

# 1 Build a More Expansive Ecosystem through an Open Alliance Strategy

The SBI Group strives to create unprecedented value by embracing a range of ideas and technologies not only from the Group's own activities but also from other companies. The Group is developing collaborative activities that go beyond types of business and national borders as an "Open Alliance," which captures the concept of "open innovation" that seeks innovative research and development in a broader framework.

The Neo-securities and Neo-bank initiatives which our Group has been promoting for some time also embody this idea.

## Neo-securities Initiative

The U.S. online securities industry has seen a fall in trading value due to the collapse of the IT bubble. More individual investors have moved away from stocks toward defined contribution pension plans, such as 401(k)s, and investment trusts. Moreover, Robinhood Markets, the groundbreaking U.S.-based commission-free trading platform, arrived on the scene in 2014. Against such a backdrop, it has become necessary to shift away from a business model that relies on trading commissions.

Looking at the situation in the U.S., Japan will likely see a similar trend toward commission-free trading happen in earnest as well. As such, the SBI Group set out its position ahead of its competitors in 2019 to strive toward commission-free trading. This is the Neo-securities initiative which is currently being promoted by the SBI Group. Looking ahead toward the next generation of the securities business, the Neo-securities initiative will strive to bring commission-free online stock trading in Japan and reduce some of the costs currently borne by investors.

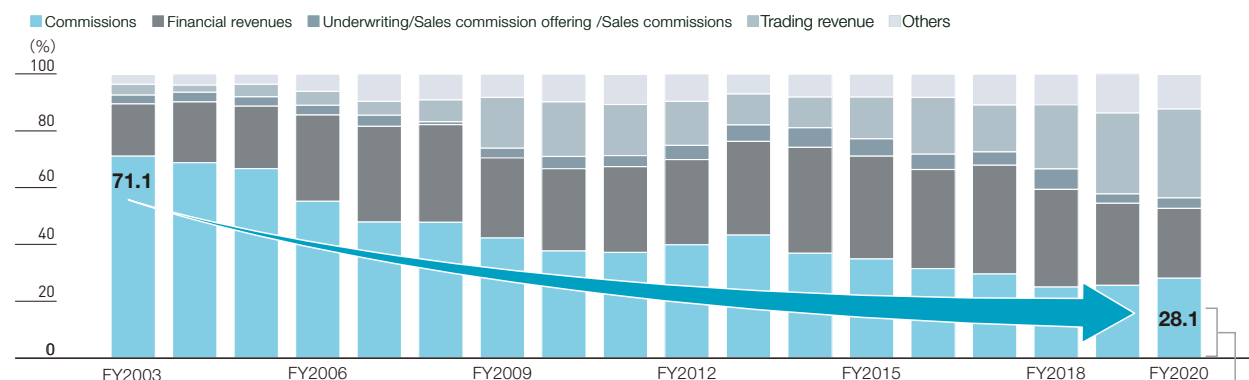
The SBI Group has gradually introduced measures that have a relatively low impact on its profits to make the Neo-securities initiative a reality. This includes making commissions on domestic equity transactions effectively free of charge from April 2021 for those aged 25 or under, and for underage customer accounts, in a bid to accelerate our drive to expand toward a younger customer base. We will also actively carry out other campaigns to strengthen our customer base of young people.

The smartphone trading platform SBI NEOMOBILE SECURITIES has a majority of customers in their 20s and 30s, which is also making a significant contribution to the expansion of the young customer base. We are also promoting initiatives that utilize reward points from other companies through the "Open Alliance" initiative, such as T-points from the Culture Convenience Club and the SMBC Group's V-points. As such, we anticipate further expansion of our customer base in the future.

