

SPECIAL FEATURE



Three Core Strategies to Create a Future that Incorporates a Sustainable Enhancement of Corporate Value

While it is difficult to accurately predict the future in the face of dramatic changes in the social environment, through the accumulation of knowledge, ingenuity and hard work, we believe that we can help create a future of our own making.

The SBI Group is implementing three core strategies to create a new future. They are to capture the next trend of digital transformation, shape the next-generation evolution through open alliances and endeavor to continually increase corporate value.

Since our founding, it has been our constant tenet to capture current trends to create innovative businesses that benefit people and society, and this is embodied in the foundation of our three core strategies.

OPEN INNOVATION *to* OPEN ALLIANCE

1

Proactively Contribute to Regional Revitalization, through Co-creation of Value with Major Regional Economic Entities

page 20–22

The SBI Group has been broadening its relationship with regional financial institutions, with a primary focus on the Financial Services Business. In order to contribute more directly to regional revitalization, we will promote the vitalization of entire regional economies through collaborations with the four economic entities of regional financial institutions, local residents, local industries and local governments.

Financial Services Business

Asset Management Business

2

Proactive Promotion of “Open Alliance”

page 23–26

The “Open Alliance” concept denotes a win-win relationship, through the formation of alliances with numerous non-Group companies. The Neo-bank and Neo-securities initiatives, which the SBI Group has been promoting for some time, are based on this concept. Through open alliances, we will create a system that can provide comprehensive services to meet the diverse demands of various customers, which cannot be provided by a single company.

Financial Services Business

Asset Management Business

3

Organized Response to Accelerated Digital Transformation (DX)

page 27

As COVID-19 continues to expand across the globe, it is expected to exert major changes upon society. The SBI Group is taking an aggressive approach to create business opportunities in the digital asset field, through the use of blockchain and distributed ledger technology (DLT), to continue to advance the shift from analog to digital.

Financial Services Business

Asset Management Business

Other

Relationship between Each Strategy and Segment, and Mutual Utilization of Management Resources across the Group to Execute Strategies

	Financial Services Business	Asset Management Business	Other
1. Proactively Contribute to Regional Revitalization, through Co-creation of Value with Major Regional Economic Entities	←→	←→	
2. Proactive Promotion of “Open Alliance”	←→	←→	
3. Organized Response to Accelerated Digital Transformation (DX)	←→	←→	←→

1 REGIONAL REVITALIZATION

Proactively Contribute to Regional Revitalization, through Co-creation of Value with Major Regional Economic Entities

Contributing to regional revitalization by promoting co-creation with the four major regional economic entities: regional financial institutions, local residents, local industry and local governments.

■ Results from Expanding Cooperation with Regional Financial Institutions

The SBI Group has been endeavoring to rejuvenate regional financial institutions, which have fallen into a difficult business environment, through measures to increase their profitability by broadening and strengthening collaborations, for over three years. In the securities-related field, SBI SECURITIES announced the offering of financial instruments intermediary services with a total of 40 regional financial institutions as of June 30, 2020, and used this to support the cultivation of new customers and deepen the connection with existing customers. Also, through the Financial Institutional Sales Department at SBI SECURITIES, its brokerage business expanded to a total of 379 customer financial institutions, as of March 31, 2020. In addition, joint branches of SBI MONEY PLAZA and regional financial institutions have now been added at 15 branches with 12 banks, as of June 30, 2020. Total assets on deposit at the branches have increased over 50 times since the beginning of collaborations with regional financial institutions in October 2017. In the insurance-related field, we are actively advancing cooperation with regional financial institutions toward the growth in insurance product sales at each company. As of March 31, 2020, 50 companies, including 17 financial institutions, have decided to

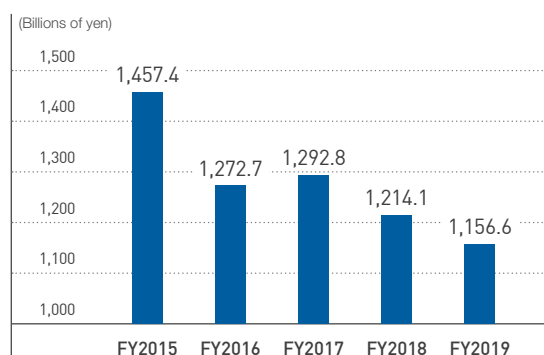
distribute insurance products handled by SBI Insurance, while 19 regional financial institutions and other institutions, including 8 regional banks, have decided to start sales with SBI Life Insurance.

