

Feature: Vital Strategies of the SBI Group

01 NEO-SECURITIES

Realizing Neo-securities Initiatives

STRATEGY

Our goal is to expand the customer base of the entire SBI Group through the realization of Neo-securities initiatives in the first half of the fiscal year ending March 2024.

Commitment to the Customer-centric Principle lies in Neo-securities Initiatives

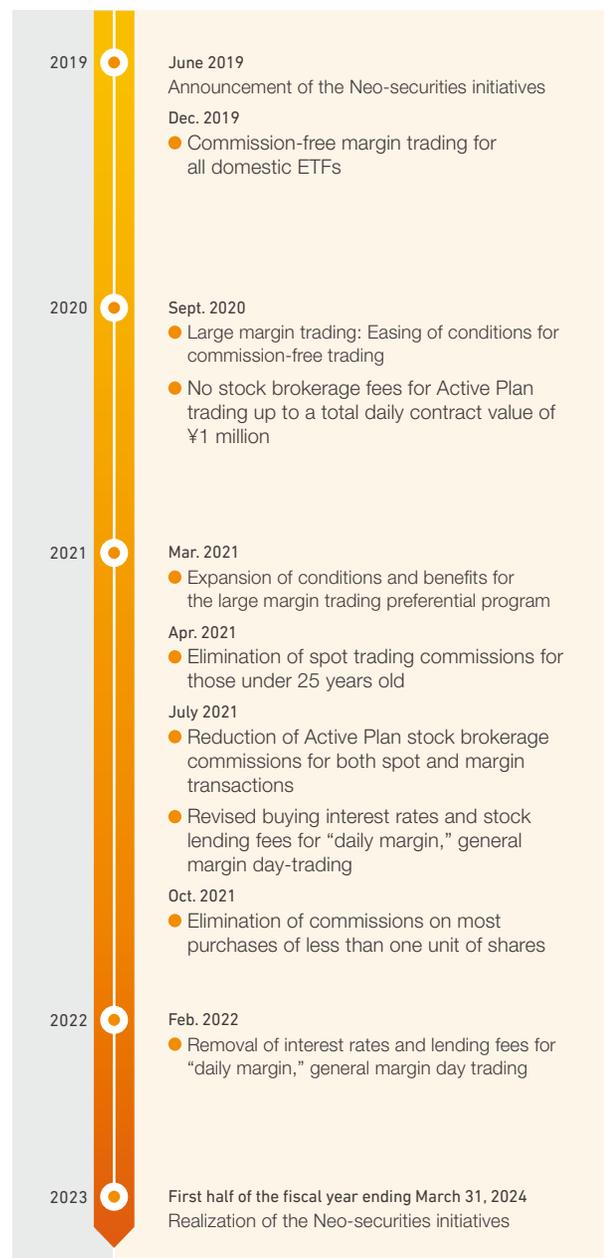
The SBI Group laid the foundation for Neo-securities initiatives in June 2019 to facilitate the elimination of commissions and certain other charges paid by investors engaging in online trading of Japanese stocks.

SBI SECURITIES has achieved a position of industry leadership by consistently applying the “Customer-centric Principle” and offering trading commissions significantly lower than those of its competitors ever since its establishment. These philosophies have driven the promotion of Neo-securities initiatives by the SBI Group. On another front, Robinhood Markets Inc. began offering stock trading service free of commissions in 2014, which forced the U.S. securities industry to shift from a business model dependent on trading commissions. In October 2019, the major U.S. online brokerage company Charles Schwab Corp stopped charging commission fees for online trading of U.S. stocks, ETFs, stock options, etc.

Anticipating the trend towards commission-free trading in Japan, SBI SECURITIES took the lead by introducing the Neo-securities initiatives, becoming the first Japanese securities company to do so. Being aware that the realization of this concept would require the establishment of a revenue base that was not reliant on brokerage commissions, SBI SECURITIES has worked to diversify its revenue sources by prioritizing product and service diversification. At the same time, it implemented gradual measures to reduce transaction costs. In the result of these measures, the percentage of operating revenue derived from online domestic stock trading commission declined to 11.2% in the fiscal year ended March 2023.

