

2 Develop New Business Fields Based on Innovative Technologies

In developing new business fields, the SBI Group quickly incorporates innovative technologies into the Group to expand its business by actively “investing” in venture companies with innovative cutting-edge technology and “adopting” that technology within the Group. By taking the step of “diffusing” not only the technologies but also the expertise built up within the Company to our alliance partners, we believe that we can bring benefits to more companies and consumers.

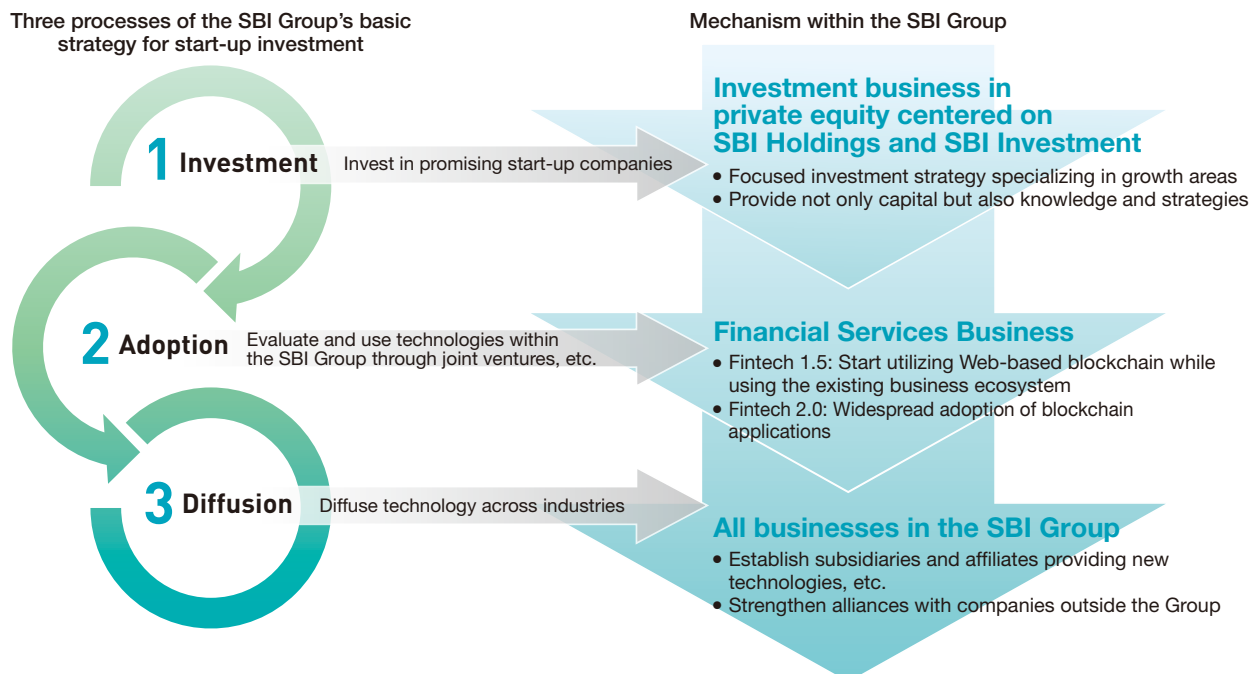
A good example of this measure is Money Tap, a company in the SBI Group in which 38 regional financial institutions have invested (as of June 2021). The next generation financial infrastructure provided by Money Tap is based on the distributed ledger technology (DLT) of U.S. Ripple, an investee company of the Group, and the number of connected banks is expected to reach 20 by the end of year (6 banks connected as of June 2021). The Money Tap app, one of the services offered, is the first in Japan to enable free direct money transfers between bank accounts 24 hours a day, 365 days a year, both within the bank itself and to other banks. By providing such next generation payment services, we will be able to firmly compete on price with existing payment services with less flexibility such as CAFIS, which in turn will lead to more benefits for the end users.

Similarly, we are also developing business by utilizing the Corda platform, a DLT for companies and corporations developed by the U.S.-based R3, another company in which the SBI Group has invested. In April 2021, we established a new company called SBI Traceability. The purpose of this company is to build a supply chain that contributes to the SDGs by achieving transparency and accountability in the supply chain. Taking advantage of the SBI Group’s track record in supporting the issuance of digital currencies and digital premium vouchers in multiple regions, “Machi no Wa Co., Ltd.” was established in May 2021 jointly with SBI Holdings, THE CHIKUHO BANK, and KYUSHU ELECTRIC POWER. The soon to be released “Machi no En” information platform, not only supports the issuance and operation of regional digital currencies and premium digital vouchers, but also uses data to visualize or digitize activities in the region. This platform will further help to revive local economies and promote regional revitalization.

We are also preparing to achieve further growth in the coming era of the digital world (digital asset space) by “investing” in innovative technologies and service areas that will be the core in the era of Fintech 2.0 to come in the near future.

The number of cases where investee companies have

The Process of SBI Group’s Basic Strategy



diffused or shared their advanced technologies with alliance partners has also increased. There have been collaborations with numerous companies including DataRobot, a U.S. company with cutting-edge technology in AI-related fields, an area that the SBI Group is jointly supporting to utilize AI and to improve AI literacy at regional financial institutions. In addition, we have collaborated with several companies including The Bank of Yokohama on “Wealth-

Navi,” a robo-advisor provided by WealthNavi Inc. and BASE, Inc., in which clients of regional financial institutions are able to easily open an online shop with minimal cost. These have helped bolster profitability for regional financial institutions and local companies, which has led to advances in the SBI Group’s regional revitalization strategy.

3 Globally Expand in the Field of Digital Finance

Since the SBI Group was first founded, it has grown with the rapid rise of the Internet and, with a financial ecosystem created from the Web, the Group has navigated from the first stage of financial technology, the so-called Fintech 1.0 stage. Following this is Fintech 1.5, which is defined by its use of blockchain and elemental technologies such as AI, big data, IoT, and robotics, etc. on a fully Web-based Internet financial ecosystem. The SBI Group is currently at this stage. In the next three to five years or so, we will see the expansion of the “Fintech 2.0” world, which will not necessarily require the Web and is based on blockchain, bringing a dramatic evolution to the digital asset space. The SBI Group is already making the necessary preparations in various businesses to grab hold of this trend and achieve further growth.

Security tokens (ST) are one example of this Fintech 2.0 domain. The SBI Group is focused on creating a primary and secondary market for STs. Security tokens are tied to tangible assets such as real estate and securities like equity and bonds that have been tokenized and are managed on a

blockchain. With amendments to the Financial Instruments and Exchange Act and the Payment Services Act enacted in May 2019, these regulations also became applicable to STs. Through the Japan Security Token Offering Association, a self-regulatory organization established in October 2019, the SBI Group is making efforts to develop a healthy primary ST market with the establishment of industry rules in Japan. Furthermore, in order to create a secondary ST market, in addition to plans to handle STs at the PTS operated by ODX (as mentioned above), we will set out to create one of the world’s largest global corridor that handles STs by interconnecting ODX with the Börse Stuttgart Group in Germany, the SIX Group in Switzerland, and with a digital exchange in Singapore that will be a joint venture between the SIX Group and the SBI Group.

We are also preparing for the establishment of Japan’s first digital asset bank through a capital and business alliance with Sygnum Bank of Switzerland, which operates the world’s first digital asset bank.

How the SBI Group Views the Revolution of Fintech