■ Regional Revitalization Partners will Contribute Directly to Regional Revitalization

Until now, we have been strengthening our collaborations with regional financial institutions, but in order to also incorporate regional economic revitalization along with the revitalization of the regional financial institutions, it will be necessary and essential to work with the other three main entities of the regional economy, which are local residents, local industry and local governments. Therefore, for the SBI Group to directly contribute to the revitalization of regional economies, Regional Revitalization Partners was established, and plans are in place for two other companies, SBI Regional Revitalization Services and SBI Regional Revitalization Investment and Loan, to also contribute to the revitalization of the regional economies.

To incorporate regional revitalization, we realize how critical it is to systematically enhance people, goods and money in the localities. For example, as for the “people,” the SBI Group leverages the employment platform of Astamuse, an investee company, to promote the employment of specialized scientific professionals. As for “goods,” the Group plans to expand product sales channels using e-commerce sites that employ the e-commerce platforms from BASE. For “money,” the Group will invest in startup companies in the regional revitalization space and business domains, which gained interest during the COVID-19 outbreak. Regional Revitalization Partners is positioned as the driving force that puts forth strategic guidance on regional revitalization and related matters, for the companies that carry out the actual planning and development proposals that provide the functions for advancing regional revitalization. It will be jointly founded with four partner companies that aspire toward regional revitalization, and also will gather the wisdom of each company to promote initiatives that approach regional revitalization from different angles. Furthermore, the operation of Regional Revitalization Partners will be conducted with democratic representation, by accepting directors from the investing partner companies.

Net Core Business Profits at Regional Financial Institutions



Source: Prepared by the Japanese Bankers Association from an analysis of financial statements of banks throughout Japan

SBI Regional Revitalization Services seeks to lessen the burden of fixed system costs at regional financial institutions, by providing a common system to regional financial institutions, so that they may utilize the technology and know-how possessed by the SBI Group and its partner companies. Additionally, the Company will endeavor to raise the profitability of regional financial institutions through improved support for their customers, with regards to the management of their assets on deposit, as well as the asset management of their own funds. The SBI Group will also pursue regional revitalization by utilizing technology know-how and new ideas gained through cooperation with the Group investee companies.

In order to promote innovation and economic rejuvenation within localities, SBI Regional Revitalization Investment and Loan will invest in and lend to companies with a strong track record in creating new regional industries, as well as those startup companies which contribute to regional revitalization, in order to establish a new ecosystem. In addition, SBI Regional Revitalization Investment and Loan will offer investment opportunities by introducing startup companies before IPO, as well as high-yielding investment and lending proposals, both domestic and foreign, sourced through special purpose companies (SPCs). Also, while introducing and mediating arbitrage businesses focused on the interest rate differentials between Japan and abroad, the SBI Group's network of invested Southeast Asian financial institutions will be fully utilized, as a means to

offer profit opportunities to regional financial institutions. The Group will also introduce and provide intermediary services between these overseas institutions and collaborating regional financial institutions. Looking ahead, the two companies mentioned earlier plan to expand their scale of business by accepting new investee partners from various industries, including city banks.

As a result of the COVID-19 outbreak, the world is transforming from a society concentrated in urban areas to a decentralized society, and is beginning to look for work styles corresponding to such an environment. The shift to a decentralized society is congruent with the concept of regional revitalization, and is a great opportunity for the citizens to ponder what regional revitalization should truly encompass. In addition, a proposal that advances regional revitalization (the Super City Bill*) passed the National Diet in May 2020, showing that involvement in regional revitalization as a national policy is on the rise. Given this movement on a national scale, we would like to realize regional revitalization as addressed by the SBI Group. The collective wisdom of the SBI Group and its partner companies will be utilized to advance regional revitalization that is in line with the current COVID-19 situation.

* Regarding the bill to revise the National Strategic Special Zone Law to realize the urban "Super City Initiative" concept, which leverages leading technologies such as AI and big data, the goal is to assemble leading-edge technologies from all fields including logistics, medicine and education, in order to make the cities of the future along the lines of a residential participation model implemented in daily life. While using the National Strategic Special Zone Law as a foundation, the bill will establish a legal system in which special cases for regulations can be specified, independently and with greater speed and flexibility within the region, and was enacted by the National Diet and promulgated in May 2020

Advancing Regional Revitalization with Partner Companies that Aspire Toward Regional Revitalization

Management Company: Regional Revitalization Partners (Establishment Capital: Approx. ¥500 million)*

Planning of regional revitalization measures, presentation of strategic guidelines regarding SBI Regional Revitalization Services and SBI Regional Revitalization Investment and Loan, and other services related to the operation of Regional Revitalization Partners.