Our greatest priority as we worked to implement the Neo-securities initiatives was the development of systems capable of handling rapid growth in customer numbers. We believe that we have addressed this need by creating a robust system development and administration structure through the establishment of SBI Simplex Solutions in February 2023 as a joint venture with Simplex Holdings, Inc. The primary role of this new company is the development and operation of systems for the SBI Group, including SBI SECURITIES.

Initiatives to Reduce Transaction Costs for Investors



Revenue Source Diversification, the Key to Realization of the Neo-securities Initiatives

Two factors have enabled the SBI Group to promote the Neo-securities initiatives by dramatically reducing the percentage of operating revenue derived from commissions on online domestic stock trading. First, we have used M&A and other methods to diversify our revenue sources. Second, we have continually implemented a variety of measures to strengthen our earning capacity.

We have diversified our revenue sources by increasing our trading revenue through the expansion of FX trading. We have also expanded margin trading, leading to growth in our financial revenue. Further expansion of our product lineup has also helped to broaden our revenue base. For example, we expanded our stock-type business, such as accumulation-type fund investment service with credit cards issued by seven companies, including Sumitomo Mitsui Card Company, and our fully automated AI investment “SBI Wrap.” We have also expanded our foreign stock trading services, which are in high demand from customers. Another important factor has been the strengthening of our wholesale business, as evidenced by the fact that we have maintained the highest IPO underwriting share in the industry since FY2012. More recently, we have also been focusing our efforts on the real estate finance business. For example, we have expanded our existing business based on sales of real estate small-lot beneficiary interests via SBI MONEYPLAZA. In addition, we are actively pursuing M&As to create synergy benefits by expanding the SBI Group to include companies working in the areas of real estate development, real estate asset management, and public REITs. We are responding to strong customer demand for opportunities to invest in real estate finance products, and in May 2023, we established a private REIT asset management company.

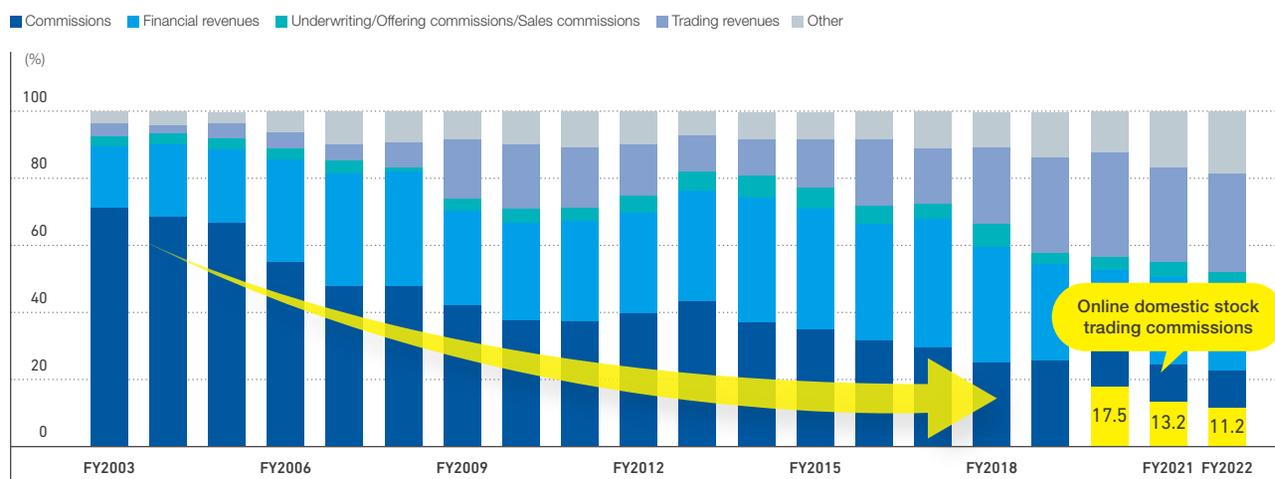
Group-wide Customer Base Expansion Through Neo-securities Initiatives

