

Medium-term Strategic Plan 2025



May 8, 2025

1. Executive Summary
2. Business Environment and Issues on Our Radar
3. Our Vision
4. Key Initiatives
5. Numerical Targets
6. ESG
7. Capital Management Policy
8. Key Performance Indicators

Becoming a leading company in housing finance

**Overwhelming
No.1 market share
in Flat 35**

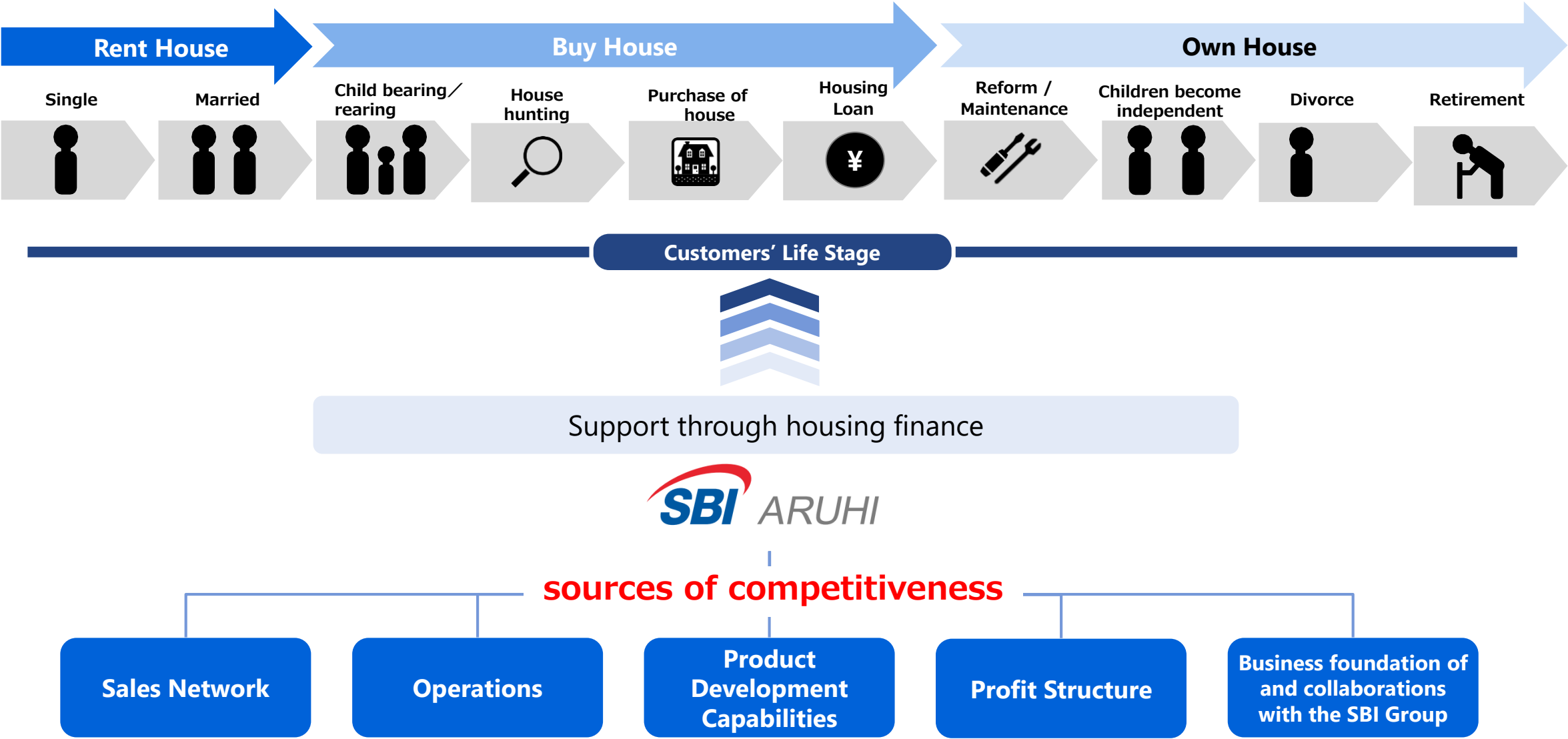
- ▶ Rebuild sales network and operations
- ▶ Achieve **overwhelming No.1 market share in Flat 35** by leveraging strengthened business foundation

**Invest in
growth areas**

- ▶ Position **"Growth" areas** as areas where home-buying needs will increase in the future, and allocate our resources accordingly
- ▶ Strengthen initiatives for financial inclusion through housing loans


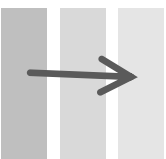

**Stock revenues
exceed 50%**

- ▶ Establish new **stock businesses** to build sustainable profit structure
- ▶ Aim for **ROE over 10%** as a key performance indicator





