

(Millions of yen)

	Six Months Ended		Six Months Ended September 30, 2023 (B)
	September 30, 2024 (A)	(A) - (B)	
Gross operating profit	34,283	3,682	30,601
Expenses (-)	17,523	1,657	15,865
Ordinary profit	16,760	2,025	14,735

Banking as a Service (BaaS) Business

(Millions of yen)

	Six Months Ended		Six Months Ended September 30, 2023 (B)
	September 30, 2024 (A)	(A) - (B)	
Gross operating profit	6,135	2,220	3,915
Expenses (-)	3,713	1,461	2,252
Ordinary profit	2,422	758	1,663

THEMIX Business

(Millions of yen)

	Six Months Ended		Six Months Ended September 30, 2023 (B)
	September 30, 2024 (A)	(A) - (B)	
Gross operating profit	141	95	45
Expenses (-)	280	136	143
Ordinary profit	(138)	(40)	(97)

Note: Expenses include credit related expenses, which are reported under the Digital Banking Business.

[Non-consolidated]

(Millions of yen)

	Six Months Ended September 30, 2024		Six Months Ended September 30, 2023
	(A)	(A) - (B)	(B)
Gross operating profit	37,142	4,893	32,249
Net interest income	24,641	3,627	21,014
Net fees and commission income	8,282	469	7,813
Net other operating income	4,218	796	3,422
Net gains (losses) on bonds	950	389	560
Expenses (excluding non-recurring losses) (-)	18,601	2,517	16,083
Personnel expenses (-)	3,180	368	2,812
Non-personnel expenses (-)	14,152	1,849	12,302
Taxes (-)	1,268	299	968
Net operating profit before provision of reserve for possible loan losses	18,541	2,375	16,166
Provisions of reserve for possible loan losses (1) (-)	230	270	(39)
Net operating profit	18,310	2,104	16,206
Non-recurring gains (losses)	36	630	(594)
Credit costs (2) (-)	190	53	136
Net gains (losses) on stocks and other securities	—	486	(486)
Other non-recurring gains (losses)	226	196	29
Ordinary profit (loss)	18,347	2,735	15,611
Extraordinary income (losses)	(1)	8	(10)
Income before income taxes	18,345	2,744	15,601
Income taxes - current (-)	5,678	1,249	4,429
Income taxes - deferred (-)	725	514	210
Total income taxes (-)	6,403	1,763	4,640
Net income	11,941	980	10,961
Total Credit related expenses ((1) + (2)) (-)	420	323	96

2. Domestic Interest Spread

[Non-consolidated]

(%)

		Six Months Ended September 30, 2024 (A)		Six Months Ended September 30, 2023 (B)
			(A) - (B)	
Investment yield	(A)	0.51	(0.01)	0.52
Interest earned on loans	(C)	0.57	(0.00)	0.58
Interest earned on securities		0.64	0.23	0.41
Total cost of funding (including expenses)	(B)	0.40	0.01	0.38
Funding yield		0.05	0.01	0.03
Interest paid on deposits, etc.	(D)	0.05	0.03	0.02
Expense ratio		0.39	0.01	0.37
Net interest margin	(A) - (B)	0.11	(0.02)	0.13
Interest spread	(C) - (D)	0.51	(0.03)	0.55

3. Net Gains (Losses) on securities

[Consolidated]

(Millions of yen)

	Six Months Ended September 30, 2024 (A)		Six Months Ended September 30, 2023 (B)
		(A) - (B)	
Net gains (losses) on bonds	950	389	560
Net gains (losses) on stocks and other securities	—	—	—

[Non-consolidated]

(Millions of yen)

	Six Months Ended September 30, 2024 (A)		Six Months Ended September 30, 2023 (B)
		(A) - (B)	
Net gains (losses) on bonds	950	389	560
Net gains (losses) on stocks and other securities	—	486	(486)

4. Capital Adequacy Ratios (domestic standard)

[Consolidated]

(Billions of yen, %)