In order to make our Neo-securities initiative a reality, it is essential we build a business foundation that does not depend on equity trading commissions. To this end, we have been working to secure and expand various sources of income, including non-online income from the independent financial advisors (IFA) business, and stock-type businesses such as trust fees on investment trusts. This is in addition to strengthening products other than domestic equity such as foreign stocks and real estate finance, increasing trading income centered on our FX and crypto asset businesses, expanding our brokerage business with financial institutions through the Financial Institutional Sales Department, and further expansion of the wholesale business. As a result, trading revenue grew steadily and reached a record high in FY2020. Moreover, the underwriting business of primary and secondary equity and bonds has expanded steadily, and the number of underwritten companies as lead underwriters reached a record high, helping to firmly diversify revenue sources for the Group.

We also intend to actively utilize M&A to further expand our customer base and to make the Neo-securities initiative a reality as soon as possible. We will consider potential transactions based on whether they will be a stepping-stone for global expansion, whether results can be obtained from economies of scope, and whether it is possible to realize mutual evolution by demonstrating synergistic effects with existing businesses. Probable target areas for M&A activities would be those fields of business that would lead to lower reliance on online domestic equity trading commissions, such as FX companies, crypto asset-related companies, M&A intermediaries, and asset management companies.

## Composition of SBI SECURITIES' Operating Revenue

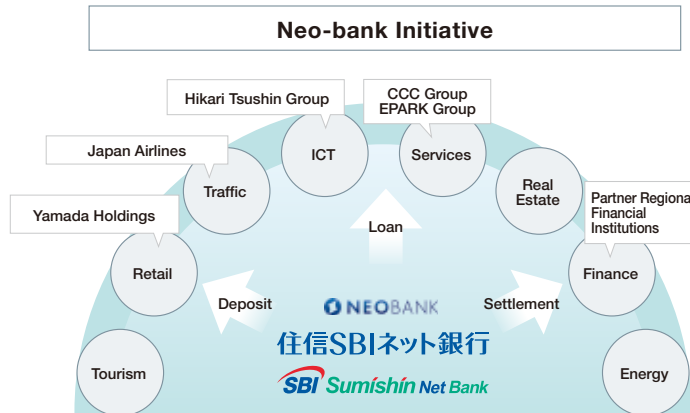


Note: For FY2003 and FY2014, non-consolidated results are shown. Consolidated results are shown for other years.

Composition of online domestic equity trading commissions to SBI SECURITIES' operating revenue was 17.5%

## Neo-bank Initiative

In the domestic banking industry, open innovation has been accelerating due to deregulation. Amendments to the Banking Act came into effect in 2018 and imposed obligations on domestic financial institutions to make their best efforts in terms of open API\*. Additionally, regulations on operations handling data were revised with the partial amendment of the Banking Act that came into effect in 2020. This revision includes the ability to provide information about customers to third parties with the consent of the individual.



Prior to this easing of restrictions, SBI Sumishin Net Bank was the first Japanese financial institution to release an API to external companies in 2016. Today, it has realized connections with more than 20 of the leading companies in Japan. This has enabled various new businesses and product developments, as well as the active development of what is known as Banking as a Service (BaaS), which allows companies other than banks to provide banking functions such as deposits, loans, and card settlement to businesses.

SBI Sumishin Net Bank is promoting the Neo-bank initia-

tive to further expand its customer base and to create innovative banking services through BaaS by collaborating with companies outside the SBI Group and demonstrating synergistic effects. This allows SBI Sumishin Net Bank to provide ancillary banking functions as a platform provider from behind the scenes when customers use the business services of partner companies. SBI Sumishin Net Bank works with partner companies to create a framework by which these services can be used both smoothly and comfortably. Specific initiatives we have launched include JAL NEOBANK, a banking service exclusively for JAL Mileage Bank members launched in April 2020, and T NEOBANK, a banking service for T-point members launched in March 2021. Furthermore, in July 2021, we started providing a new financial service called "YAMADA NEOBANK" with YAMADA Holdings Co. In this way, the Neo-bank initiative is making steady progress.

