

Responding to Emerging Next-generation Trends

Since its founding, the SBI Group has been working to create the world's leading Internet financial ecosystem. Today, we have organically combined new technologies such as blockchain, and are successfully transitioning to a new digital financial ecosystem. We are currently in the progress of evolving to a digital space ecosystem oriented toward the development of diverse businesses as the era of Web 3.0 arrives in force.

DIGITAL SPACE ERA



Pioneering Initiatives in the Digital Asset Industry

Throughout its history, the SBI Group has been working to build an Internet financial ecosystem based primarily on online activity. In recent years, we have seen the full-scale entry of institutional investors into the digital asset-related market, an area traditionally dominated by individual investors. Proof for this shift is the growth of crypto-asset transactions by institutional investors through Coinbase Global, Inc., a major U.S. crypto-asset exchange, with trade volume reaching US\$1.14 trillion (approximately ¥132 trillion) in 2021. We anticipate further digitalization of the financial sector, so have been working to enhance our financial ecosystem in preparation for these changes. Starting in 2015 with the formation of the FinTech Fund, the Group has expanded into various businesses, such as crypto-asset and businesses specializing in blockchain, which are core technologies for digital assets, and began developing a digital financial ecosystem.

We expect this accelerating digitalization trend to expand beyond the financial sector into all aspects of society, leading to the full-fledged arrival of the digital space era. The Group has already started preparing for these changes by enhancing our internal systems, including the creation of the Blockchain Promotion Department in 2016. In addition, by collaborating with prominent partners in Japan and overseas, we have built a global organizational structure that will allow the SBI Group to be a major player in the areas of digital assets and the digital space.

Introducing Core Technology that is Essential for the Digital Space Era

The SBI Group has expanded its business activities by rapidly acquiring new technologies through a basic strategy centered on the three processes of “Investment,” “Adoption,” and “Diffusion.” For example, in 2016, the Group invested in Ripple, a U.S. company that has created a leading distributed ledger technology (DLT). In 2019, we established Money Tap, which utilizes Ripple’s technology to provide money transfer and payment services, and offer its services to regional financial institutions. The SBI Group continues to form collaborative partnerships with companies that possess innovative core technologies. In 2022, we invested in the U.S. company Digital Asset, which has developed “Daml,” a smart contract coding language with excellent blockchain interoperability characteristics and are now preparing to establish a joint venture with the company.

The SBI Group has also been involved in creating cross-industry organizations dedicated to the corporate development of the digital space area, including the Japan STO Association (established in 2019) and the Japan Digital Space Economy Federation (established in 2022). In addition, we established the SBI Financial and Economic Research Institute in 2021 as a think tank specializing in research on next-generation finance and digital finance. The SBI Group will work through these organizations to discover and realize business opportunities, while ensuring full compliance with Japanese laws and regulations and effective protection for investors. At the same time,

we will contribute to the development of various systems through surveys, research, and policy proposals.

Becoming a Next-generation Financial Platform Provider in the Digital Space Era

The SBI Group strives to become a next-generation financial platform capable of using a variety of new technologies centered on blockchains. We are working to realize this vision through initiatives in four areas.

The first area is security tokens (STs) [▶ P.119](#), which are financial products of the next generation. Group companies have already created track records in this area, including the first security token offering (STO) of corporate-type bond STs for general investors in Japan, as well as a public offering of asset-backed STs in 2021. In addition, as part of our efforts to establish Japan's first secondary market for ST, we established the Osaka Digital Exchange (ODX), a company that operates a proprietary trading system (PTS). The Sumitomo Mitsui Financial Group, Inc., Nomura Holdings, Inc., and Daiwa Securities Group Inc. also hold shares in the ODX, which began handling Japanese equities in June 2022 and is expected to start trading in STs from 2023. The SBI Group is planning to offer comprehensive, one-stop ST functionality encompassing everything from issuance and distribution to custody (storage) services. To achieve this, we are striving to form one of the world's largest global corridors by collaborating and interconnecting with multiple overseas stock exchanges, including the Börse Stuttgart Group of Germany and the SIX Group in Switzerland. The SBI Group has already invested in and/or established business alliances with both exchanges.

The second initiative is in the area of non-fungible tokens (NFTs). In 2021, we acquired SmartApp Co., Ltd. (now SBINFT), which created Japan's first integrated NFT platform, as a consolidated subsidiary of the SBI Group. This has enabled us to establish a full-scale presence in the NFT marketplace. In addition, SBI Art Auction, which plans and manages art auction events, entered the digital art business and held Japan's first NFT art auction in October 2021.

The third area consists of services based on the active utilization of blockchain and DLT. The SBI Group is working in partnership with the U.S. company R3, the developer of the Corda DLT platform, to offer companies and corporations supply chain finance and traceability platforms based on Corda. We are also developing international money transfer services using Ripple's XRP Ledger technology.

Finally, **the fourth** area we foresee relates to central bank digital currencies (CBDCs) [▶ P.119](#). CBDC research has accelerated in many parts of the world, and several countries have already started testing CBDC proof of concepts, such as Sweden's "e-Krona" and China's "Digital RMB." In the U.S., the President Biden signed an executive order calling for the acceleration of research into the issuance of digital USD. The SBI Group will continue to monitor these national trends and contribute to the utilization of pioneering technologies and the construction of new systems.