	As of September 30, 2024		As of March 31, 2024
	(A)	(A) - (B)	
(1) Capital adequacy ratio (2) / (3)	7.40	(0.37)	7.77
(2) Amount of capital	157.3	10.1	147.1
(3) Amount of risk-weighted assets	2,124.3	231.9	1,892.4
(4) Total regulatory required capital	84.9	9.2	75.6

[Non-consolidated]

(Billions of yen, %)

	As of September 30, 2024		As of March 31, 2024
	(A)	(A) - (B)	
(1) Capital adequacy ratio (2) / (3)	7.36	(0.38)	7.74
(2) Amount of capital	157.3	9.6	147.6
(3) Amount of risk-weighted assets	2,135.8	229.2	1,906.5
(4) Total regulatory required capital	85.4	9.1	76.2

5. Key Performance Indicators

(1) Origination of Mortgages

[Consolidated]				(Billions of yen)
	Six Months Ended September 30, 2024 (A)	(A) - (B)	Six Months Ended September 30, 2023 (B)	
Origination of mortgages	919.2	147.0	772.2	
Original	892.0	161.3	730.7	
Flat 35	27.1	(14.2)	41.4	

Note: Original: Original represents the total origination of mortgages sold by the Company, mortgages sold by bank agencies with the Company as the affiliated bank, and mortgages originated by Yuryo Loan, Ltd.

The six months ended September 30, 2023 includes mortgages sold by the Company as a bank agency of Sumitomo Mitsui Trust Bank Limited

Flat35: Flat 35 is sold by the Company and Yuryo Loan, Ltd.

(2) Number of Accounts

[Non-consolidated]				(Ten thousands of accounts)
	As of September 30, 2024 (A)	(A) - (B)	As of March 31, 2024 (B)	
Number of accounts	773	47	726	
Digital Banking Business	582	14	567	
BaaS Business	191	33	158	

(3) Number of BaaS Business Partners

[Non-consolidated]				(Number of companies)
	As of September 30, 2024 (A)	(A) - (B)	As of March 31, 2024 (B)	
Number of BaaS business partners	19	3	16	

Note: Number of BaaS Business partners includes only BaaS business partners which have the account-fee model and dedicated branches.

6. Deposits and Loans

(1) Deposits and Loans

[Non-consolidated]

(Billions of yen)

	As of September 30, 2024		As of March 31, 2024
	(A)	(A) - (B)	
Deposits (Ending balance)	9,466.3	0.5	9,465.8
Deposits (Average balance)	9,515.7	671.6	8,844.0
Loans (Ending balance)	8,385.6	406.8	7,978.7
Loans (Average balance)	8,207.7	963.1	7,244.5

(2) Breakdown of Domestic Loans and Ratio of Loans of Small and Mid-Sized Enterprises

[Non-consolidated]

(Billions of yen)

	As of September 30, 2024		As of March 31, 2024
	(A)	(A) - (B)	
Domestic loans (excluding governments)	7,977.8	752.3	7,225.5
Large enterprises	156.3	54.2	102.0
Mid-sized enterprises	—	—	—
Small and mid-sized enterprises	7,821.5	698.1	7,123.4
Small and mid-sized enterprises	10.9	(4.4)	15.3
Individuals	7,810.6	702.5	7,108.0
Ratio of loans to small and mid-sized enterprises	(B) / (A)	98.0%	(0.5)%
			98.5%

(3) Loans to Individual

[Non-consolidated]

(Billions of yen)

	As of September 30, 2024		As of March 31, 2024
	(A)	(A) - (B)	
Total	7,810.6	702.5	7,108.0
Mortgage loans	7,351.3	712.9	6,638.3
Others	459.3	(10.3)	469.7

7. Disclosure of Claims Classified under the Financial Revitalization Act

[Consolidated]

(Millions of yen)

	As of September 30, 2024		As of March 31, 2024
	(A)	(A) - (B)	(B)
Bankrupt and practically bankrupt	3,025	486	2,539
Doubtful	848	(33)	882
Restructured	603	(52)	656
Total	4,478	400	4,077

Total normal claims	8,381,333	410,819	7,970,514
Total balance of claims, including normal claims	8,385,811	411,219	7,974,591
NPL ratio	0.05%	0.00%	0.05%

Note: Total balance of claims, including normal claims, are loans, foreign exchanges, and accrued interest and suspense payments within Other assets.