Going forward, we will endeavor to transform financial services to make society more comfortable and convenient through the promoted use of the Neo-bank initiative.

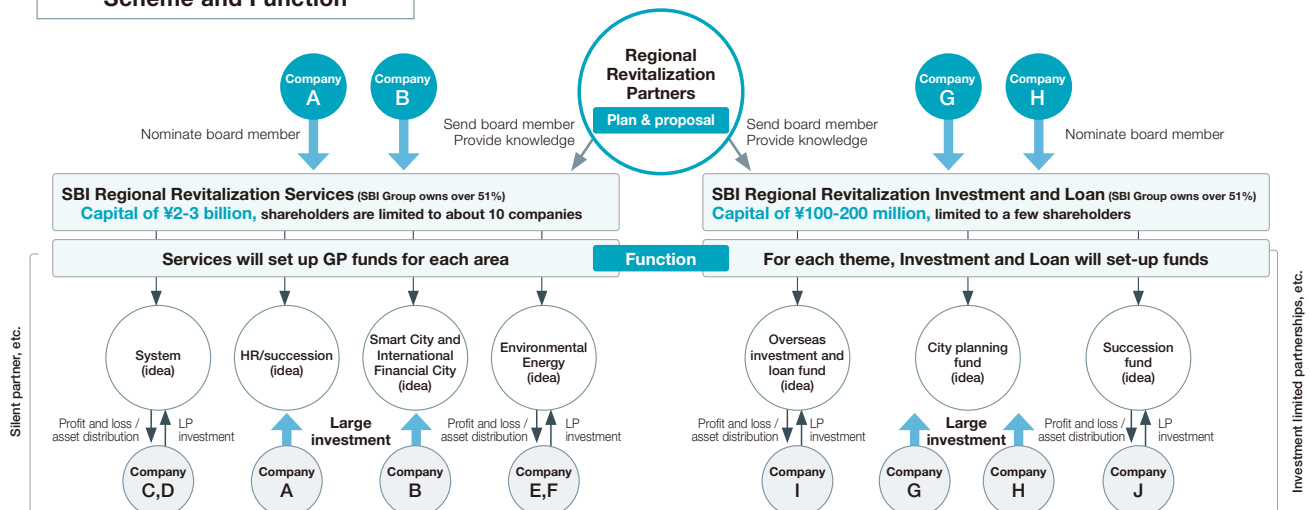
\* An Application Programming Interface (API) is a protocol that enables the management of data and software functions from an outside program source.

## Regional Revitalization

### Regional Revitalization Partners will Contribute Directly to Regional Revitalization

Regional revitalization is now a national project, something that is indispensable for the sustainable growth of Japan. However, many of the regional financial institutions, which are the cornerstones of the local communities and economies that support this revitalization, are facing an extremely difficult business environment. Specific issues include long term changes in the macroeconomic environment such as the declining and aging population, progress in financial innovation in the medium term, and in the short term a decline in the loan-deposit ratio as well as the Bank of Japan's neg-

## Scheme and Function



ative interest rate policy.