With a total of approximately 10.04 million accounts as of March 31, 2023, the SBI Group has become the first financial group in Japan to hold more than 10 million securities accounts. We are also, by far, the industry leader in terms of our share of individual stock trading value, which rose from 44.1% in FY2021 to 46.0% in FY2022. The realization of the Neo-securities initiatives is expected to attract substantially more customers to SBI SECURITIES, which already has the largest customer base in the industry.

SBI SECURITIES is also expected to attract more customers through its role as the online securities service provider for “Olive,” a mobile integrated financial service established by the Sumitomo Mitsui Financial Group. In addition, we are determined to harness the shift from savings to asset formation, which is being promoted by the Japanese government. The expansion of the Nippon Individual Savings Account (NISA) and individual-type Defined Contribution pension plan (iDeCo) systems in 2024 will provide additional impetus for efforts to attract customers planning to start investing in stocks under these systems. [▶ P.123](#)

We anticipate that the attraction of additional customers through these initiatives will lead to customer base expansion not only for SBI SECURITIES, but for the entire SBI Group. For example, a customer who opens a new securities account with SBI SECURITIES might also open an SBI Shinsei Bank account at the same time and then obtain a housing loan from SBI Shinsei Bank and insurance coverage from SBI Life Insurance, and so on. In this way, SBI SECURITIES will become the gateway for spreading the benefits of the Neo-securities initiatives throughout the SBI Group.

Composition of Operating Revenue (Net Sales) of SBI SECURITIES



Note: Non-consolidated results are shown for FY2003 and FY2014. Consolidated results are shown for other fiscal years.

02 REGIONAL REVITALIZATION

Entering a New Stage of Collaboration with Regional Financial Institutions

STRATEGY Strengthen business alliances between SBI Group companies and regional financial institutions across Japan by actively pursuing collaborative initiatives centered on SBI Shinsei Bank.