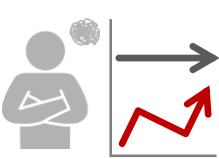
Housing Market

While total housing circulation is on a declining trend, housing needs for new customers are expected to increase

Population 	decrease <ul style="list-style-type: none">▶ Decrease in main targets for home buying (18-59 years old)▶ Increase in seniors and foreigners
Households 	stable <ul style="list-style-type: none">▶ Decrease in couple-and-children households▶ Increase in singles / single parents household till 2035
Housing Circulation 	decrease <ul style="list-style-type: none">▶ Newly-built : Consistently high prices and slightly decreasing circulation▶ Existing : Rising prices and slightly increasing circulation

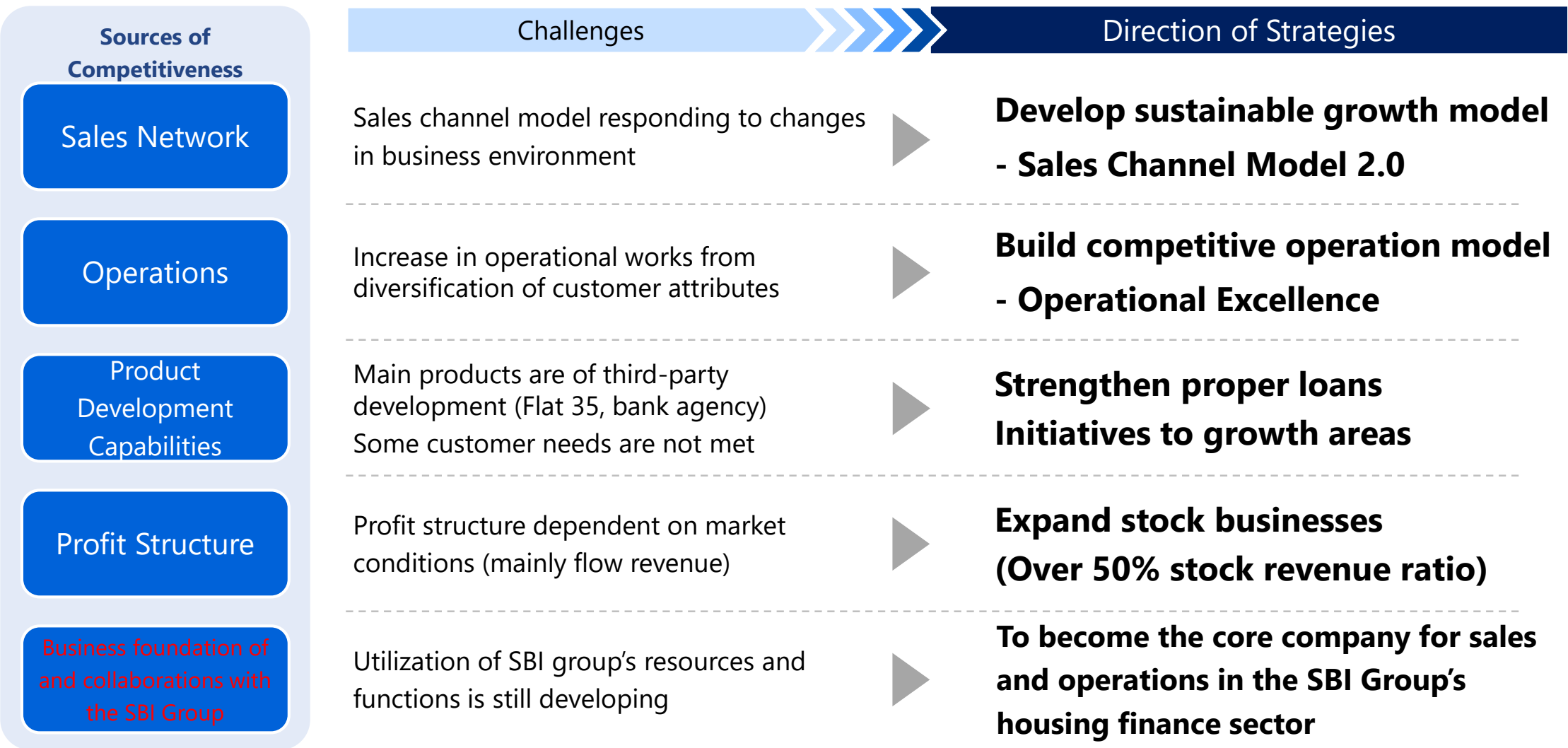
Housing Loan Market

While the market is slightly decreasing from ¥20 trillion level, needs for housing loans are expected to increase from demand for fixing interest rates and/or from new customers