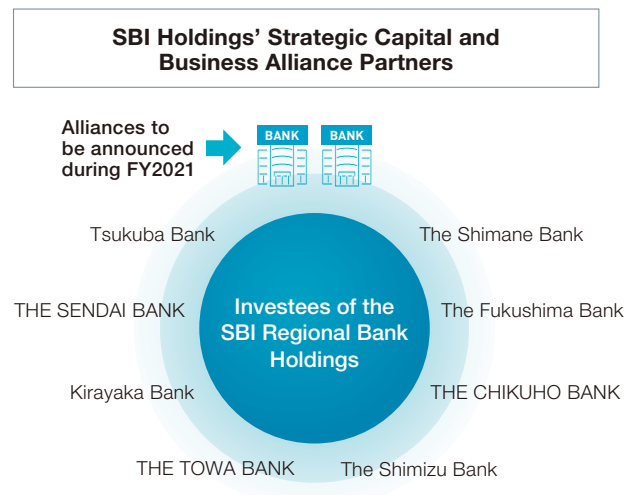
Based on the idea that public benefit leads to private benefit, the SBI Group has strived to achieve regional revitalization through initiatives that lead to improved profitability and corporate value for regional financial institutions by expanding and strengthening alliances with these organizations throughout the country. However, we have realized that this project alone has not been enough to sufficiently solve the problems for the local economy. We have therefore approached not only the regional financial institutions, but also residents, local industries, and local governments – the four economic entities that directly related to the revitalization of local economies. Consequently, we established Regional Revitalization Partners in collaboration with multiple partner companies that share the same desire to achieve regional revitalization. Regional Revitalization Partners is positioned as a controlling body that involves various partners to formulate and promote plans and strategies for regional revitalization. In addition to this, two companies have been established – SBI Regional Revitalization Services and SBI Regional Revitalization Investment and Loan – as entities that provide a range of functions contributing to regional revitalization. In April 2021, SBI Regional Revitalization Investment and Loan decided as its first project to invest in I&H Co., Ltd. (commonly known as HANSHIN Dispensing Group) in a bid to solve the business succession problem of regional small- and medium-sized pharmacies.

### Promotion of Strategic Capital and Business Alliances with Regional Financial Institutions

Concurrently with working for local economies through Regional Revitalization Partners, we will also continue to strengthen cooperation with regional financial institutions. As of the end of June 2021, the SBI Group has entered into strategic capital and business alliances with eight banks, including The Shimane Bank, The Fukushima Bank, THE CHIKUHO BANK, The Shimizu Bank, THE TOWA BANK, Jimoto Holdings (Kirayaka Bank and THE SENDAI BANK), and Tsukuba Bank. This is to fully support the self-transformation and self-evolution of the regional financial institutions we have invested in to achieve qualitative transformation. In response to various issues faced by regional financial institutions, such as the need for more sophisticated securities management, fintech support, and increasing system costs, we are working in tandem to solve and improve issues while utilizing the management resources of the SBI Group.

The SBI Group has formed business alliances with many regional financial institutions. That is because we believe we can contribute more to improve corporate value for regional financial institutions. The target is to accurately understand the issues facing such financial institutions and to offer our knowledge and expertise to solve the problems and verify the effects in a timely manner.

In light of the Group's management resources, we decide to have strategic capital and business alliances with as many as 10 banks, with the remaining two to be decided during the fiscal year ending March 2022.

