

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

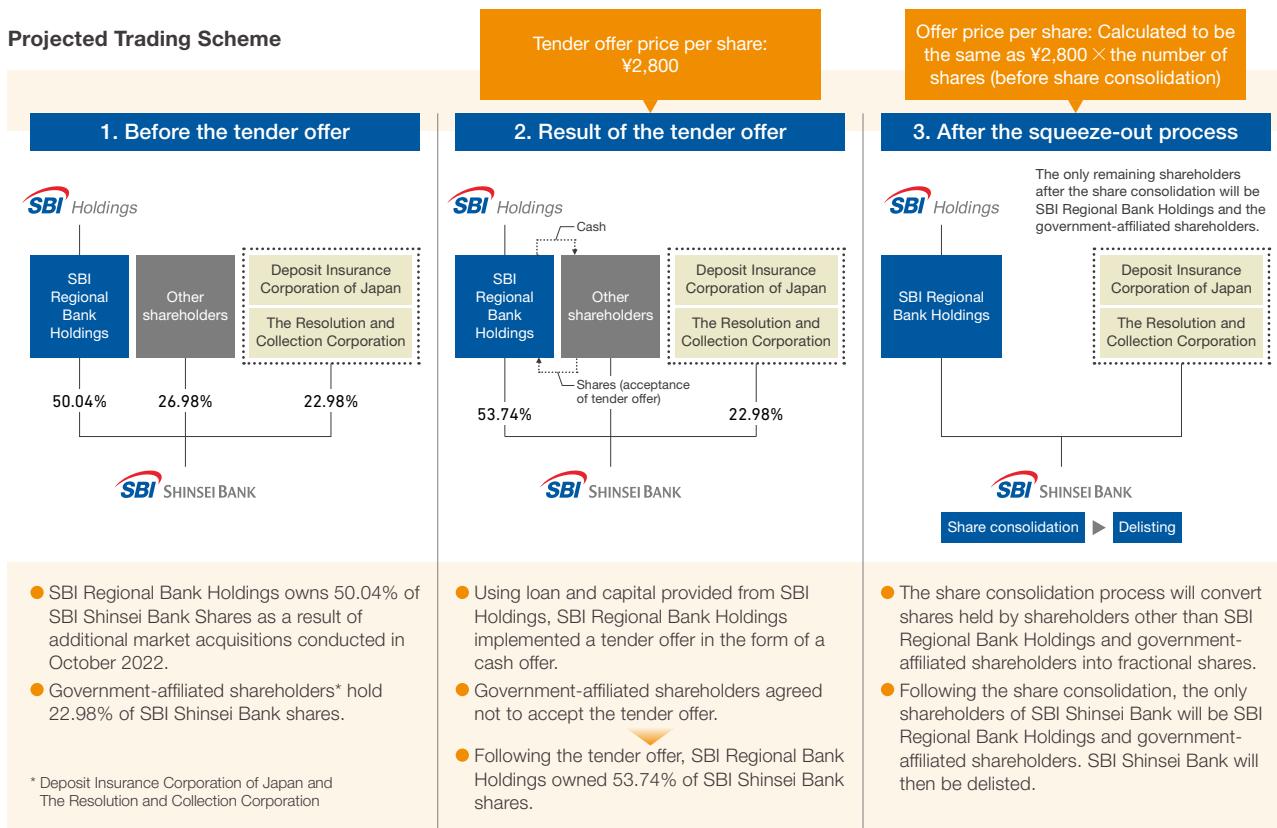
SBI Shinsei Bank became a consolidated subsidiary of the Company in December 2021. From the outset, we have regarded the repayment of the public funds injected into SBI Shinsei Bank as a vital management priority, and believe that there is a social responsibility to develop a roadmap toward this goal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