Interest Rates 	rise <ul style="list-style-type: none">▶ Policy rate to be raised gradually▶ Narrower gap between fixed and variable interest housing loans
Competitive Environment 	soften <ul style="list-style-type: none">▶ Decline in loan-deposit ratio, Rising deposit interest rates▶ Shrinking risk volumes by banks
Customer Preference 	Bipolarization <ul style="list-style-type: none">▶ Higher needs for fixing interest rates from anxiety for higher interest rates▶ Continued needs for variable rate to lower near-term payment amount

Source : Future Projections of the Number of Households in Japan, 2024 estimate by IPSS

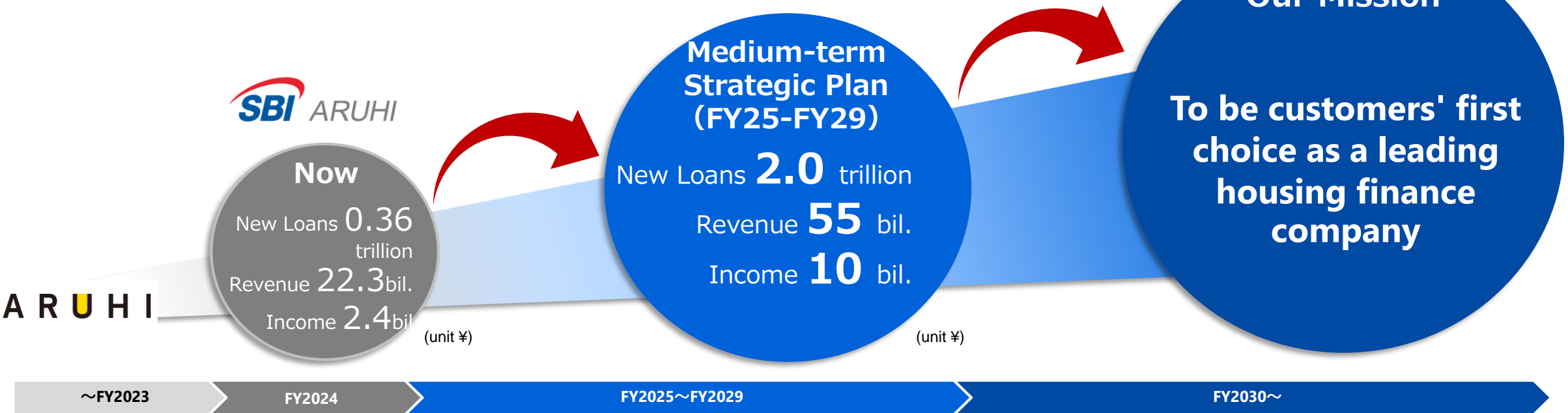
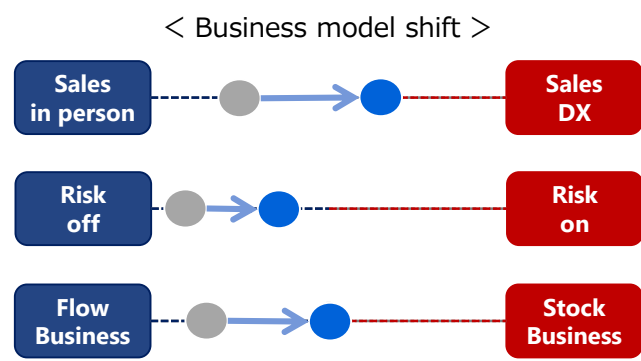
Formulate strategic directions based on outlook of business environment and facing challenges



