



Consolidated Financial Results (Japanese Accounting Standards) for the Third Quarter of the Fiscal Year Ending March 31, 2023

January 27, 2023

Company name Morningstar Japan K. K. Stock exchange listing: Tokyo Stock Exchange
 Stock code 4765 URL <https://www.morningstar.co.jp>
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 Person responsible for disclosure (Title) Managing Executive Officer and General Manager of Administration Department (Name) Kazuhisa Ogawa TEL 03-6229-0810
 Scheduled date for filing of quarterly report: February 8, 2023
 Scheduled date of payment of dividends: June 1, 2023
 Supplementary documents for quarterly financial results: None
 Quarterly financial results briefing: Yes (for analysts and institutional investors) The video of the briefing will be posted promptly to our web site

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

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2023 (April 1, 2022 to December 31, 2022)

(1) Consolidated Results of Operations (cumulative) (Percentages show year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Third quarter of fiscal year ending March 31, 2023	6,526	8.9	1,517	0.2	1,799	2.9	1,091	4.6
Third quarter of fiscal year ended March 31, 2022	5,993	9.4	1,513	17.8	1,749	10.8	1,043	6.0

(Note) Comprehensive income Third quarter of fiscal year ending March 31, 2023: 1,319 million yen (-20.4%)
 Third quarter of fiscal year ended March 31, 2022: 1,658 million yen (47.0%)

	Net income per share (basic)	Net income per share (diluted)
	yen	yen
Third quarter of fiscal year ending March 31, 2023	12.18	—
Third quarter of fiscal year ended March 31, 2022	11.64	—

Diluted net income per share is not stated as there are no dilutive shares.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	yen
Third quarter of fiscal year ending March 31, 2023	14,131	12,045	81.2	128.03
Fiscal Year ended March 31, 2022	14,055	12,273	84.0	131.64

(Reference) Shareholders' equity Third quarter of fiscal year ending March 31, 2023: 11,480 million yen
 Fiscal Year Ended March 31, 2022: 11,804 million yen

2. Dividends

	Dividend				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total
Fiscal Year ended March 31, 2022	— yen	8.00 yen	— yen	9.00 yen	17.00 yen
Fiscal Year ending March 31, 2023	—	8.25	—		
Fiscal Year ending March 31, 2023 (forecast)				12.75	12.75

(Note) Revision to the most recently announced dividend forecast: Yes

3. Forecast of Consolidated Financial Results for the Fiscal Year ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(Percentages show year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share (basic)
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	yen
Full year	9,000	10.8	2,150	0.9	2,500	4.0	5,700	292.0	63.56

(Note) Revision to the most recently announced earnings forecast: Yes

(Note) For the revision of the consolidated earnings forecast, please refer to “Earnings Forecasts for the Fiscal Year Ending March 2023: Substantial Increase in Net Income Attributable to Owners of Parent, and Recording of Extraordinary Income and Extraordinary Losses” announced today (January 27, 2023).

*Notes

(1) Changes in significant subsidiaries during the quarter under review (changes in specified subsidiaries affecting the scope of consolidation): Yes

One new company (Company name)	Shinsei Investment Management Co., Ltd.	Excluded 3 companies (Company name)	SBI Bond Investment Management Co., Ltd., SBI Regional Revitalization Asset Management Co., Ltd. and SBI Asset Management Group Co., Ltd.
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(2) Application of special accounting treatment for preparing quarterly consolidated financial statements: None

(3) Changes in accounting policies and estimates, and retrospective restatements

- 1) Changes in accounting policies caused by revision of accounting standards : Yes
- 2) Changes in accounting policies other than 1) None
- 3) Changes in accounting estimates None
- 4) Retrospective restatements None

(4) Number of shares issued (common stock)

1) Number of shares outstanding at end of period (including treasury stocks)	Q3, Fiscal Year Ending March 31, 2023	89,673,600 shares	Fiscal Year ended March 31, 2022	89,673,600 shares
2) Number of treasury stocks at end of period	Q3, Fiscal Year Ending March 31, 2023	170 shares	Fiscal Year ended March 31, 2022	170 shares
3) Average number of shares during the period (quarterly cumulative)	Q3, Fiscal Year Ending March 31, 2023	89,673,430 shares	Q3, Fiscal Year Ended March 31, 2022	89,673,430 shares

* This quarterly financial summary is outside the scope of the quarterly review performed by certified accountants and auditors.