Participating companies: Concordia Financial Group, Development Bank of Japan, Shinsei Bank, Yamaguchi Financial Group (in alphabetical order)

SBI Regional Revitalization Services	SBI Regional Revitalization Investment and Loan
<p>Initiatives for individual SBI Group companies: to work with various operating companies and financial institutions, as well as local governments, to provide common systems to rejuvenate regional industries, and to create new profit opportunities</p> <ul style="list-style-type: none"> ■ Provision of common systems to financial institutions ■ Improvement of regional financial institutions' profitability ■ Promotion of regional economic revitalization 	<p>Investments and lending to startup companies involved in regional revitalization</p> <ul style="list-style-type: none"> ■ Introduction of investment and lending opportunities to startup companies before an IPO ■ Provision of investment and lending opportunities by co-financing through SPCs ■ Provision of opportunities for high-yield profits linked with Southeast Asian financial institutions that are SBI Group investee companies

* Capital increase depending on the progress of the business

Examples to Date of Contributions to Regional Revitalization within the SBI Group:

Enhancement of individuals	<ul style="list-style-type: none"> • Development support for new fee businesses linked with Astamuse • Support for local companies using digital technologies like the Grow with Google digital skills training program
Implementation enhancements	<ul style="list-style-type: none"> • Provision of low-cost, e-commerce platforms from BASE for online shops • Provision of a broad range of business succession and M&A opportunities using TRANBI, an M&A matching platform run by TRANBI • Establishment of a real estate consortium to make effective use of regional financial institutions' real estate holdings
Enhancement of money	<ul style="list-style-type: none"> • Investments and lending to startup companies involved in regional revitalization • Establishment of university-initiated ventures linked with researchers at regional universities

■ SBI Regional Bank Holdings Enhancing Corporate Value Based on a Mutual-aid Mentality

In November 2019, the SBI Group entered a capital and business alliance with Shimane Bank, followed by a series of similar alliances with FUKUSHIMA-BANK, THE CHIKUHO BANK and The Shimizu Bank. By undertaking various initiatives like these, which targets the profitability enhancement of regional financial institutions and improvements in service convenience at each bank, we are endeavoring to increase the corporate value of our partners. SBI Regional Bank Holdings was founded as a holding company, wholly owned by the SBI Group, for the purpose of

developing greater efficiency and an effective support structure. Our shareholdings in the four regional financial institutions that we have concluded capital and business alliances will be transferred to this entity. We envision that our capital and business alliance partners will increase up to 10 banks, and our efforts toward increasing corporate value at these regional financial institutions are closely tied to SBI Regional Revitalization Services and SBI Regional Revitalization Investment and Loan. In addition to regional banks, we are actively engaged in business collaborations with credit unions and credit associations that have developed deep relationships with small-scale operators, who are the key to regional revitalization.

Interview

Insights from a Regional Financial Institution

A Broad Range of Products, Services and Networks Available through an Alliance with the SBI Group Provides Compelling Proposals for Our Customers

The business environment surrounding regional financial institutions is becoming more severe, which makes it difficult to fulfill our mission as a financial institution in the region by merely running the bank as we had previously. In light of this, we came to the conclusion that we needed to provide a new business model by partnering with other companies, which is what initiated the capital and business alliance with the Group. When we considered the SBI Group for a partnership, the corporate philosophy embodied in the “Customer-centric Principle” connected with our bank’s foundational principles. Through the business alliance in the financial instruments intermediary services with SBI SECURITIES that started in 2018, we were able to actually understand their mindset, which was the decisive factor that led to the capital and business alliance in September 2019.

While we are a regional bank that revolves around face-to-face operations, the SBI Group is a financial group that develops and evolves online businesses. Although we had high expectations that our different lines of business would create large synergies between us, we were not sure what specific form it would take, and at the start we could not form an image of this. The SBI Group has freely provided us a diversity of financial products, networks and knowledge, and we are now able to provide services that better align with customer needs, which is something that we could not do on our own. Also, motivation feels higher than it was previously, especially for young personnel at our



Yoshio Suzuki

President,
Shimane Bank

bank, so that reformation in employee consciousness is another pleasing result from this collaboration.