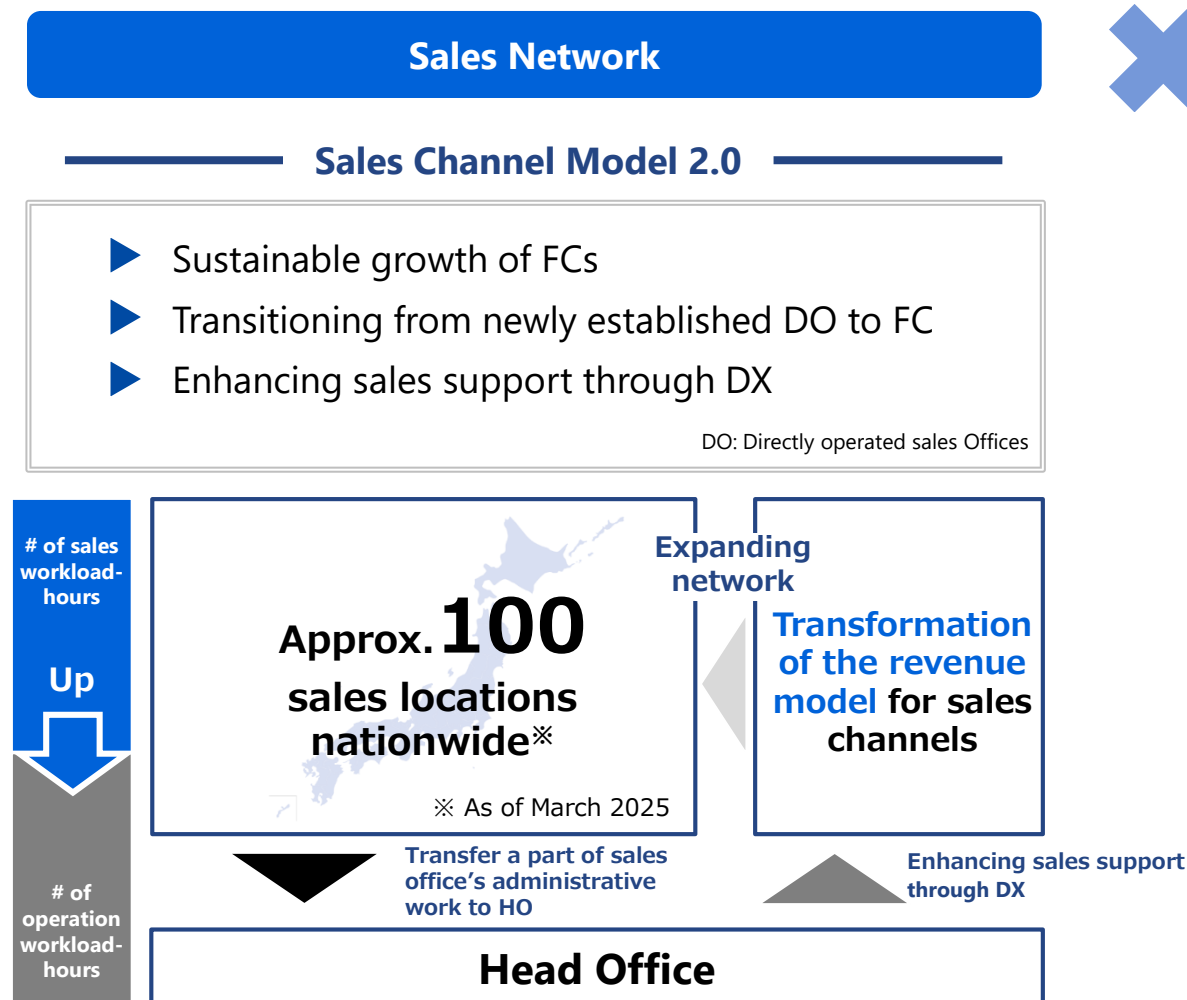
Formulate Medium-term Strategic Plan aiming to make SBI ARUHI a leading company in housing finance