* Explanation regarding the appropriate use of financial forecasts and other special items

(How to obtain the financial results briefing)

A briefing of financial results for analysts is scheduled to be held on January 27, 2023. We will post a video of the briefing on our official website promptly after it is held.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Business Results

Looking at the consolidated financial results for the first nine months of the current fiscal year (from April 1, 2022 to December 31, 2022), there was a severe market environment in which the values of both stocks and bonds fell substantially. The Asset Management Business saw the Group's balance of assets under management increase from 3.59 trillion yen at the end of the same period of the previous fiscal year (December 31, 2021) to 4.48 trillion yen at the end of the current quarter (December 31, 2022), and management fees (trust fees) grew due to a rising investment balance. As a result, sales of the Asset Management Business amounted to 4,958 million yen, an increase of 491 million yen (11.0%) from the same period of the previous fiscal year (from April 1, 2021 to December 31, 2021).

In the Financial Services Business, the number of Wealth Advisors provided for tablets used by advisors at financial institutions engaged in sales continued to increase. In addition, there was an increase in the provision of fund data to financial institutions. As a result, sales of the Financial Services Business totaled 1,568 million yen, up 41 million yen (2.7%) from the same period of the previous fiscal year.

Thus, for the consolidated business results for the first nine months of the fiscal year under review, sales amounted to 6,526 million yen, an increase of 532 million yen (8.9%) from 5,993 million yen for the same period of the previous fiscal year.

Moreover, cost of sales was 3,054 million yen, up 304 million yen (11.1%) from 2,750 million yen for the same period of the previous fiscal year. Selling, general and administrative expenses were 1,955 million yen, an increase of 225 million yen (13.0%) from 1,729 million yen for the same period of the previous fiscal year.

As a result, operating income for the first nine months of the fiscal year under review amounted to 1,517 million yen, an increase of 3 million yen (0.2%) from 1,513 million yen for the same period of the previous fiscal year.

With non-operating income increasing by 49 million yen and non-operating expenses increasing by 2 million yen compared with the same period of the previous fiscal year, ordinary income for the period under review totaled 1,799 million yen, an increase of 50 million yen (2.9%) from 1,749 million yen for the same period of the previous fiscal year.

As a result, net income attributable to owners of parent for the first nine months of the fiscal year under review amounted to 1,091 million yen, an increase of 48 million yen (4.6%) from 1,043 million yen for the same period of the previous fiscal year.

[Summary of consolidated financial results]

	First nine months of fiscal year ended March 31, 2022		First nine months of fiscal year ending March 31, 2023		Increase/Decrease	
	Amount (Thousand yen)	Profit rate	Amount (Thousand yen)	Profit rate	Amount (Thousand yen)	Rate
Net sales	5,993,736		6,526,688		532,951	8.9%
Operating income	1,513,669	25.3%	1,517,129	23.2%	3,460	0.2%
Ordinary income	1,749,337	29.2%	1,799,872	27.6%	50,534	2.9%
Net income attributable to owners of parent	1,043,757	17.4%	1,091,945	16.7%	48,188	4.6%

Consolidated sales increased for the 11th consecutive year and recorded the highest sales for the 6th consecutive year.

Operating income increased for the 3rd consecutive year and recorded the highest income for the 2nd consecutive year.

Ordinary income increased for the 14th consecutive year and recorded the highest income for the 11th consecutive year.

Net income attributable to owners of parent increased for the 3rd consecutive year and recorded highest income for the 3rd consecutive year.

Sales by segment and by service were as follows.

Sales by Segment	First Nine Months of Previous Fiscal Year (from April 1, 2021 to December 31, 2021)		First Nine Months of Current Fiscal Year (from April 1, 2022 to December 31, 2022)		Rate of change (%)
	Amount (Thousand yen)	Rate (%)	Amount (Thousand yen)	Rate (%)	
Asset Management Business	4,467,087	74.5	4,958,580	76.0	11.0
Financial Services Business	1,526,649	25.5	1,568,107	24.0	2.7
Consolidated net sales	5,993,736	100.0	6,526,688	100.0	8.9

1) Asset Management Business

Having made Shinsei Investment Management Co., Ltd. its subsidiary on October 1, 2022, the balance of assets under management at the Group was 4.48 trillion yen at the end of the current quarter under review (at the end of December 2022), an increase of 24.6% from 3.59 trillion yen at the end of the same period of the previous fiscal year (at the end of December 2021). Sales of the Asset Management Business for the first nine months of the fiscal year under review increased 491 million yen (11.0%) year on year to 4,958 million yen from 4,467 million yen for the same period of the previous fiscal year, as management fees (trust fees) increased due to a rising investment balance.

Segment income was 1,135 million yen, a decrease of 28 million yen (-2.4%) from 1,164 million yen for the same period of the previous fiscal year.