8. Coverage Ratio of Claims Classified under the Financial Revitalization Act

[Consolidated]

(Millions of yen)

	As of September 30, 2024		As of March 31, 2024
	(A)	(A) - (B)	(B)
Coverage amount	4,269	423	3,846
Reserve for possible loan losses	746	82	664
Collateral and guarantees	3,522	341	3,181
Claims classified under the Financial Revitalization Act	4,478	400	4,077

Coverage ratio	(A) / (B)	95.35%	1.03%	94.31%
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(Reference) Self-assessment (Borrower classification)

[Consolidated]

(Millions of yen)

	As of September 30, 2024		As of March 31, 2024
	(A)	(A) - (B)	(B)
Bankrupt borrowers	401	(24)	425
Substantially bankrupt borrowers	2,624	510	2,113
Potentially bankrupt borrowers	848	(33)	882
Borrowers requiring caution	3,459	(236)	3,696
Borrowers under requirement of control	603	(53)	657
Other borrowers requiring caution	2,855	(183)	3,039
Normal borrowers	8,378,477	411,003	7,967,473
Total balance of claims, including normal claims	(A) + (B) + (C) + (D) + (E) 8,385,811	411,219	7,974,591

Note: Total balance of claims, including normal claims, are loans, foreign exchanges, and accrued interest and suspense payments within Other assets.

9. Reserve for Possible Loan Losses

[Consolidated]

(Millions of yen)

	As of September 30, 2024		As of March 31, 2024 (B)
	(A)	(A) - (B)	
Reserve for possible loan losses	3,186	319	2,867
General reserve for possible loan losses	2,430	233	2,197
Specific reserves for possible loan losses	756	86	669

[Non-consolidated]

(Millions of yen)

	As of September 30, 2024		As of March 31, 2024 (B)
	(A)	(A) - (B)	
Reserve for possible loan losses	3,178	319	2,858
General reserve for possible loan losses	2,437	230	2,207
Specific reserves for possible loan losses	740	88	651

10. Loans by Industry Sector

[Non-consolidated]

(Millions of yen, %)

	As of September 30, 2024		As of March 31, 2024	
	Amount	Composition	Amount	Composition
Individuals	7,810,648	93.14	7,108,063	89.09
Financial	165,517	1.98	115,190	1.44
Government of Japan	407,738	4.86	753,262	9.44
Others	1,715	0.02	2,246	0.03
Total	8,385,619	100.00	7,978,762	100.00

11. Unrealized Gains (Losses) on Securities

[Consolidated]

(Billions of yen)

	As of September 30, 2024			As of March 31, 2024	
	Amount on the interim consolidated balance sheet	Unrealized gains (losses) (A)	(A) - (B)	Amount on the consolidated balance sheet	Unrealized gains (losses) (B)
Securities	607.6	(22.6)	(0.1)	627.4	(22.5)
Held-to-maturity debt securities	—	—	—	—	—
Available-for-sale securities	607.6	(22.6)	(0.1)	627.4	(22.5)
Stocks	0.7	—	—	0.0	—
Bonds	278.2	(18.7)	(5.4)	264.1	(13.3)
Japanese government bonds	198.4	(14.4)	(4.8)	180.8	(9.6)
Others	328.6	(3.9)	5.2	363.3	(9.1)
Foreign bonds	271.5	(2.6)	5.2	295.9	(7.8)

Note: The above table includes beneficial interests in trusts within "Monetary claims bought" in addition to "Securities."