Key Initiatives of Medium-term Strategic Plan

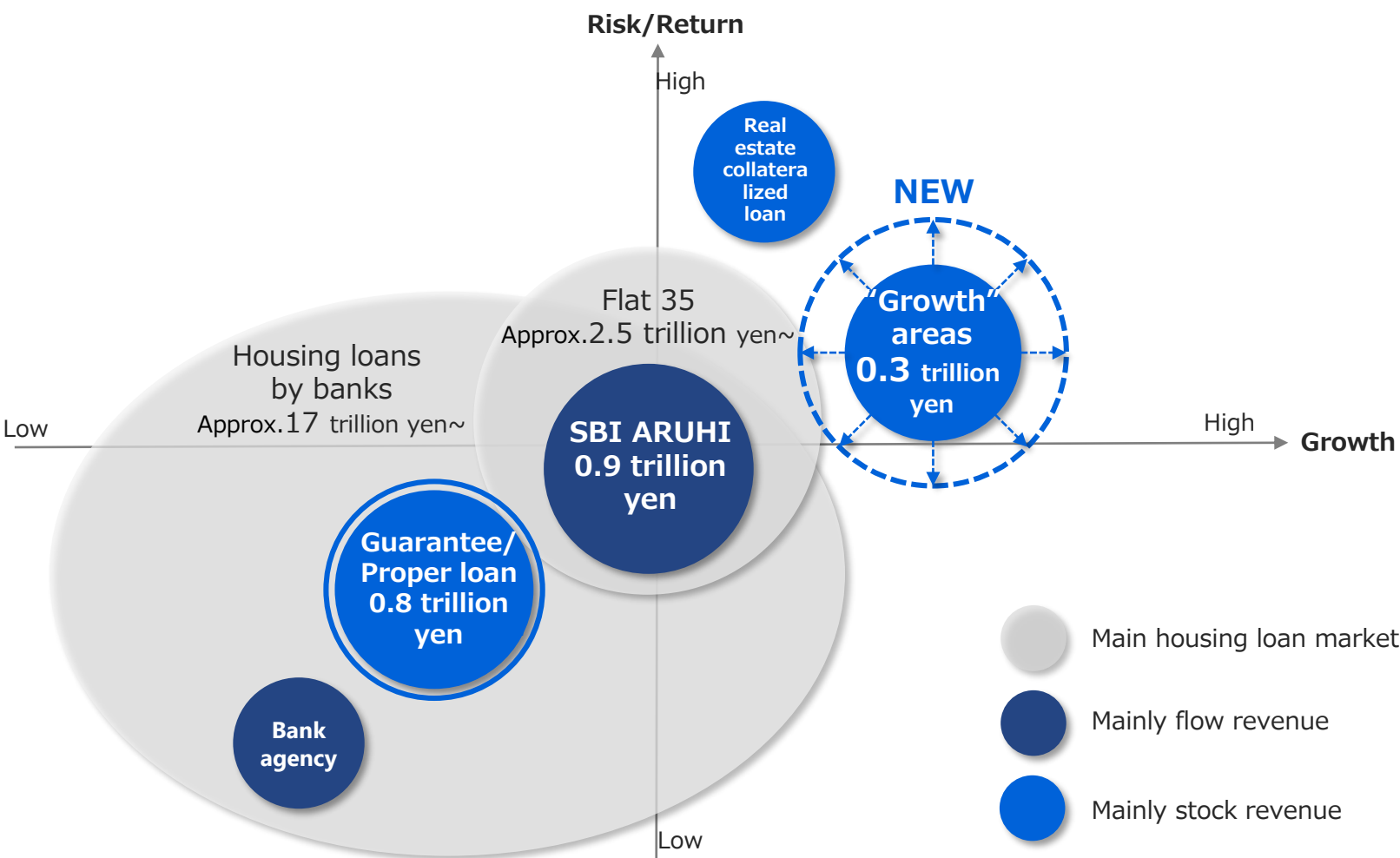
- 1 Investment to “overwhelming No.1 market share” in Flat 35
- 2 Providing housing finance in “Growth Areas”
- 3 Expansion of “Stock Business”



Expand investment in “Sales Network” and “Operations”, which are our strong points, and make our presence in Flat 35 market overwhelming

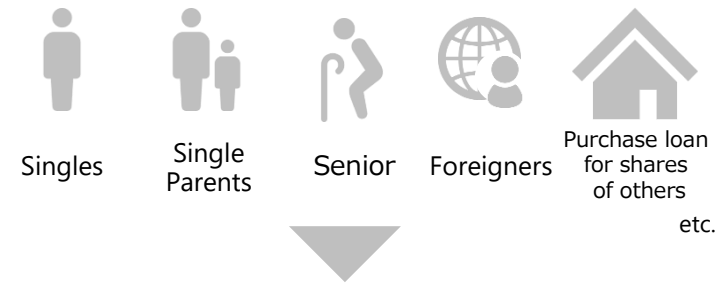


Focus on “Growth” areas where the number of households and housing circulations are expected to increase, making it our third revenue pillar after housing loans and guarantee

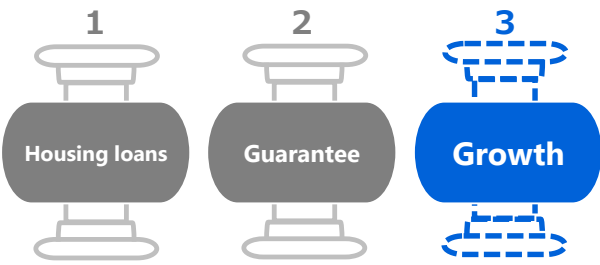


“Growth” areas

Areas where financial institutions are not active but where more housing needs are expected in the future