2) Financial Services Business

Sales of the Financial Services Business for the first nine months under review increased 41 million yen (2.7%) to 1,568 million yen from 1,526 million yen in the same period of the previous fiscal year, as a result of an increased number of Wealth Advisors used by financial institutions distributing investment trusts. They grew by 1,840 units (1.6%) to 115,440 units from 113,600 units at the end of the same period of the previous fiscal year. The higher sales were also due to an increase in the delivery of our independently developed investment-related tools and fund data to financial institutions.

Segment income was 381 million yen, an increase of 31 million yen (9.1%) from 349 million yen for the same period of the previous fiscal year.

(2) Explanation of Financial Position

Total assets grew 76 million yen from the end of the previous consolidated fiscal year to 14,131 million yen.

This was due to a decrease of 2,662 million yen in current assets, and an increase of 2,746 million yen in non-current assets.

The decrease in current assets was mainly due to a decrease in cash and cash equivalents by 2,760 million yen.

The decrease in cash and cash equivalents was due to a dividend payment of 1,546 million yen, the purchase of 3,019 million yen's worth of investment securities and the cancellation of 450 million yen's worth of the specified comprehensive trust property.

The increase in non-current assets was mainly due to an increase of 2,358 million yen in investment securities and of 184 million yen in goodwill.

The increase in investment securities was due to the purchase of 3,010 million yen's worth of other securities and the cancellation of 450 million yen's worth of the specified comprehensive trust property.

The increase in goodwill was mainly due to an increase in the yen value of goodwill associated with a U.S. subsidiary as a result of foreign currency translation.

Total liabilities increased 304 million yen from the end of the previous consolidated fiscal year to 2,086 million yen.

The increase in liabilities was mainly due to an increase of 206 million yen in accounts payable - other and 220 million yen in lease liabilities, despite a decrease of 244 million yen in income taxes payable.

The increase in accounts payable - other was mainly due to making Shinsei Investment Management Co., Ltd. a subsidiary.

The increase in lease liabilities was due to the relocation of offices by Carret Asset Management, a U.S. subsidiary, and an increase in leases, such as office leases.

The decrease in income taxes payable was due to the timing of tax payments.

For the period under review, net income attributable to owners of parent of 1,091 million yen was recorded and dividends of 1,546 million yen were paid, and as a result, retained earnings decreased 454 million yen to 3,984 million yen.

Valuation difference on available-for-sale securities decreased 256 million yen due to declines in the fair value of investment securities.

Foreign currency translation adjustments increased 363 million yen due to the yen's depreciation, which caused the difference between the exchange rate at the time of acquisition of shares of a U.S. subsidiary and the exchange rate for the period under review.

As a result, total net assets decreased 227 million yen from the end of the previous consolidated fiscal year to 12,045 million yen.

(3) Business and Financial Issues to Be Addressed on a Priority Basis

During the first nine months of the current consolidated fiscal year, there were no significant changes in the issues to be addressed by the Group.

(4) Research and Development Activities

Not applicable

(5) Explanation about Future Forecast Information such as Consolidated Earnings Forecast

For the consolidated earnings forecast of the current fiscal year under, please refer to "Earnings Forecasts for the Fiscal Year Ending March 2023: Substantial Increase in Net Income Attributable to Owners of Parent, and Recording of Extraordinary Income and Extraordinary Losses" announced today (January 27, 2023).

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

	(Thousand yen)	
	Previous Fiscal Year (As of March 31, 2022)	Third Quarter of Current Fiscal Year (December 31, 2022)
ASSETS		
Current assets		
Cash and cash equivalents	5,176,612	2,416,420
Accounts receivable	1,611,378	2,131,731
Inventories	¥ 1,263	¥ 1,158
Other investments and other assets	814,825	392,110
Total current assets	7,604,080	4,941,421
Non-current assets		
Tangible fixed assets		
Leasehold improvement	¥ 51,929	¥ 65,963
Furniture, fixtures and equipment	¥ 28,932	¥ 33,621
Lease equipment under capital	69,089	289,569
Total tangible fixed assets	149,951	389,154
Intangible fixed assets		
Goodwill	1,786,713	1,971,425
Software	1,076,849	1,180,090
Other investments and other assets	282,050	55,233
Total intangible assets	3,145,612	3,206,749
Investments and other assets		
Investment securities	2,624,582	4,983,441
Deferred tax asset	345,615	384,946
Other investments and other assets	166,511	214,925
Total investments and other assets	3,136,709	5,583,313
Total non-current assets	6,432,274	9,179,217
Deferred assets		
Stock issuance cost	19,003	11,191
Total deferred assets	19,003	11,191
TOTAL ASSETS	14,055,358	14,131,830

(Thousand yen)