[Non-consolidated]

(Billions of yen)

	As of September 30, 2024			As of March 31, 2024	
	Amount on the interim non-consolidated balance sheet	Unrealized gains (losses) (A)	(A) - (B)	Amount on the non-consolidated balance sheet	Unrealized gains (losses) (B)
Securities	618.4	(22.6)	(0.1)	638.2	(22.5)
Held-to-maturity debt securities	—	—	—	—	—
Investment in the shares of subsidiaries and affiliates	10.7	—	—	10.7	—
Available-for-sale securities	607.6	(22.6)	(0.1)	627.4	(22.5)
Stocks	0.7	—	—	0.0	—
Bonds	278.2	(18.7)	(5.4)	264.1	(13.3)
Japanese government bonds	198.4	(14.4)	(4.8)	180.8	(9.6)
Others	328.6	(3.9)	5.2	363.3	(9.1)
Foreign bonds	271.5	(2.6)	5.2	295.9	(7.8)

Note: The above table includes beneficial interests in trusts within "Monetary claims bought" in addition to "Securities."

12. Derivatives

(1) Derivatives for which hedge accounting is not applied

[Non-consolidated]

(Billions of yen)

		As of September 30, 2024			As of March 31, 2024		
		Contract amount, etc.	Fair value	Unrealized gains (losses)	Contract amount, etc.	Fair value	Unrealized gains (losses)
Interest rate-related derivatives		—	0.1	6.0	—	(0.0)	5.5
Interest rate options	sold	411.1	(8.7)	(2.8)	387.9	(8.4)	(2.9)
	bought	409.6	8.9	8.9	386.8	8.4	8.4
Currency-related derivatives		—	(1.9)	(1.9)	—	0.0	0.0
Foreign exchange forward contracts	sold	652.0	5.9	5.9	625.1	(0.1)	(0.1)
	bought	788.5	(7.8)	(7.8)	732.8	0.2	0.2
Currency options	sold	0.2	(0.0)	0.0	1.1	(0.0)	0.0
	bought	0.2	0.0	0.0	1.1	0.0	(0.0)

Note: The above transactions are stated at fair value, and unrealized gains (losses) are recorded in the non-consolidated statements of income.

(2) Derivatives for which hedge accounting is applied

[Non-consolidated]

(Billions of yen)

		Primary hedged instrument	As of September 30, 2024			As of March 31, 2024		
			Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value	Contract amount, etc.	Portion of contract amount, etc., exceeding 1 year	Fair value
Interest rate-related derivatives			—	—	(0.2)	—	—	0.2
Interest rate swap transactions (Receive floating rate, pay fixed rate)	Loans, available-for-sale securities (bonds)		170.9	161.0	(0.2)	151.1	141.3	0.2
Interest rate swaps transactions (Receive fixed rate, pay floating rate)	Borrowed money		300.0	150.0	0.0	—	—	—
Interest rate swaps transactions to which exceptional treatment is applied (Receive fixed rate, pay floating rate)	Borrowed money		700.0	500.0	(Note 2)	500.0	500.0	(Note 2)

Note 1: The deferral method is applied in accordance with "Treatment of Accounting and Auditing Concerning Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Auditing Committee Report No. 24 (February 13, 2002)).

Note 2: Interest rate swaps to which exceptional treatment is applied are not stated at fair value since such swaps are accounted for as one unit with hedged borrowed money.

13. Deferred Tax Assets and Liabilities

[Consolidated]

(Millions of yen)

	As of September 30, 2024	As of March 31, 2024
Net deferred tax assets	7,741	8,021

[Non-consolidated]

(Millions of yen)

		As of September 30, 2024	As of March 31, 2024
Unrealized losses on available-for-sale securities		7,313	7,050
Deferred losses on hedges		924	989
Reserve for possible loan losses		696	604
Reserve for point program		286	361
Accrued enterprise tax		319	307
Reserve for bonuses		118	255
Loss on devaluation of stocks of subsidiaries and associates		247	247
Other		747	416
Subtotal deferred tax assets	(A)	10,656	10,232
Subtotal valuation allowance	(B)	(247)	(247)
Total deferred tax assets (A) + (B)	(C)	10,409	9,985
Unrealized gains on available-for-sale securities		(363)	(159)
Deferred gains on hedges		(807)	(1,060)
Other		(949)	—
Total deferred tax liabilities	(D)	(2,120)	(1,219)
Net deferred tax assets (C) + (D)		8,289	8,765