Delisting of SBI Shinsei Bank Shares Through a Tender Offer

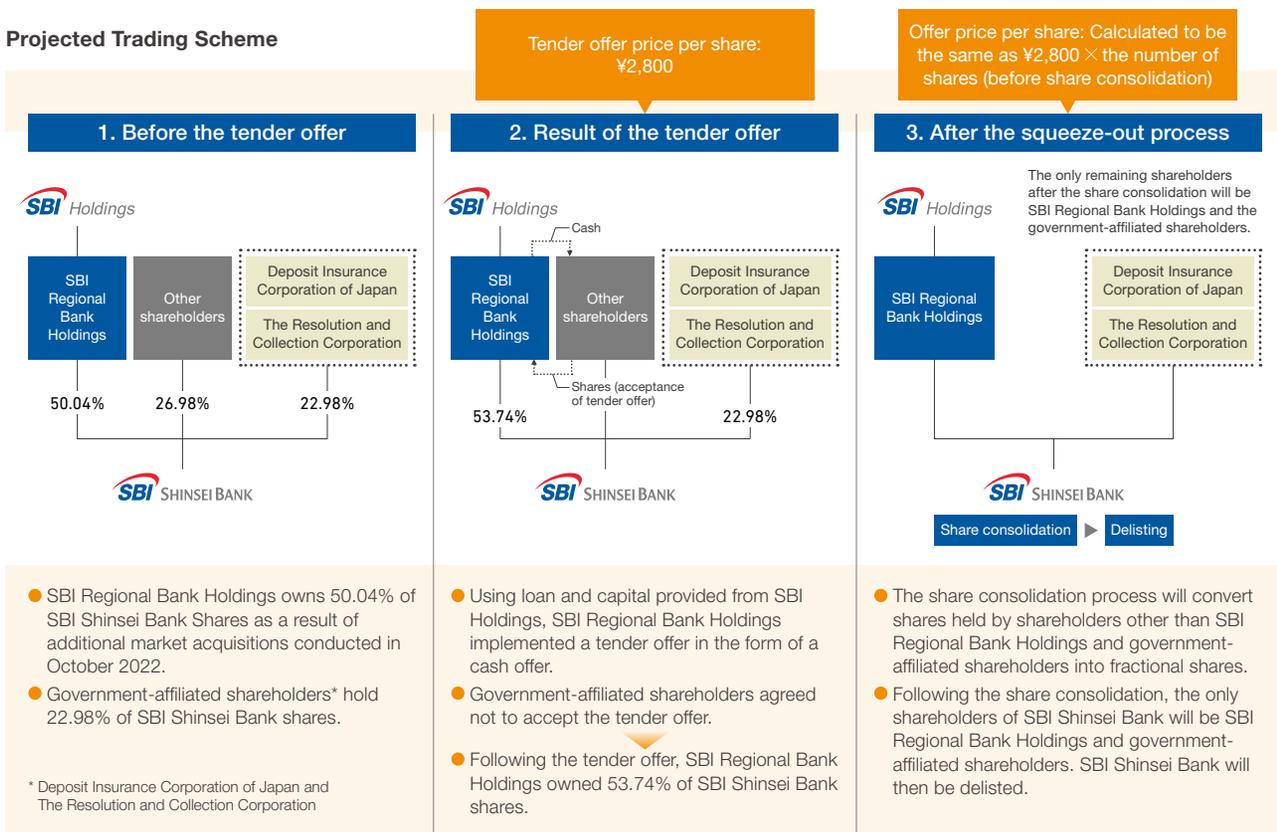
SBI Shinsei Bank became a consolidated subsidiary of the Company in December 2021. From the outset, we have regarded the repayment of the public funds injected into SBI Shinsei Bank as a vital management priority, and believe that there is a social responsibility to develop a roadmap toward this goal as quickly as possible.

The repayment of these public funds will only be possible if we can improve the profitability of SBI Shinsei Bank. However, if we had maintained the listing of SBI Shinsei Bank, it would have been difficult in the short term to implement up-front investments and measures that would have resulted

in temporary cost increases, since the significance of these measures would be difficult for minority shareholders to understand. Moreover, there is a need to reflect the interests of minority shareholders when making decisions concerning transactions with the SBI Group that would have led to slower decision-making, etc., which together prevent quick and flexible implementation of measures from the perspective of medium- to long-term growth.

For these reasons, the SBI Group conducted a tender offer for SBI Shinsei Bank shares between May 15 and June 23, 2023, with our wholly owned subsidiary, SBI Regional Bank Holdings, as the tender offer. As a result, the percentage of SBI Shinsei Bank shares held by the SBI Group reached 53.74%*1 on the settlement start date of June 30.

Projected Trading Scheme



As a result of the acquisition of SBI Shinsei Bank shares through this tender offer, as well as the subsequent squeeze-out procedures*2, SBI Shinsei Bank is expected to be delisted with SBI Regional Bank Holdings, the Deposit Insurance Corporation of Japan, and The Resolution and Collection Corporation as the only remaining shareholders.

At the time of the tender offer, we concluded an agreement with SBI Shinsei Bank, the Deposit Insurance Corporation of Japan, and The Resolution and Collection Corporation on May 12, 2023, regarding the handling of public funds. Under this arrangement, all four parties will work to reach agreement on a specific mechanism for repayment of the public funds by the end of June 2025.