Our bank has had a culture of proceeding with matters very carefully, and being caught up in traditional, customary practices. However, now that we are learning the sense of speed at the SBI Group and its evidence-based approach to developing recommendations, we feel that we have joined with the most appropriate partner. Given such conditions, in the fiscal year ending March 31, 2021, we expect that our bank will turn around the loss in net core business profits for the previous four fiscal periods, including one of over ¥2.0 billion last fiscal year. A V-shaped recovery looks possible, and our business plans include earnings forecasts along these lines.

In order to support the regional economy, and to ensure that the mission of regional financial institutions contributing to regional revitalization is achieved on a sustainable basis, the first order of business is to solidify our own business foundation. During this process, I hope that a business model will be developed for regional banks, and that we will contribute to the regional revitalization advocated by the SBI Group.

2 OPEN ALLIANCE

Proactive Promotion of “Open Alliance”

Establish a framework to offer comprehensive services that meets various customer requirements, by promoting Open Alliances to build win-win relationships with companies outside of the Group

■ The Realization of “Open Alliance”

The SBI Group will endeavor to advance materially forward through the “Open Alliance” concept, which is a broader framework of an “open innovation” concept, where companies embrace ideas and technologies toward innovative research and development.

The term “Open Alliance” refers to the formation of win-win relationships through partnerships with a large number of non-Group companies, and a wide spectrum of industries. Through open alliances, the SBI Group will endeavor to offer comprehensive services to meet various customer needs, which no single company may achieve on its own, and in doing so we expect to broaden the Group’s customer base.

The Neo-bank and Neo-securities initiatives that our Group has been engaging in also embodies this idea. In April 2020, we announced a strategic capital and business alliance with Sumitomo Mitsui Financial Group (SMBC Group). Through this alliance, we will endeavor to develop a cooperative relationship based on the use of the strengths of both groups in various business fields, including face-to-face and digital operations, to further improve customer satisfaction.

Collaborations are progressing with prominent overseas partners, as well as in Japan. For example, in countries and regions with high growth potential such as China, Europe and Indonesia, we have been forming new jointly managed funds, and have expanded the venture capital business. During the summer of 2020, we plan to structure a fund that incorporates unlisted equities of Japanese and Asian high-tech startups, through a partnership with Pictet Asset Management (Japan), and we also plan to establish Japan’s first “Crypto-asset Fund.”

■ Promoting Neo-bank Initiatives

Current State of Deregulation in the Banking Industry

One of the primary goals of the amendments to the Banking Act, which went into effect in 2018, is to advance open innovation between financial institutions and fintech companies. As such, domestic financial institutions are being obligated to work to become more involved in collaborative endeavors

relating to open APIs and connections to fintech companies, in order to develop more highly convenient financial services.

Additionally, through the revised Banking Act promulgated in June 2019, the regulation for data use operation was revised, where “third party operation of retained information (operations for data usage),” was added to the ancillary functions of the banks. The revision included the ability to provide information about customers to third parties with the consent of the individual. In April 2020, the Japan Fair Trade Commission published a report stating that the exclusion of fintech operators from API connections by banks could violate the antitrust law, and the report goes on to urge open innovation in the banking industry.

Neo-bank Initiatives for the Next Generation

SBI Sumishin Net Bank is a pure-play online bank that has achieved positive growth by offering highly beneficial services to customers, including low-interest home loans. This growth will accelerate to a new level, through alliances with major outside operators. For this reason, the Bank is vigorously advancing the Neo-bank initiative with various partner companies across industries, to create new values for the end users of the partners.

In 2016, SBI Sumishin Net Bank became the first financial institution in Japan to release an API to outside companies. The API is already being used by over 10 companies, and has made the bank a leading fintech player in the development of new businesses and products. Under such conditions, SBI Sumishin Net Bank utilizes leading technologies, in addition to its competitive products and services, to offer banking functions such as AI screening services to the regional financial institutions, in the so-called “Banking as a Service” (BaaS) way. Through this BaaS strategy, the bank is pursuing its goal of having many people use their bank accounts and services seamlessly, to blend the online and the physical, to bring Online-Merge-Offline (OMO)* to a reality, for a superior customer experience.

The SBI Group has established a corporate ecosystem that realizes high growth potential through synergies and co-evolution of the Group’s companies, which cannot be achieved by a single company. This is the competitive

superiority that represents the strength of the SBI Group. Moving forward, the Group will work together to exercise synergies, not only among its own companies, but also with non-SBI Group companies, as it seeks to grow its customer base to a new level, and to create revolutionary banking services.

* A retail marketing concept that considers online and offline as a single market blended together. Since it prompts purchasing behavior when the design is made, emphasizing the customers' entire realm of experiences, OMO differs from omnichannel, which merely establishes links between online and offline.