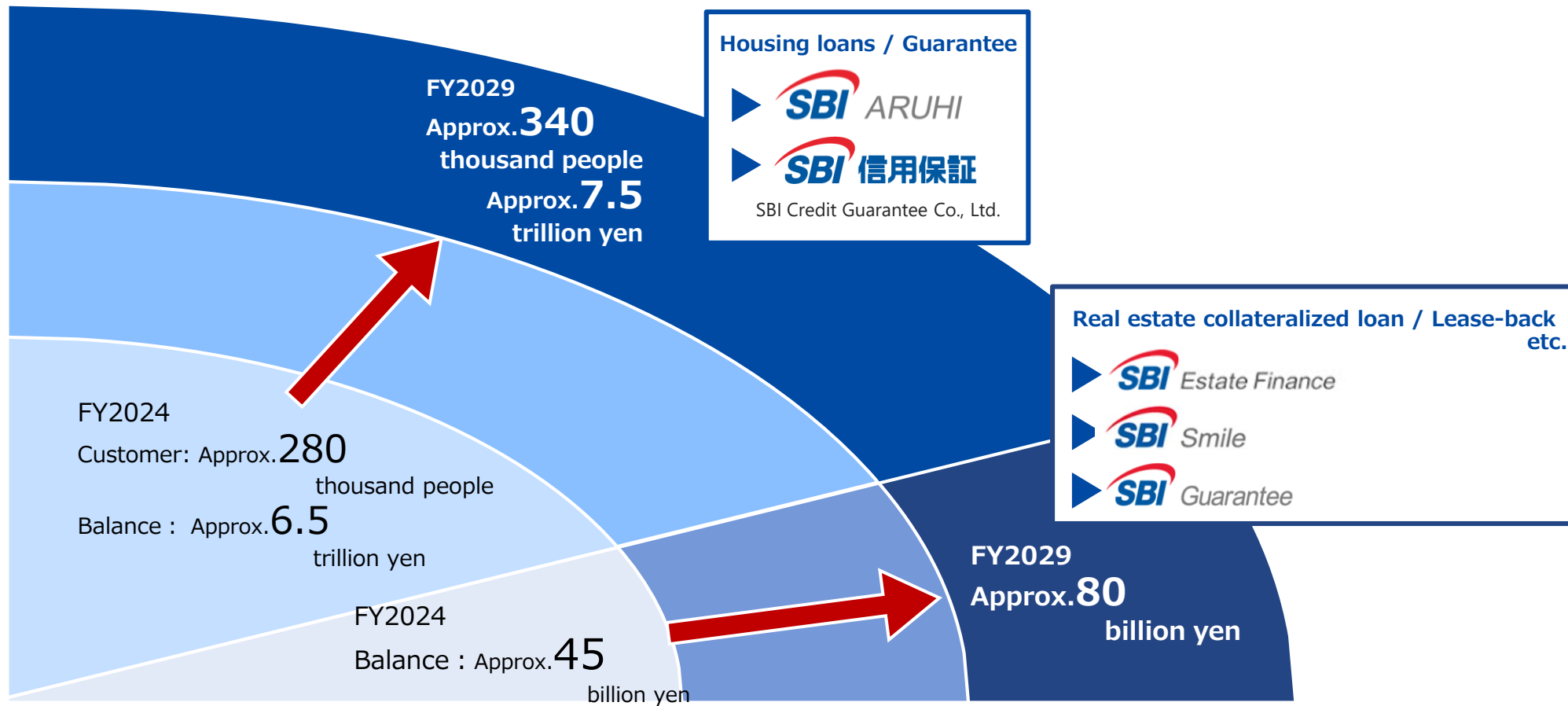
3rd revenue pillar



Source: Prepared by SBI ARUHI based on Japan Housing Finance Agency (JHFA) materials
Illustrated above: FY2029 Forecast

Balance of loan servicing asset of SBI ARUHI is second only to mega banks/net banks/mega trust banks

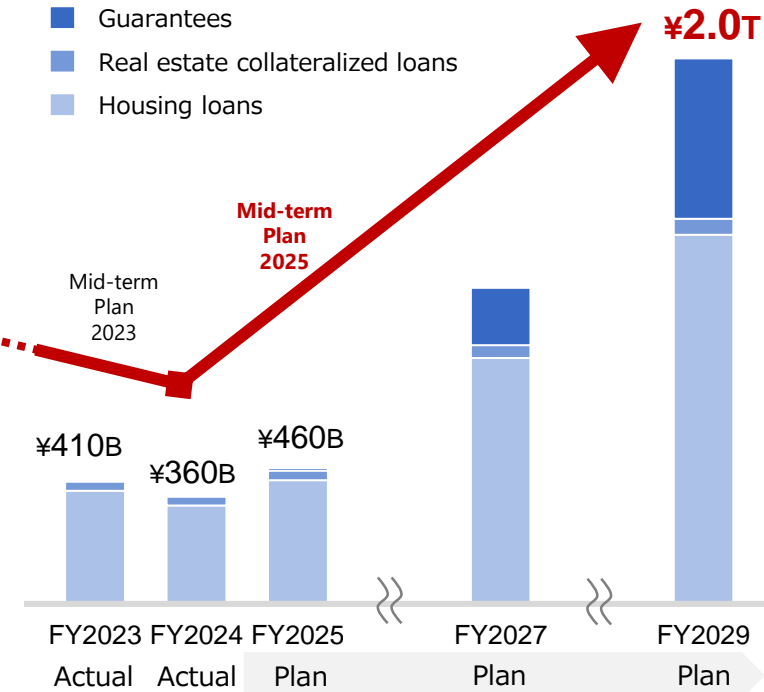
Try to create revenue opportunities by increasing touch points with customers