	Previous Fiscal Year (As of March 31, 2022)	Third Quarter of Current Fiscal Year (December 31, 2022)
LIABILITIES		
Current liabilities		
Accounts payable-trade	62,618	47,034
Accounts payable-other	748,528	954,742
Lease payable	69,089	289,569
Income taxes payable	464,822	220,714
Consumption taxes payable	90,498	48,615
Other investments and other assets	346,255	525,342
Total current liabilities	1,781,813	2,086,018
TOTAL LIABILITIES	1,781,813	2,086,018
NET ASSETS		
Shareholders' equity		
Common stock	3,363,635	3,363,635
Capital surplus	4,478,772	4,503,031
Retained earnings	4,439,392	3,984,472
Treasury stocks	△29	△29
Total shareholders' equity	12,281,770	11,851,108
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△513,787	△770,258
Foreign currency translation adjustments	36,309	399,762
Total accumulated other comprehensive income	△477,478	△370,495
Non-controlling shareholders' equity	469,252	565,198
TOTAL NET ASSETS	12,273,545	12,045,811
TOTAL LIABILITIES AND NET ASSETS	14,055,358	14,131,830

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Statement of Income)
(First nine months of the fiscal year)

(Thousand yen)

	First Nine Months of Previous Fiscal Year (From April 1, 2021 to December 31, 2021)	First Nine Months of Current Fiscal Year (From April 1, 2022 to December 31, 2022)
Net sales	5,993,736	6,526,688
Cost of sales	2,750,243	3,054,325
Gross profit	3,243,493	3,472,362
Selling, general and administrative expenses	⁻¹ 1,729,823	⁻¹ 1,955,232
Operating income	1,513,669	1,517,129
Non-operating income		
Interest income	157,207	115,882
Dividends income	59,551	162,319
Gain on sale of investment securities	26,918	18,494
Other investments and other assets	7,492	4,411
Total non-operating income	251,169	301,108
Non-operating expenses		
Foreign exchange losses	7,300	378
Amortization of stock issuance cost	6,674	7,812
Other investments and other assets	1,527	10,175
Total non-operating expenses	15,501	18,366
Ordinary income	1,749,337	1,799,872
Extraordinary loss		
Loss on sale of investment securities	⁻² 4,035	974
Office relocation expenses	-	9,290
Loss on valuation of crypto assets	-	5,924
Total extraordinary loss	4,035	16,189
Income before income taxes	1,745,302	1,783,682
Income taxes-current	496,380	477,593
Income taxes-deferred	7,833	96,377
Total income taxes	504,213	573,970
Profit	1,241,088	1,209,711
Net income attributable to non-controlling interests	197,330	117,765
Net income attributable to owners of parent	1,043,757	1,091,945

(Quarterly Consolidated Statement of Income)
(First nine months of the fiscal year)

(Thousand yen)

	First Nine Months of Previous Fiscal Year (From April 1, 2021 to December 31, 2021)	First Nine Months of Current Fiscal Year (From April 1, 2022 to December 31, 2022)
Profit	1,241,088	1,209,711
Other comprehensive income		
Valuation difference on available-for-sale securities	413,072	Δ 253,949
Foreign currency translation adjustments	4,042	363,453
Total other comprehensive income	417,115	109,503
Comprehensive income	1,658,203	1,319,215
(Breakdown)		
Comprehensive income attributable to owners of parent	1,427,051	1,198,928
Comprehensive income attributable to non-controlling interests	231,151	120,286

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on the premise of a going concern)

Not applicable

(Change in the scope of consolidation or the scope of application of the equity method)

Change in scope of consolidation

During the second quarter of the consolidated fiscal year, SBI Bond Investment Management Co., Ltd. and SBI Regional Revitalization Asset Management Co., Ltd., which had been consolidated subsidiaries of the Company, were excluded from the scope of consolidation because they ceased to exist as a result of an absorption-type merger in which SBI Asset Management Co., Ltd., also a consolidated subsidiary of the Company, was the surviving company.

Shinsei Investment Management Co., Ltd. is included in the scope of consolidation, as it was made into a subsidiary during the third quarter of the current fiscal year by acquiring all of its shares.

SBI Asset Management Group Co., Ltd., a wholly-owned subsidiary of the Company and an intermediate holding company of the Group's asset management business, is excluded from the scope of consolidation because it ceased to exist after the absorption-type merger with the Company as the surviving company.

(Notes on the changes in accounting policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereinafter, "the Implementation Guidance") has been applied since the beginning of the first quarter of the current fiscal year. In accordance with the transitional treatment set forth in Paragraph 27-2 of the Implementation Guidance, the Company decided to apply the new accounting policies specified in the Implementation Guidance going forward. This change had no impact on the Company's quarterly consolidated financial statements.