Creating New Banking Services Together with a Diverse Set of Operators

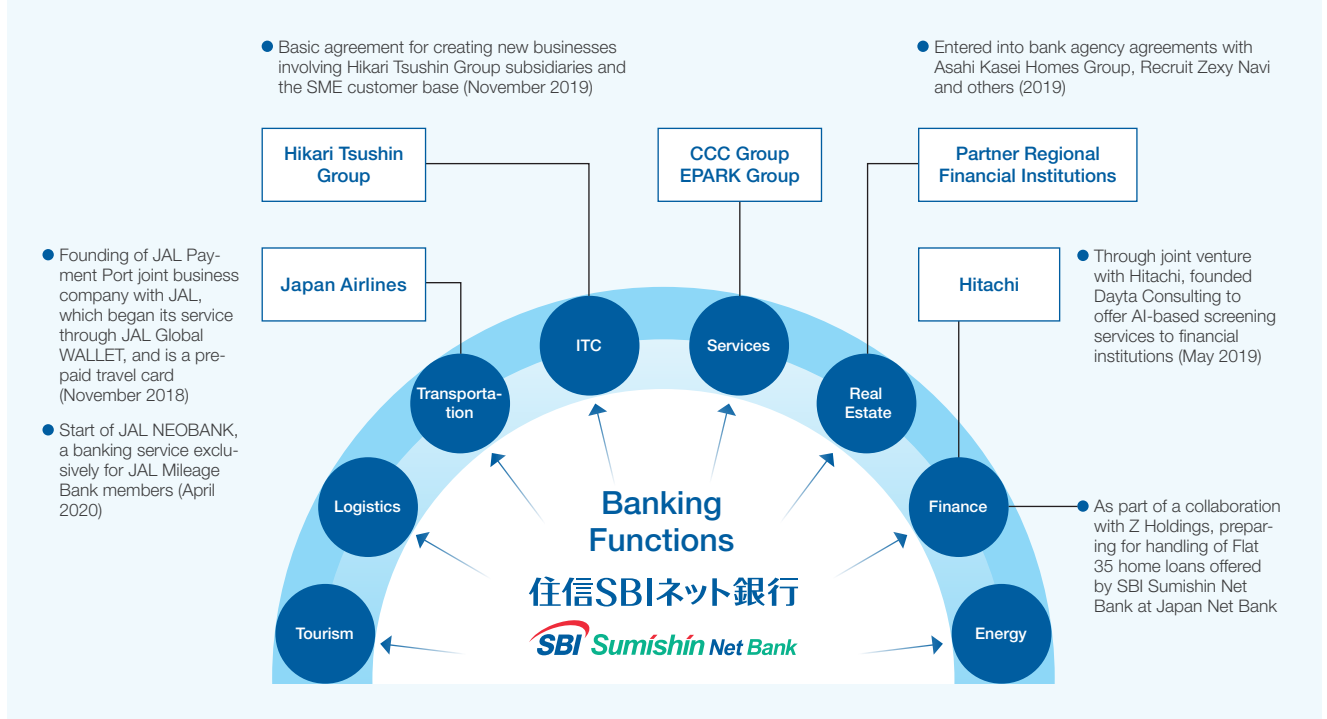
In November 2018, JAL Payment Port, a joint business company with Japan Airlines, launched the JAL Global WALLEET, a Mastercard-branded travel prepaid card, as the first step in the Neo-bank initiatives that the SBI Sumishin Net Bank proactively promotes. Also, beginning in April 2020, it started accepting applications for JAL NEOBANK, an exclusive banking service for JAL Mileage Bank members. Since this service uses IT technology from SBI Sumishin Net Bank, it offers more than just the basic banking services such as deposits,

electronic transfers to other banks and payments. Instead, the service is very convenient for customers, since it grants miles proportionate to the pre-charging, and foreign currency deposits made to JAL Global WALLEET. The bank will be creating other new services using its partnerships with major companies such as Recruit Zexy Navi, Asahi Kasei Homes Financial and Hikari Tsushin.