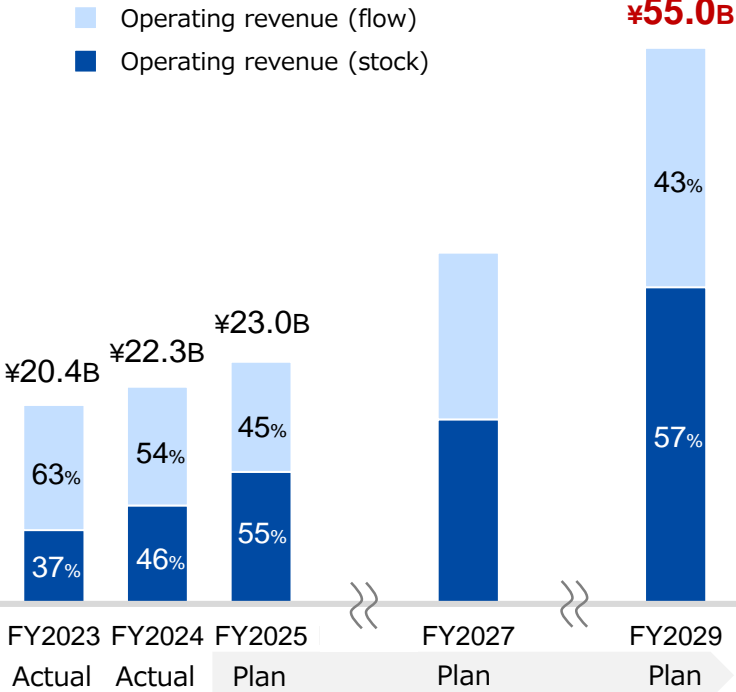
Expect turnaround of new executions by tackling 3 key initiatives and by follow wind from market environment

Increase proportion of stock revenue to over 50% and realize stable income statement that is immune from market conditions

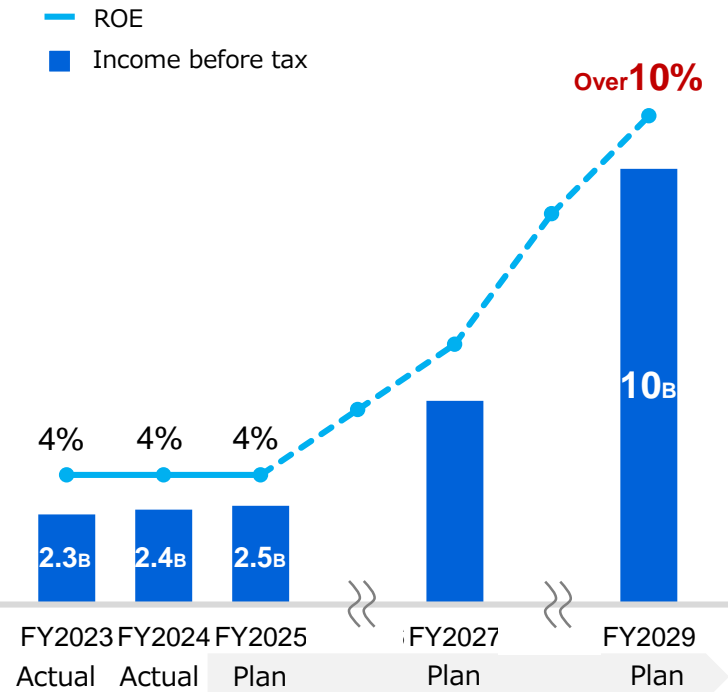
Plan for amount of new executions



Plan for operating revenue



Plan for income before tax and ROE



Strengthen initiatives for contribution to global environment and financial inclusion through enhancement of proper loans
Continuous enhancement of "Compliance First" initiatives



Contribution to global environment

- ▶ Utilize JHFA systems and proper loans to
 - › **support buying high quality existing house**
 - › **Promote environmentally friendly house**
- ▶ Expand climate change disclosure based on TCFD
- ▶ Reduce GHG emissions through promotion of energy conservation
- ▶ **Promote paperless and reduce postage costs through digitalization of housing loan processes**



Perform social responsibility

- ▶ Support child-rearing by increasing sales of Flat 35 by utilizing JHFA systems
- ▶ **Strengthen initiatives for financial inclusion through proper loans**
 - › Singles
 - › Single parents
 - › Senior
 - › Foreigners
 - › Purchase loan for shares of others