(Application of special accounting treatment for preparing quarterly consolidated financial statements)

Not applicable

(Changes in accounting estimates)

Not applicable

(Notes on quarterly consolidated balance sheet)

*1 Breakdown of inventories

	Previous Fiscal Year (As of March 31, 2022)	Third Quarter of Current Fiscal Year (December 31, 2022)
Work in process	-	15,000 yen
Stocks	1,263	1,143

*2 Accumulated depreciation of tangible fixed assets

	Previous Fiscal Year (As of March 31, 2022)	Third Quarter of Current Fiscal Year (December 31, 2022)
Work in process	275,627,000 yen	285,909,000 yen

(Notes on quarterly consolidated statement of income)

*1 Major items of selling, general and administrative expenses

	First Nine Months of Previous Fiscal Year (From April 1, 2021 to December 31, 2021)	First Nine Months of Current Fiscal Year (From April 1, 2022 to December 31, 2022)
Employee's salaries	742,724,000 yen	801,570,000 yen

*2 Loss on sale of investment securities

This was due to the sale of shares of PT. Bina Investama Infonet, which was an entity accounted for using the equity method.

(Notes on quarterly consolidated statement of cash flows)

We did not prepare any quarterly consolidated statement of cash flows for the period under review. Shown below are depreciation and amortization expenses (including amortization expense of intangible fixed assets, excluding goodwill) and amortization expense of goodwill for the period under review.

	First Nine Months of Previous Fiscal Year (From April 1, 2021 to December 31, 2021)	First Nine Months of Current Fiscal Year (From April 1, 2022 to December 31, 2022)
Depreciation and amortization expenses	331,825,000 yen	351,914,000 yen
Amortization of goodwill	82,730	90,762

(Notes on shareholders' equity)

First nine months of the previous fiscal year (from April 1, 2021 to December 31, 2021)

Dividends paid

Resolution	Kind of shares	Source of dividends	Total dividends (Thousand yen)	Dividend per share (yen)	Date of right allotment	Effective date
May 14, 2021 Board of Directors	Common stock	Retained earnings	762,224	8.50	March 31, 2021	June 1, 2021
September 22, 2021 Board of Directors	Common stock	Retained earnings	717,387	8.00	September 30, 2021	December 1, 2021

First nine months of the current fiscal year (from April 1, 2022 to December 31, 2022)

Dividends paid

Resolution	Kind of shares	Source of dividends	Total dividends (Thousand yen)	Dividend per share (yen)	Date of right allotment	Effective date
May 19, 2022 Board of Directors	Common stock	Retained earnings	807,060	9.00	March 31, 2022	June 1, 2022
September 22, 2022 Board of Directors	Common stock	Retained earnings	739,805	8.25	September 30, 2022	December 1, 2022

(Notes on significant change in shareholders' equity)

Not applicable

(Segment information etc.)

1. Information on sales and income or loss for each reporting segment

First nine months of the previous fiscal year (from April 1, 2021 to December 31, 2021)

(Thousand yen)

	Reporting segment			Matters concerning difference adjustment	Amount recorded in quarterly consolidated statement of income
	Asset Management Business	Financial Services Business	Total		
Net sales					
Sales to external customers	4,467,087	1,526,649	5,993,736	-	5,993,736
Internal sales or transfers between segments	56	18,091	18,147	△18,147	-
Total	4,467,143	1,544,740	6,011,883	△18,147	5,993,736
Segment operating income	1,164,174	349,495	1,513,669	-	1,513,669

First nine months of the current fiscal year (from April 1, 2022 to December 31, 2022)

(Thousand yen)

	Reporting segment			Matters concerning difference adjustment	Amount recorded in quarterly consolidated statement of income
	Asset Management Business	Financial Services Business	Total		
Net sales					
Sales to external customers	4,958,580	1,568,107	6,526,688	-	6,526,688
Internal sales or transfers between segments	130	18,056	18,187	△18,187	-
Total	4,958,711	1,586,164	6,544,875	△18,187	6,526,688
Segment operating income	1,135,785	381,344	1,517,129	-	1,517,129

2. Difference between the total of reporting segments and the quarterly consolidated statement of income and the main content of the difference (matters concerning difference adjustment)

(Thousand yen)

Net sales	First Nine Months of Previous Fiscal Year	First Nine Months of Current Fiscal Year
Total of reporting segment	6,011,883	6,544,875
Elimination of transactions between segments	△18,147	△18,187
Net sales in the quarterly consolidated statement of income	5,993,736	6,526,688

(Thousand yen)

Segment operating income	First Nine Months of Previous Fiscal Year	First Nine Months of Current Fiscal Year
Total of reporting segment	1,513,669	1,517,129
Elimination of transactions between segments	-	-
Operating income in the quarterly consolidated statement of income	1,513,669	1,517,129

3. Information on impairment loss on non-current assets or on goodwill of each reporting segment

(Significant impairment loss on non-current assets)

Not applicable

(Significant changes in the amount of goodwill)

Not applicable

(Significant gain on bargain purchase)

Not applicable

(Business combination)

(Transactions between entities under common control)

Making Shinsei Investment Management Co., Ltd. into a subsidiary through acquisition

At the Board of Directors meeting held on September 22, 2022, the Company resolved to acquire all shares of Shinsei Investment Management Co., Ltd. an asset management company, and on October 3, 2022, the Company acquired said shares and made it into a subsidiary.