With the goal to broaden its service offerings, SBI Sumishin Net Bank established Dayta Consulting in May 2019, as a joint venture with Hitachi, Dayta Consulting brings together SBI Sumishin Net Bank's data handling technology and loan expertise, and Hitachi's AI capabilities—Hitachi AI Technology/Prediction of Rare Cases (AI/PRC)—to provide AI screening services and consulting services for financial institutions. Since AI/PRC is appropriate for cases requiring the prediction of rare phenomena or an explanation of a basis for a forecast, it is used in risk management for moments such as investigations of unfair stock market trading, as well as financial institutions' rating of new transaction customers and creditworthiness reviews. Its use is expected to lead to lower credit costs. Looking toward the future, this AI screening service is being considered for expanded applications to a variety of

Neo-bank Initiatives

Advancing cross-industry partnerships with major businesses to become a financial infrastructure provider for banking services



services. Two of these are, transaction lending, which sets the terms of a loan based on daily transaction data and not past financial data, and card loans, which require detailed investigation from the perspective of preventing debts to multiple creditors. In this manner, we are pursuing further ways for Neo-bank initiatives to move forward by expanding the banking functions and services available to outside companies, including financial institutions.

■ Promoting Neo-securities Initiatives

A Movement toward Elimination of Commissions on Stock Trading in Japan

In the U.S. online securities industry, total stock brokerage trading value fell after the collapse of the IT bubble. Individual investors trended away from stocks toward defined contribution plans (401(k)s) and mutual funds. With a focus on baby boomers who are now in their 60s, there has been an increased demand for consulting services by finance specialists on long-term asset management. Also, Robinhood, a U.S. provider of groundbreaking commission-free stock trading services, appeared on the scene in 2014. The effects from these two events caused the momentum behind fee competition to increase, and pressed securities companies to back away from a profit structure that depends on stock trading commissions.

Given these trends in the U.S., we believe that the movement toward commission-free stock trading may also gather steam in Japan. The SBI Group had responded in October 2019 by getting a step ahead of its rivals in setting a goal to bring stock trading commissions down to zero. Since then, other online securities companies in Japan have started to follow suit by joining the commission-free stock trading movement. Individual companies are expanding their commission-free structure using initiatives, starting with a small profit impact.

A Strategy for the Next-generation Securities Business

The SBI Group was able to quickly discern the changes in the U.S. securities business environment. As a result, with an eye on the next-generation securities business, we are advancing Neo-securities initiatives through our plans to eliminate online trading fees for domestic securities and certain costs currently borne by investors. We have made plans to achieve this in three steps. First, we have already placed a zero-commissions policy in December 2019 with a focus on areas with comparatively small profit impact. Second, we will remove fees for securities trading and other activities at SBI NEOMOBILE SECURITIES. Third, we plan to advance a commission-free structure at SBI SECURITIES for online spot trading and margin trading of domestic stocks. In the fiscal year ended March 31, 2020, commissions and fees for domestic stocks

traded online at SBI SECURITIES accounted for 17% of operating revenue. In order to achieve zero fees for online spot trading and margin trading of domestic stocks, we plan to diversify our revenue sources and enable growth of alternate income. Moving forward, we will endeavor to make domestic stock commissions from online trading to comprise no more than 5% of revenue. For step two and step three of our plan, we are examining the timing in light of the new entries from non-financial and foreign companies, and the progress toward zero-fees at incumbent securities companies.

Establish a Business Foundation Not Reliant on Stock Trading Commissions

To advance Neo-securities initiatives at the SBI Group, we are further improving the positioning of our retail business, through the sales activities for NISA and iDeCo, which have already achieved commission-free trading, and we are also focused on the acquisition of new customers. With SBI NEOMOBILE SECURITIES, which started operations in April 2019, as the core, we will establish an ecosystem to acquire millennials by promoting an organic coupling with the Group companies, such as SBI FXTRADE, SBI VC Trade and Money Tap. Also, in the fiscal year ended March 31, 2020, SBI SECURITIES collaborated with Yahoo! Finance, allowing Yahoo! JAPAN IDs to log into SBI SECURITIES accounts. Looking ahead, we intend to improve user-friendliness by establishing a seamless securities trading environment. Furthermore, to approach customer segments that have been difficult to reach, SBI SECURITIES has entered into a business alliance with Takashimaya, in June 2020. The Takashimaya Group plays the lead role in this alliance, and intends to roll out a variety of financial services starting with investment trusts, offered both online and face-to-face. SBI SECURITIES will be supporting businesses from other industries to enter the financial business in such a way.

On the other hand, in order to establish a business foundation that does not rely upon stock trading commissions, we will upgrade our corporate business, and expand our brokerage services for our customer financial institutions through the Financial Institutional Sales Dept. at SBI SECURITIES. The corporate business continues to focus on the underwriting of primary and secondary issuances of both stocks and bonds. In the M&A-related business, the M&A Advisory Division of SBI SECURITIES has been strengthened, and as a result, we have seen steady growth in our M&A deals which will help us diversify our revenue sources. These efforts will all contribute to the diversification of our revenue sources.