Upgrade of governance

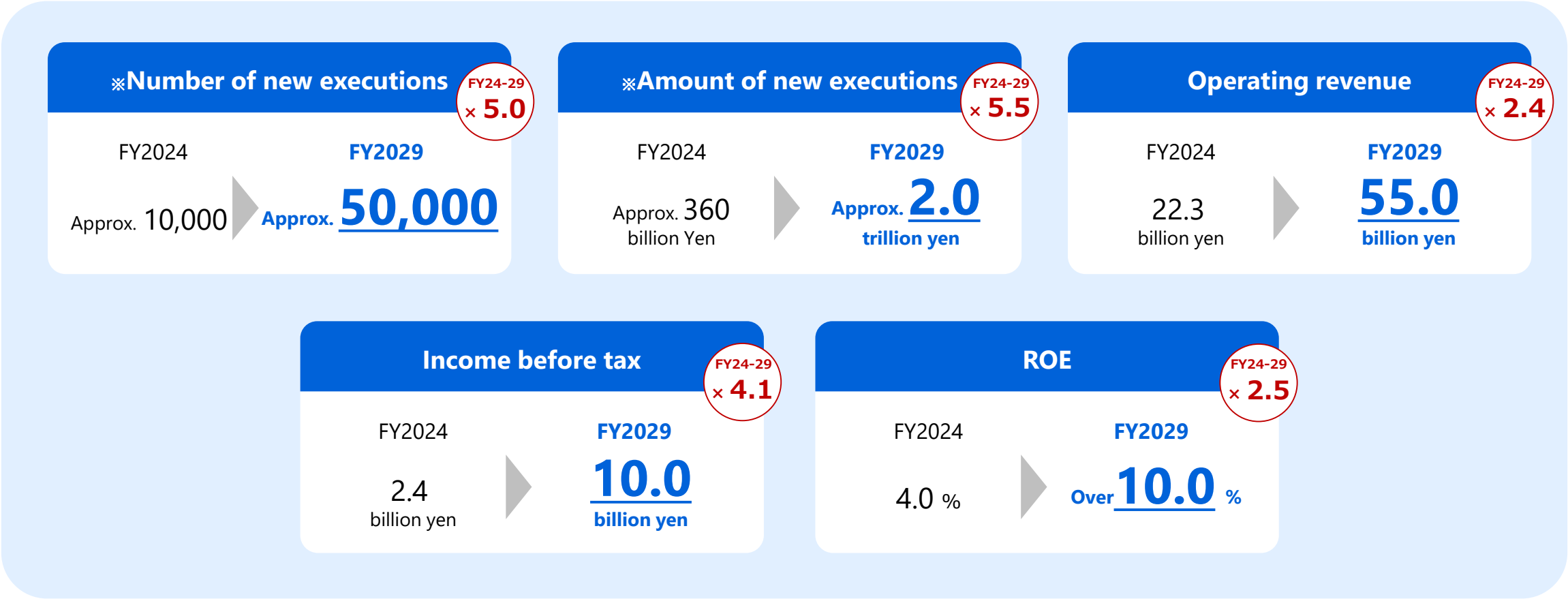
- ▶ **Continuous enhancement of "Compliance First" initiatives**
- ▶ **Transition to a Company with an Audit & Supervisory Committee**
 - › Focus on strategic discussions at BOD
 - › Strengthen monitoring function
 - › Accelerate decision making by delegating the authority to make business decisions
- ▶ Newly establish a **Management Committee** to prevent arbitrary actions of the Executive Directors

Continue DOE of approx. 4% for the purpose of stable shareholder return

Aim to enhance corporate value through expansion of dialogues with investors and upgrade of governance structure

Key Items	Details
Investment in Foundation / Efficiency	<ul style="list-style-type: none">▶ Plan to invest approx. ¥6 billion in 5 years to establish “Sales Channel Model 2.0”, improve operational productivity, and product developments
Shareholder Return	<ul style="list-style-type: none">▶ Achieve both growth investment and stable dividends to shareholders by comprehensively taking into account ROE level and financial leverage▶ Aim to increase dividends through medium-to-long term profit growth
Payout Ratio	<ul style="list-style-type: none">▶ Bottom of target payout ratio is <u>35~40%</u>
DOE	<ul style="list-style-type: none">▶ Plans to make stable dividends by setting out minimum target level of <u>DOE approx. 4%</u>
Expansion of dialogue with investors	<ul style="list-style-type: none">▶ Expand disclosure including non-financial information and more dialogues with investors / analysts▶ Create trust from capital market by feeding-back of opinions from the high-quality dialogues to management and reflecting them to management strategies

In order to achieve management with consciousness of capital cost and stock price, the following KPIs have been set, and continuous improvement of ROE will be pursued



※The number and amount of new loan executions represent the total of new housing loan executions, new real estate collateralized loan executions, lease-back and new guarantee executions

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