(1) Overview of business combination

1) Name and business details of the acquired company

Name of the acquired company: Shinsei Investment Management Co., Ltd.

Business details: Management of publicly offered and privately placed investment trusts

2) Main reasons for the business combination

As a core company in the SBI Group's asset management business, the Company provides high-quality, low-cost investment products to help individual and institutional investors manage their assets appropriately. The balance of assets under management at our subsidiaries, led by SBI Asset Management Co., Ltd. (hereinafter, "SBI Asset Management"), has been rapidly expanding.

Currently, investment products offered by SBI Asset Management mainly consist of publicly offered equity-type index funds and privately placed fixed-income funds entrusted mainly by regional financial institutions. The addition of investment products, such as active funds of funds managed mainly by Shinsei Investment Management, which will become a subsidiary of the Group, is deemed to broaden the range of asset classes of investment products that we can offer and further contribute to the optimal asset management of individual and institutional investors.

The consolidated management of our subsidiaries and Shinsei Investment Management is deemed to strengthen the Group's overall sales and product structuring capabilities, improve the efficiency of the middle-back system, and in turn strengthen the risk management and compliance systems. Therefore, the Company made it into its consolidated subsidiary by making it a subsidiary.

3) Date of business combination

October 3, 2022 (deemed acquisition date: October 1, 2022)

4) Legal form of business combination

Acquisition of shares for cash

5) Name of the combined entity

Shinsei Investment Management Co., Ltd.

6) Percentage of voting rights acquired

100% of voting rights after acquisition

7) Main grounds for determining the acquired company

This was due to the acquisition of shares by the Company for cash.

(2) Acquisition costs of the acquired company and its breakdown

Consideration for acquisition (cash) 1,300,000 yen

Acquisition cost 1,300,000 yen

(3) Amount, cause, amortization method and amortization period of goodwill incurred

1) Goodwill incurred: 62,528,000 yen

2) Cause of incurrence

This is the excess earnings power expected from future business development.

3) Amortization method and amortization period

Straight-line amortization over 20 years

2. Summary of Accounting Treatment Implemented

These transactions are accounted for as transactions between entities under common control, in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

(Information on a per-share basis)

The amount of net income per share and the basis for calculation are as follows.

	First Nine Months of Previous Fiscal Year (From April 1, 2021 to December 31, 2021)	First Nine Months of Current Fiscal Year (From April 1, 2022 to December 31, 2022)
(1) Net income per share	11.64 yen	12.18 yen
(Basis for calculation)		
Net income attributable to owners of parent (thousand yen)	1,043,757	1,091,945
Amount not attributable to common shareholders (Thousand yen)	-	-
Net income attributable to owners of parent related to common stock (thousand yen)	1,043,757	1,091,945
Average number of shares of common stock during the period (Share)	89,673,430	89,673,430

Diluted net income per share is not stated as there are no dilutive shares.

(Significant subsequent events)

At the Board of Directors meeting held on January 27, 2023, the Company resolved to terminate the license agreement (hereinafter the License Agreement) with Morningstar Inc. (Illinois, U.S.; hereinafter, Morningstar Inc.) and to receive 8 billion yen as consideration (hereinafter, the Consideration) for the return of the Morningstar brand to Morningstar Inc., and entered into an agreement with Morningstar Inc. to terminate the License Agreement (hereinafter, the Termination Agreement).

A summary of the termination of the License Agreement is as follows.

The Company engages in business for two segments, the Asset Management Business and the Financial Services Business. Due to the rapid expansion of the Asset Management Business in recent years, approximately 75% of the consolidated net sales and operating income for the fiscal year ended March 2022 came from the Asset Management Business.

With the return of the Morningstar brand following the termination of the License Agreement, the use of the Morningstar brand will end as of March 30, 2023, primarily in the financial services business, for investment information via the Company's website and smartphone apps, products and services provided to financial institutions, and investor seminars.

The termination of the License Agreement does not mean the sale of the financial services business, which includes investment trust valuation information, but rather the return of the Morningstar brand. We will continue to offer current products and services for all businesses, including the financial services business, under a different brand from the Morningstar brand from March 30, 2023.