*1 The shareholding ratio was calculated by dividing the total number of shares issued by SBI Shinsei Bank as of March 31, 2023, subtracting the number of treasury shares held on the same date, by the number of voting rights pertaining to the shares.

*2 SBI Regional Bank Holdings intends to implement a share consolidation process that will convert shares held by parties other than SBI Regional Bank Holdings and government-affiliated shareholders into fractional shares. This will require the passage of a special resolution by a two-thirds majority of shareholders present at an Extraordinary General Meeting of Shareholders, attended by shareholders holding a majority of voting rights. Thereby acquiring fractional shares held by minority shareholders.

Acceleration of Regional Revitalization Strategy Through the Delisting of SBI Shinsei Bank

We see the delisting of SBI Shinsei Bank as a way to cut the ties between the share price and repayment of public funds, allowing the Company to make management decisions with greater speed and flexibility. Going forward, we will further enhance the profitability of SBI Shinsei Bank by formulating and rapidly implementing medium- to long-term strategies that align with that of the SBI Group.

The delisting will also contribute to the SBI Group's ongoing regional revitalization strategy, since it will allow SBI Shinsei Bank to expand its collaboration with regional financial institutions. We will endeavor to realize our concept of becoming the "Forth Megabank" by becoming a wide-area regional platform with SBI Shinsei Bank as its core.

Under our regional revitalization strategy, we have been comprehensively utilizing our management resources to enhance the profitability of regional financial institutions. SBI Shinsei Bank Group is already starting to achieve success as a platform provider working in close partnership with the SBI Group. Examples include participation in co-financing deals arranged by regional financial institutions for local companies and the participation of local financial institutions in financing projects arranged by SBI Shinsei Bank. SBI Shinsei Bank is also building a track record in the area of sustainable finance, not only with banks that have capital and business partnerships with the SBI Group, but also with many regional financial institutions. SBI Shinsei Bank subsidiaries are also achieving success as providers of various services to regional financial institutions. Examples include the BANKIT® financial platform operated by APLUS, provision of credit guarantees by Shinsei Financial, and the sale of operating assets to leasing subsidiaries of regional financial institutions by Showa Leasing, which also provides debt collection services.

Going forward, we will use the experience accumulated by

the SBI Group with its nine capital and business alliance partners to enhance the ability of SBI Group and SBI Shinsei Bank Group companies to collaborate with every regional financial institutions in Japan, regardless of whether or not there is a capital relationship. Our ultimate goal is to pursue the benefits of efficiency improvements and an expanding range of business activities through wide-ranging collaboration based on our envisaged role as a wide-area platform provider dedicated to supporting the sustainable growth in regions throughout Japan. By progressing through these stages, we will endeavor to realize our concept of creating Japan's "Forth Megabank" group, centered on SBI Shinsei Bank, as a structure that will support the operations of regional financial institutions nationwide.

The rapid rise of interest rates, especially in the overseas markets, led to the failure of a number of European and U.S. financial institutions in the first six months of 2023, triggering global financial instability. With global financial markets still in turmoil, it is possible that a similar situation will emerge in the Japanese financial sector. The SBI Group is determined to contribute both to improvement in the profitability of regional financial institutions, and to the stabilization of the Japanese financial system.

Transition to a New Stage of Collaboration with Regional Financial Institutions

Stage 1

- Make full use of the management resources of the SBI Group to enhance the profitability of regional financial institutions.

Stage 2

- Once the SBI Group has become the majority shareholder of Shinsei Bank (currently, SBI Shinsei Bank), pursue collaboration with all regional financial institutions, regardless of whether or not they have a capital relationship with the SBI Group.

Stage 3

- Pursue the benefits of improvements in efficiency and the expansion of our business scope through wide-ranging collaboration based on the concept of supporting the sustainable growth of regions throughout Japan through the provision of a wide-area platform centered on SBI Shinsei Bank.

We will link these three stages to our concept of becoming the "Forth Megabank" with SBI Shinsei Bank as the core.