

Feature: Vital Strategies of the SBI Group

01 NEO-SECURITIES

Realizing Neo-securities Initiatives

STRATEGY

Our goal is to expand the customer base of the entire SBI Group through the realization of Neo-securities initiatives in the first half of the fiscal year ending March 2024.

Commitment to the Customer-centric Principle lies in Neo-securities Initiatives

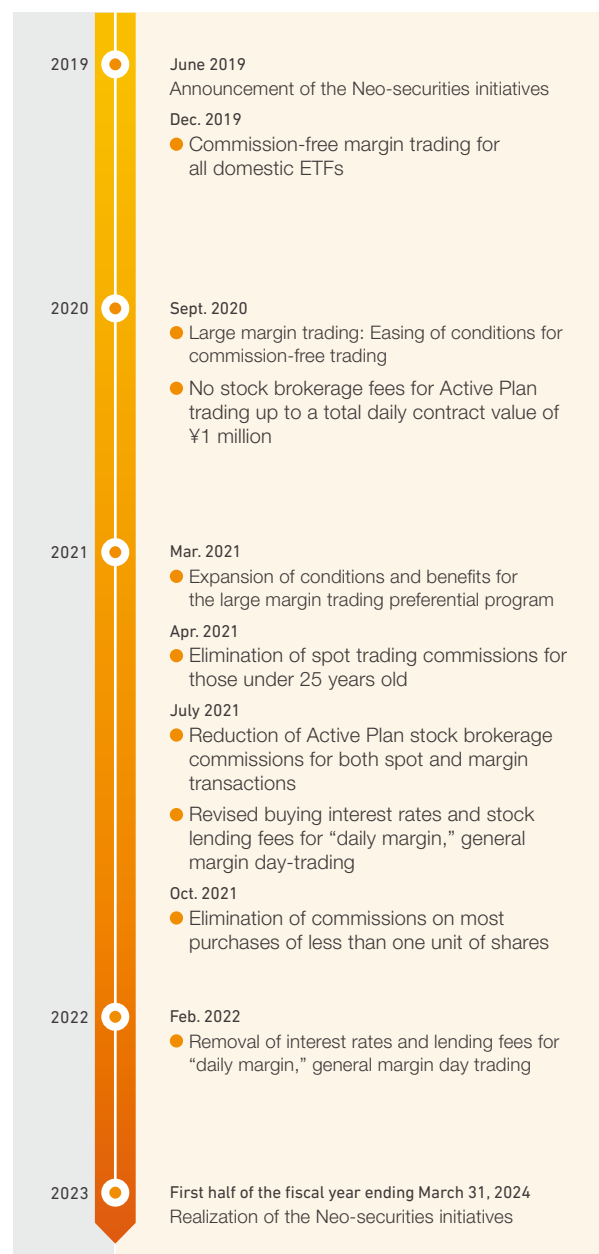
The SBI Group laid the foundation for Neo-securities initiatives in June 2019 to facilitate the elimination of commissions and certain other charges paid by investors engaging in online trading of Japanese stocks.

SBI SECURITIES has achieved a position of industry leadership by consistently applying the “Customer-centric Principle” and offering trading commissions significantly lower than those of its competitors ever since its establishment. These philosophies have driven the promotion of Neo-securities initiatives by the SBI Group. On another front, Robinhood Markets Inc. began offering stock trading service free of commissions in 2014, which forced the U.S. securities industry to shift from a business model dependent on trading commissions. In October 2019, the major U.S. online brokerage company Charles Schwab Corp stopped charging commission fees for online trading of U.S. stocks, ETFs, stock options, etc.

Anticipating the trend towards commission-free trading in Japan, SBI SECURITIES took the lead by introducing the Neo-securities initiatives, becoming the first Japanese securities company to do so. Being aware that the realization of this concept would require the establishment of a revenue base that was not reliant on brokerage commissions, SBI SECURITIES has worked to diversify its revenue sources by prioritizing product and service diversification. At the same time, it implemented gradual measures to reduce transaction costs. In the result of these measures, the percentage of operating revenue derived from online domestic stock trading commission declined to 11.2% in the fiscal year ended March 2023.

Our greatest priority as we worked to implement the Neo-securities initiatives was the development of systems capable of handling rapid growth in customer numbers. We believe that we have addressed this need by creating a robust system development and administration structure through the establishment of SBI Simplex Solutions in February 2023 as a joint venture with Simplex Holdings, Inc. The primary role of this new company is the development and operation of systems for the SBI Group, including SBI SECURITIES.

Initiatives to Reduce Transaction Costs for Investors



Revenue Source Diversification, the Key to Realization of the Neo-securities Initiatives

Two factors have enabled the SBI Group to promote the Neo-securities initiatives by dramatically reducing the percentage of operating revenue derived from commissions on online domestic stock trading. First, we have used M&A and other methods to diversify our revenue sources. Second, we have continually implemented a variety of measures to strengthen our earning capacity.