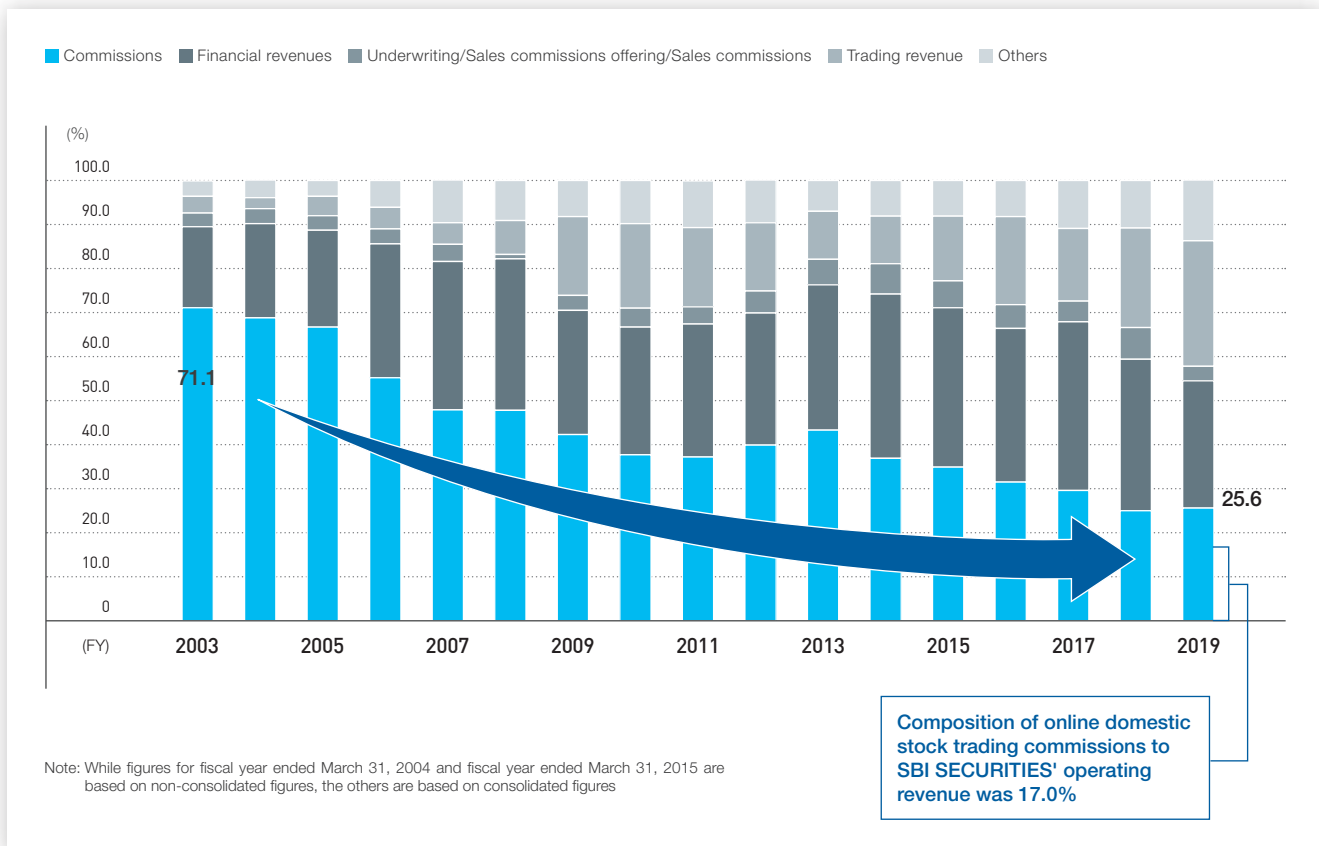
Trading revenues have also grown significantly owing to various initiatives, with the contribution of these revenues increasing in terms of diversification of revenue sources. In the FX-related business, which accounts for the bulk of trading income, SBI Liquidity Market is offering FX trading services to four Group companies, both in Japan and abroad. As for non-Group companies, it has also started FX trading with YJFX!, a wholly owned subsidiary of the Z Holdings Group, Central

Tanshi, and five Korean companies. More and more businesses are participating in the OTC market of SBI Liquidity Market, both in Japan and abroad. As the amendments to the Payment Services Act that went into force in May 2020, trading of contracts for differences (CFDs) for crypto-assets is being prepared at SBI FX Trade. CFD know-how cultivated through the FX business by SBI FXTRADE, and the crypto-asset expertise within the SBI Group are leveraged in pursuit of the goal to enlarge the business foundation.