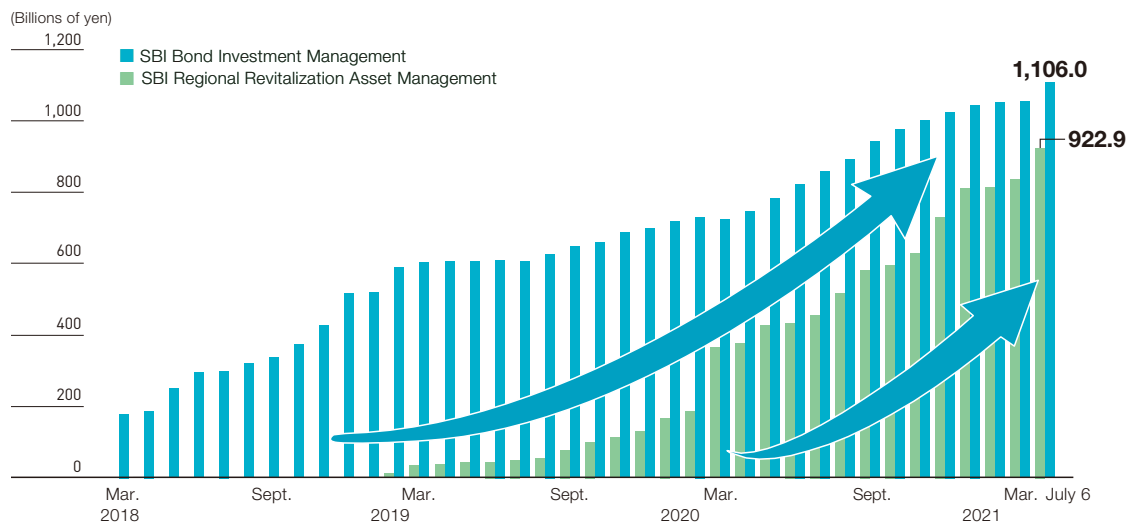


### Public Benefit Leads to Private Benefit

We believe that various measures towards regional revitalization can bring various benefits not only to partner regional financial institutions but also to the SBI Group. For example, the business alliance between regional financial institutions and SBI Group companies has made it possible for regional financial institutions to offer customers a variety of financial products that were previously not available. This not only makes it more convenient for customers of the regional financial institutions, but also leads to greater sales channels in rural areas for the SBI Group.

In addition, the amount of assets under management by the SBI Group from regional financial institutions, etc. exceeded ¥3 trillion as of the end of June 2021. Of this amount, SBI Regional Revitalization Asset Management, which is jointly funded by 39 regional financial institutions, is entrusted with over ¥870 billion worth of assets under management. It is possible for regional financial institutions to achieve more sophisticated and diversified securities management through outsourcing, while for the SBI Group, this leads to an increase in management fees due to the expansion of assets under management. As mentioned above, strengthening the profitability of regional financial institutions helps benefit the public in terms of revitalizing regional economies. In other words, these achievements brought about by alliances with regional financial institutions encapsulate the Group's philosophy of "public benefit leads to private benefit."

**Assets Under Management by SBI Bond Investment Management and SBI Regional Revitalization Asset Management from Regional Financial Institutions has Surpassed ¥2 trillion**



**The Concept of the International Financial Center as a Part of Regional Revitalization**

As part of its regional revitalization efforts, the SBI Group is promoting the concept of a next-generation international financial center in the Osaka-Kobe area to develop the economy in the regions west to Kansai. A specific initiative includes the SBI Group's participation as an observer through committee members and affiliated organizations in the "Global Financial City OSAKA Promotion Committee". This committee was established by bringing together the collective strengths of the public and private sectors such as local governments, economic organizations, securities companies, and banks including foreign-owned banks to promote the realization of a global financial city that leverages Osaka's strengths and potential. Furthermore, in the summer of 2021, the SBI Holdings Osaka Headquarters will be established in Nakanoshima, Osaka, a business area where major companies in the Kansai region are located. The base in Osaka of newly established operating companies and SBI Group companies will be consolidated step by step to build a major base for the Group in the Kansai region.

At the heart of this next generation international financial

center are the two organizations of the Osaka Digital Exchange (ODX), a company operating a proprietary trading system (PTS), established in April 2021 jointly by the SBI Group and the SMBC Group, and the Osaka Dojima Exchange, Inc. which became incorporated in the same month. The PTS that ODX plans to operate initially handle stocks and then endeavor to become a global, next generation exchange that also handles security tokens. In addition, the Osaka Dojima Exchange is currently Japan's only rice futures market, which dates back to it being the Osaka Dojima Exchange, the world's first futures exchange. Taking advantage of the world-famous "Dojima" brand, the SBI Group endeavors to build a global integrated exchange group in the future. As a shareholder in the Osaka Dojima Exchange, the SBI Group will support the formation of a global integrated exchange by utilizing its connections with domestic and overseas investment and partner companies as well as its capital reserves as backing. In addition, by actively attracting fintech companies to the Osaka-Kobe area to make it a center for fintech ventures will help realize the next generation international financial center concept.

**Endeavor to Establish a Cluster of Fintech Companies West of Kansai**