Moreover, due to the termination of the License Agreement, an extraordinary general meeting of shareholders will be held on March 29, 2023, and a proposal to amend the Articles of Incorporation to change the trade name of the Company to "SBI Global Asset Management Co., Ltd." will be submitted.

Since its founding, the Company has strived to enhance the value of the Morningstar brand in Japan for approximately 25 years. Today, the Morningstar brand is widely recognized by investors, financial institutions, the media, and many other people in Japan. Morningstar, Inc. also values the strength of the Morningstar brand in Japan. Accordingly, the consideration for the return of the Morningstar brand was 8 billion yen. Through its wholly-owned subsidiary in Japan, Ibbotson Associates Japan, Inc., Morningstar Inc. will use its brand power to identify growth opportunities for further development of global and independent research, rating, data, software, index and other related services and asset management services in the Japanese market.

Even after the termination of the License Agreement, both the Company and Morningstar Inc. will continue to maintain friendly relations for the sake of development.

The Company will record an extraordinary income for the fiscal year ending March 2023 in the amount of 8 billion yen it will receive in connection with the return of the brand, which will substantially expand retained earnings and shareholders' equity, further stabilizing its financial position.

We intend to further expand and improve shareholder returns.

In addition, the funds received will be used mainly for the acquisition of domestic and overseas asset management companies and business alliances aimed at expanding the Asset Management Business. In the Financial Services Business, the Company will also utilize the funds to pursue synergies with companies within the SBI Group and venture companies in Japan and overseas with next-generation technologies invested by the SBI Group.

1. Reason for Termination of the License Agreement

The Company was established on March 27, 1998 as a joint venture between SBI Holdings, Inc. (SoftBank Inc. at the time) and Morningstar Inc., with the aim of eliminating the digital divide between financial institutions and individual investors for “providing abundant and unbiased investment information from a neutral and objective standpoint and contributing to investors’ asset formation.”

The Company entered into the License Agreement with Morningstar Inc. in April 1998 and commenced business using Morningstar’s “trademark” and “related assets.”

In October 2012, we made SBI Asset Management Co., Ltd. into a subsidiary and started the Asset Management Business in addition to the Investment Information Business.

The Asset Management Business grew to account for approximately 75% of consolidated net sales and operating income in the fiscal year ended March 2022.

The Company intends to continue to aggressively expand its Asset Management Business, while Morningstar Inc. intends to identify further growth opportunities in the Japanese market. As a result of discussions between the two companies, the Company has agreed to continue its Financial Services Business, terminate the License Agreement only, and end the use of the Morningstar brand.

The impact of the termination of the License Agreement is primarily related to the provision of information on investment trusts in the Financial Services Business, and we believe that the impact will be limited to a reasonable extent.

(For details, please refer to “4. (1) Impact on business.”)

2. Termination of the License Agreement and Related Procedures, etc.

The Company will discontinue the use of the Morningstar brand as of March 30, 2023, in accordance with the terms of the Termination Agreement.

The Company will hold an extraordinary general meeting of shareholders on March 29, 2023, and submit a proposal to amend the Articles of Incorporation to change the trade name of the Company to “SBI Global Asset Management Co., Ltd.” from “Morningstar Japan K. K.”

In addition, following the termination of the License Agreement, the Company will implement the following reorganization in order to cease engaging in business under the Morningstar brand, and will submit a proposal to the extraordinary general meeting of shareholders to be held on March 29, 2023. This proposal seeks approval for a company split into a subsidiary to continue the Financial Services Business at Wealth Advisor Co., Ltd. (currently Morningstar Asset Management Co., Ltd.) after the trade name change.

Effective March 30, 2023, the Financial Services Business of the Company will be transferred to Morningstar Asset Management Co., Ltd., a wholly owned subsidiary of the Company, through a company split.

Morningstar Asset Management Co., Ltd. will conduct an absorption-type merger with the Company’s wholly-owned subsidiary E-Advisor Co., Ltd., effective March 30, 2023.

Morningstar Asset Management Co., Ltd. will change its trade name to “Wealth Advisor Co., Ltd.” after the above merger.

Morningstar Inc. intends to sell a portion of the Company shares it holds to be used as part of the payment of the Consideration, and the Company’s parent company, SBI Global Asset Management Co., Ltd. (a wholly owned subsidiary of SBI Holdings, Inc. (8473); to be renamed as SBI Asset Management Group, Inc.), will conduct a tender offer (hereinafter referred to as the “Tender Offer”) for the Company shares in response to the said intention.

