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## INVESTMENT

## Regional Revitalization through the Investment Business



## Co-creating New Value with Regional Financial Institutions

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### The Basic Strategy: Investment, Adoption and Diffusion

Since its founding, the SBI Group has achieved growth by pioneering the use of innovative technologies. With the current development of next-generation technologies represented by fintech, AI and blockchain, we consider it a great opportunity for our next stage of growth. For that reason, SBI Investment, which develops the Group's venture capital business, established the Fintech Fund (with a total commitment amount of ¥30 billion) in December 2015, as the first fund in the industry to specialize in investments in startup companies involved in fintech-related businesses. The Fund has subsequently worked on the discovery and incubation of fintech-related companies. Since we also regard AI and blockchain as highly promising technologies that will be utilized not only in the financial sector but also in a range of industries, in January 2018 we established the SBI AI&Blockchain Fund, in order to target investments in those fields. Initially, we launched the Fund with ¥20 billion in total commitment amount, but this was ultimately increased to ¥60 billion.

The purpose of this kind of fund management is not simply to pursue financial returns, but also to provide added value to all the parties concerned, including the SBI Group, investors in the Group's funds and the companies in which they invest. For example, while fintech startup companies have superior technology that we do not possess, there are many cases in which they need financial support and business partners. There are already systems and mechanisms to support growth for these companies, such as actively introducing the technology of

investee companies to the SBI Group companies that provide financial services. It should also be noted that the investors in the two funds are primarily regional financial institutions, and by so investing they are exposed to opportunities to form partnerships with startup companies, as well as to adopt new technologies, which was previously difficult for them to access on their own. I believe that these regional financial institutions understand that there is more significance to their participation than just a simple investment.

The SBI Group's ability to create this sort of added value is a result of its 20 years of accumulated know-how and expertise in the venture capital business, which is a core founding of the organization, and its subsequent enhanced sourcing capabilities which is germane to the work involved in the selection of companies in which to invest. In collaboration with our Group companies, we are able to put into practice our basic processes of investment, adoption and diffusion. That is, investing in startup companies through funds, adopting the technologies and services of the investee companies within the Group to verify applicability and the external diffusion of those technologies and services to investors such as the regional financial institutions.

### The Diffusion of SBI Group's New Technologies and Services

Currently, the business environment for regional financial institutions remains challenging, characterized by the continued negative interest rate policy, the progressing evolution of financial innovations driven by fintech, and social changes resulting from

the demographic aging and population decline. Under such circumstances, we believe that the adoption of new fintech-related technologies and the provision of new services can contribute to solving the problems faced by each financial institution.

Recently, the connections between the SBI Group and regional financial institutions have deepened, and such connections are needed and sought by fintech-related startup companies, and SBI Investment would like to fulfill the role of an intermediary between startup companies and regional financial institutions. At the same time, information on products and services of Group companies and investee companies is wide-ranging. So, in order to better serve as an intermediary, we are consolidating such solutions at SBI NEO FINANCIAL SERVICES, which promotes the establishment of a system that can deliver the necessary information in an efficient and timely manner and provide solutions required by regional financial institutions. In terms of technology introduction, SBI FinTech Incubation provides the mechanism for presenting services by means of an open API (see “Glossary” on p. 107). We would like to contribute to the revitalization of regional industries by not only providing leading-edge technologies and services to the financial

institutions, but also by providing their customers with high-quality services that utilize new technologies.

Another new initiative for regional revitalization is the business succession fund to be managed and administered by SBI Regional Business Investment, which was established in February 2019. The business succession of small- and medium-sized enterprises (SMEs) has recently become a social problem (see “Glossary” on p. 107). SBI Regional Business Investment, through the business succession fund that it plans to establish going forward, will invest in SMEs that have encountered a business succession problem, and will endeavor to achieve smooth business succession by leveraging the Group’s management resources and relationships with regional financial institutions and public institutions. Also, in December 2018, SBI SECURITIES entered into a business partnership with TRANBI, a SBI Investment investee company that operates an online M&A matching platform, and started offering business succession and support services. Through such endeavors, we will contribute not only to the Group’s growth, but also to the revitalization of regional economies, and ultimately to regional revitalization as a whole.