Going Beyond Finance with Finance as Its Core, as Digitalization Advances in the Era of Web 3.0

We anticipate that in the era of Web 3.0, which is based on blockchain protocols and characterized by decentralized, trust-less systems, we will see the accelerated adoption of digital technology throughout society. The SBI Group has long sought to go beyond finance with finance as its core and to become a comprehensive corporate group with core businesses which go beyond the financial industry. We strive to harness new business opportunities through the introduction of various business initiatives in the digital space, and to achieve rapid evolution as a digital space ecosystem by further developing our digital financial ecosystem.

The SBI Group is stepping up its efforts to cultivate new customers in anticipation of further advances in the digital space area of business. Our main target are young people of the digital generation, who are difficult to reach with traditional advertising because much of their time is spent interacting with Internet-based media, such as social media and video distribution sites. Therefore, we are working to build relationships with the digital generation in other ways, such as through management of professional gaming teams following the establishment of SBI e-Sports in 2020 and subsequent entry into the e-sports business.

We also anticipate the emergence of new ways of life and social structures and are working to enhance our understanding of these changes, while also striving to increase our name recognition in the digital space era. In FY2022, we started to pursue a comprehensive branding strategy designed to raise awareness about the SBI Group among younger people who have already begun to adopt new ways of life.

The SBI Group is also using technology to contribute to regional revitalization, including support through SBI e-Sports for an e-sport event hosted by The Shimane Bank in August 2021. We are also working with local governments and business organizations to issue and operate regional digital tokens, electronic premium gift certificates, etc. Other activities include the establishment of the SBI DX Database, in which more than 100 companies are expected to join, in order to provide services to regional financial institutions.

There has been a rapid increase in the number of companies, both in Japan and overseas, that have entered the metaverse [▶ P.119](#) in recent years, including the U.S. companies Meta (formerly known as Facebook) and McDonald's. Many think it is only a matter of time before people begin to allocate increasingly more time that they now spend in the real world to activities provided via virtual spaces, including economic transactions. The SBI Group is also starting to focus on metaverse-related activities. For example, in 2021, SBINFT staged an event in the metaverse in conjunction with a street art project in Shirahama Town in Wakayama Prefecture.



Jangdeok Ko
CEO of SBINFT

NFTs for New Life Experiences

In September 2021, the SBI Group acquired SmartApp Co., Ltd. (now SBINFT), which developed Japan's first integrated NFT trading platform business, as a consolidated subsidiary. The company has been engaged in NFT-related activities since the initial emergence of NFTs in Japan, and its presence in the SBI Group is expected to lead to further expansion of our business activities in the digital asset area of business.

I had been serving as CEO and representative director of SmartApp Co., Ltd. since 2019. The event that led to SmartApp's entry into the SBI Group was the launch of "nanakusa" (now SBINFT Market) in April 2021 as an integrated NFT trading platform in Japan. "nanakusa" allows people to buy and sell digital art created by official artists authorized by us. The works are linked to NFTs and can be traded on a public blockchain. The marketplace received extensive media coverage after we first announced it and it has continued to attract interest since then. After exploring options for further business expansion, we decided to join the SBI Group. In addition to the SBI Group being a powerful and reputable brand as a business group in the financial industry, our decision was also influenced by the potential for synergies, including the knowledge that the SBI Group is already involved in the art business through SBI Art Auction.

We began full-scale operations as SBINFT in 2022 with three core businesses. The first is SBINFT Market, a rebranded version of "nanakusa" that provides primary and secondary markets for works created by authorized digital artists. There are now almost 200 such artists providing works that range from illustrations and 3D art to videos and music. As we strive to expand this market by informing the public about the joys of owning and trading digital art, we are also opening a new frontier for art and providing steady returns to artists.

Our second core business can be described as "the social implementation of NFTs." We established this business with the goal of providing new experiences by adding NFT functions to existing services. Since March 2022, SBINFT has been collaborating with Lawson Entertainment, Inc. to provide services that add NFTs to electronic tickets for events, including concerts and sports matches. These NFT tickets retain value as souvenirs even after an event and allow ticket holders to enjoy additional experiences and services, such as access to special videos.

NFT tickets can also provide unique experiences, including special messages to repeat customers.

Finally, our third business is the provision of original equipment manufacturing (OEM) services to other companies operating in the NFT marketplace. As awareness of and interest in NFTs continues to grow, more and more companies will seek to add NFT marketplaces to their own websites. A major advantage for the marketplace functions and OEM and consulting services that we offer is the credibility and track record we have built up as a pioneer in this field in Japan.

Our current goals are to popularize NFTs in Japan and to achieve an overwhelming level of recognition and market share in this field. Multiple Japanese IT companies are now entering the NFT business, but SBINFT is the only company in Japan that operates an NFT marketplace that runs on the Ethereum blockchain, the protocol that has gained by far the largest share of the global market in NFT issuance infrastructure. There are no country borders in the digital space, and NFTs are commonly traded internationally. Therefore, we believe our NFT marketplace, which is based on global standards, has huge potential for growth.

Another priority is the realization of broader synergies within the SBI Group. We strive to contribute to the growth of the entire SBI Group by using our blockchain technologies and expertise to provide new services and experiences to customers who use the SBI Group's financial services in businesses such as securities and insurance.