We also have plans to execute more M&A deals in Japan and abroad, in order to turn Neo-securities initiatives into reality. In June 2020, we acquired 51.28% of the shares outstanding of Rheos Capital Works, an asset management company that manages investment trusts under the “Hifumi” brand, which is highly regarded by individual investors. Combining the “Hifumi” brand that is very popular with individual investors, with the sales capabilities of the SBI Group, will allow us to

further develop our customer base. Additionally, we expect an increase in investment trust fees as a result of this growth in assets under management.

Composition of SBI SECURITIES' Operating Revenue



3

DIGITAL TRANSFORMATION

Organized Response to Accelerated Digital Transformation (DX)

As the digital transformation (DX) shifts the world from analog to digital at an increasingly rapid pace, the SBI Group will endeavor to develop the infrastructure necessary for a new social form.

■ Business Development in Anticipation of Societal Change

In Japan, starting in March 2018, regulations were revised for crypto-assets from the viewpoint of protecting investors. Amendments were then made to the Financial Instruments and Exchange Act (FIEA) and Financial Settlements Act which eventually went into effect in May 2020. As a result, margin trading utilizing crypto-assets is now covered by the same regulations as foreign exchange trading, and new funding mechanisms through the issuance of security tokens (security token offerings or STOs) are covered by the revised FIEA. In addition, in recent years, for the advancement of a cashless society, the government and regulators have requested the lowering of commissions on interbank money transfers, and have given their support to the participation of companies from other industries by easing regulations.

The SBI Group has been advancing the diversification of financial products and the efficiency of business processes, by adopting advanced technologies such as the fintech of its investee companies. Accordingly, through the adoption of blockchain and distributed ledger technology (DLT), which possesses excellent features in safety and transparency, as well as for the progress in contactless financial services and cashless services to reduce the concern for hygiene risks, together with the move toward deregulation, we see the possibility of great progress ahead. For this reason, the SBI Group has been expanding its business in the digital asset domain, so that it may respond to the social changes from analog to digital (digital transformation: DX).

■ Building the Necessary Infrastructure for New Social Norms

The SBI Group is actively developing a digital asset business, and is establishing a global organizational structure led by SBI Digital Asset Holdings, in order to formulate organizational responses in line with the DX era. In particular, to foster the sound development of the market for STOs, which is a new source of funding, we are supporting the Japan Security Token Offering Association (JSTOA), which received certification as a self-regulatory body. Through collaborations with domestic and

foreign partner companies, we are assembling a business structure that envisions the global expansion of STOs. Since these offerings not only have a primary market for issuance, but also a secondary market for trading between token-holders, discussions are being held, with SBI SECURITIES leading the way toward the establishment of a proprietary trading system (PTS) for tokenized securities in Japan, with the JSTOA facilitating an exchange of views among volunteer full members. Outside of Japan, the Group plans to establish central facilities to supervise STO issuance and secondary trading under the auspices of SBI Digital Asset Holdings.

Also, COVID-19 has shown that for the production of medical and hygienic goods, the structure of relying on raw materials and products overseas is problematic. In light of these conditions, blockchain and DLT have superior features in safety and transparency, centered primarily on supply chain management, and—particularly in commercial distribution and logistics by large companies. The SBI Group will support their adoption and use. More specifically, the SBI group has deepened its relationships with R3 and Ripple Labs (both from the U.S.), which have the DLT closest to the global standard, and created joint ventures with each company. On top of this, we have plans to propagate the know-how and technology cultivated at the SBI Holdings Office of Blockchain Promotion to various Group companies.

As a step toward lowering costs for money transfer and payment services, we are facilitating the previously mentioned Money Tap remittance app for smartphones, which was jointly developed with Ripple Labs (U.S.). Through developments such as starting connections between Money Tap and the smartphone payment services PayPay (run by the prepaid charge operator PayPay Corporation) and LINE Pay (run by LINE Corporation), the Group is putting Money Tap on an expansion track. Money Tap, while cooperating with financial institutions participating as shareholders and with Ripple Labs, a partner company, will be including payment services of affiliated merchants using QR codes and developing solutions to enhance customer convenience. By doing this, Money Tap will be supporting the advancement of Japanese national policy by contributing to the adoption of cashless payments.

Also, in conjunction with the SBI Group's DX, we are addressing the security needs of DX, and are participating in the e-sports business as a new point of contact with the digital generation.