3. Schedule

Date of Board of Directors resolution	January 27, 2023
Execution date of the Termination Agreement	January 27, 2023
Tender offer period of the Tender Offer (scheduled)	January 30 to February 28, 2023
Record date for extraordinary general meeting of shareholders (scheduled)	February 12, 2023
Extraordinary general meeting of shareholders (scheduled)	March 29, 2023
Termination of use of Morningstar brand (scheduled)	March 30, 2023

4. Explanation about future forecast information such as consolidated earnings forecast

(1) Impact on the business

There will be no substantial change in business details, as the Group will continue to conduct its Financial Services Business after the termination of the License Agreement. While the Group’s business results by segment and by service are shown in the table below, the impact of the termination of the License Agreement on each segment and service is expected to be minimal and immaterial.

1) Asset Management Business

For the Asset Management Business, Morningstar Asset Management Co., Ltd., a wholly-owned subsidiary of the Company, is involved as an investment advisory company in some funds managed by SBI Asset Management and in some securities companies that provide fund wraps. In the future, "Wealth Advisor Co., Ltd.," after the name change in conjunction with the reorganization, will be involved as an investment advisory company. In the Asset Management Business, only a few services use the Morningstar brand, and the impact on sales for the Asset Management Business will be minimal.

2) Financial Services Business

(a) Data Solutions (financial data provision service)

As for application services (sales support tools for sales financial institutions) that post investment trust information on tablets and PCs, since the information collected by the Company is provided through a tool developed by the Company using the trademark of Wealth Advisors, the impact of the termination of the License Agreement will be minimal.

Regarding the fund data provision service, since the Company collects, edits, analyzes and evaluates investment trust information in Japan and provides the service to financial institutions, the impact of the termination of the License Agreement will be minimal, although there are changes to licensed indices such as "Morningstar Rating."

Regarding the stock information provision service, since we provide data collected independently by the Company under the name of "Stock Newspaper," there will be no impact from the termination of the License Agreement.

Regarding the fund report provision service, we use indicators such as "Morningstar Rating" and have gained trust from customers based on the Morningstar brand, so the termination of the License Agreement is expected to have some impact. However, since sales of fund reports themselves have decreased, the impact on the overall sales of Data Solutions will be minimal.

(b) Media Solutions (seminars and advertising services)

Regarding the advertising services of Media Solutions, we receive advertising revenue from financial institutions through our website, smartphone apps, and investment-related seminars, and there may be a decrease in advertising revenue and seminar sponsorship revenue, due to the change of brand name.

In addition, the "Morningstar Fund of the Year," which is awarded based on annual investment performance and others, is expected to be affected by a decrease in license usage fees, due to the unavailability of the Morningstar brand.

However, as shown in the table below, sales of Media Solutions accounted for 7.5% of consolidated net sales for the fiscal year ended March 2022 and 3.7% of consolidated net sales for the first nine months of the fiscal year ending March 2023, already becoming a small percentage of the total. If sales of Media Solutions decreases due to the termination of the use of the Morningstar brand, the impact on the overall consolidated net sales will be minimal and immaterial.

Thousand yen

Fiscal Year Ended March 31, 2022 (full year)	Asset Management		Financial Services		Amount recorded on consolidated financial statements	
	Amount	Rate	Amount	Rate	Amount	Rate
Net sales	5,949,302	73.2%	2,173,984	26.8%	8,123,286	100.0%
Segment income (operating income)	1,557,255	73.1%	572,549	26.9%	2,129,805	100.0%

First nine months of fiscal year ending March 31, 2023	Asset Management		Financial Services		Amount recorded on consolidated financial statements	
	Amount	Rate	Amount	Rate	Amount	Rate
Net sales	4,958,580	76.0%	1,568,107	24.0%	6,526,688	100.0%
Segment income (operating income)	1,135,785	74.9%	381,344	25.1%	1,517,129	100.0%

Sales by Service	Fiscal Year Ended March 31, 2022 (full year) (12 months)		Fiscal Year ending March 31, 2023 First nine months	
	Amount	Rate	Amount	Rate
Data Solutions	1,568,218	19.3%	1,327,142	20.3%
Media Solutions	605,766	7.5%	240,965	3.7%
Financial Services	2,173,984	26.8%	1,568,107	24.0%
Asset Management	5,949,302	73.2%	4,958,580	76.0%
Consolidated net sales	8,123,286	100.0%	6,526,688	100.0%

(2) Impact on business performance

In March 2023, an extraordinary income will be recorded for the consideration of 8 billion yen for the return of the brand. Specifically, we expect to record extraordinary income of approximately 7,940 million yen, after deducting the retirement of the unamortized balance of royalties recorded in long-term prepaid expenses, attorney and other advisory expenses related to the above series of transactions, costs required to changes such as trademarks and logos, and costs required for the reorganization, while recording net income attributable to owners of parent of approximately 5,500 million yen after tax.

3. Other investments and other assets

Significant events regarding the premise of a going concern

Not applicable