We have diversified our revenue sources by increasing our trading revenue through the expansion of FX trading. We have also expanded margin trading, leading to growth in our financial revenue. Further expansion of our product lineup has also helped to broaden our revenue base. For example, we expanded our stock-type business, such as accumulation-type fund investment service with credit cards issued by seven companies, including Sumitomo Mitsui Card Company, and our fully automated AI investment “SBI Wrap.” We have also expanded our foreign stock trading services, which are in high demand from customers. Another important factor has been the strengthening of our wholesale business, as evidenced by the fact that we have maintained the highest IPO underwriting share in the industry since FY2012. More recently, we have also been focusing our efforts on the real estate finance business. For example, we have expanded our existing business based on sales of real estate small-lot beneficiary interests via SBI MONEYPLAZA. In addition, we are actively pursuing M&As to create synergy benefits by expanding the SBI Group to include companies working in the areas of real estate development, real estate asset management, and public REITs. We are responding to strong customer demand for opportunities to invest in real estate finance products, and in May 2023, we established a private REIT asset management company.

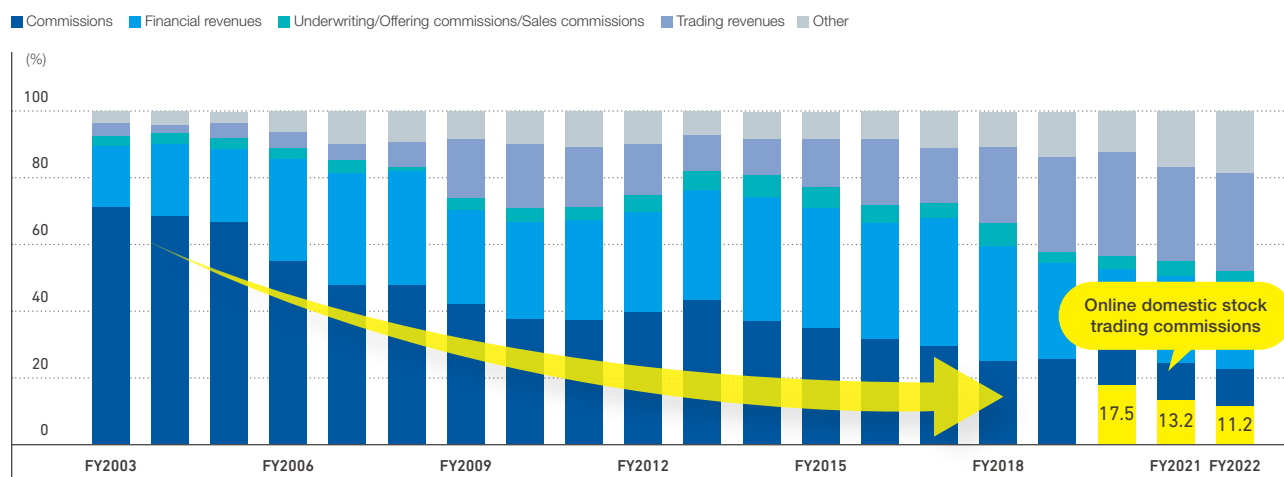
Group-wide Customer Base Expansion Through Neo-securities Initiatives

With a total of approximately 10.04 million accounts as of March 31, 2023, the SBI Group has become the first financial group in Japan to hold more than 10 million securities accounts. We are also, by far, the industry leader in terms of our share of individual stock trading value, which rose from 44.1% in FY2021 to 46.0% in FY2022. The realization of the Neo-securities initiatives is expected to attract substantially more customers to SBI SECURITIES, which already has the largest customer base in the industry.

SBI SECURITIES is also expected to attract more customers through its role as the online securities service provider for “Olive,” a mobile integrated financial service established by the Sumitomo Mitsui Financial Group. In addition, we are determined to harness the shift from savings to asset formation, which is being promoted by the Japanese government. The expansion of the Nippon Individual Savings Account (NISA) and individual-type Defined Contribution pension plan (iDeCo) systems in 2024 will provide additional impetus for efforts to attract customers planning to start investing in stocks under these systems. [▶ P.123](#)

We anticipate that the attraction of additional customers through these initiatives will lead to customer base expansion not only for SBI SECURITIES, but for the entire SBI Group. For example, a customer who opens a new securities account with SBI SECURITIES might also open an SBI Shinsei Bank account at the same time and then obtain a housing loan from SBI Shinsei Bank and insurance coverage from SBI Life Insurance, and so on. In this way, SBI SECURITIES will become the gateway for spreading the benefits of the Neo-securities initiatives throughout the SBI Group.

Composition of Operating Revenue (Net Sales) of SBI SECURITIES



Note: Non-consolidated results are shown for FY2003 and FY2014. Consolidated results are shown for other fiscal years.