

SBI E*TRADE SECURITIES Co., Ltd.

Financial Review

Interim Fiscal Year 2006

October 26, 2006

SBI E*TRADE SECURITIES Co., Ltd.

Stock code: 8701

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1. Performance Overview

Consolidated Performance, Interim FY 2006

(Unit: Million yen, %)

	Interim FY 2005 (2005/4 to 2005/9)	Interim FY 2006 (2006/4 to 2006/9)	Compared to same period in previous year
Operating revenue	24,095	28,574	+18.6
Net operating revenue	21,984	26,792	+21.9
Operating profit	10,798	12,212	+13.1
Ordinary profit	10,946	12,468	+13.9
Interim net profit	6,062	6,972	+15.0

Consolidated Performance Highlights, Interim FY 2006

Under harsh market conditions, E*TRADE achieves growth in income and profit compared to the same period in the previous year.

1) Commission earnings: Up 5.2% compared to the same period in the previous year, expanding to 16.431 billion yen.

- Combined accounts: 1,311,004 (as of September 30, 2006). In 6 months, the number of accounts grew by 143,226 (23,871 accounts per month).
- Individual brokerage trading value showed a decreasing trend. But E*TRADE's share has increased further to 28.8% (as of interim FY 2006).

2) Financial revenue: Up 47.7% compared to the same period in the previous year, expanding to 8.213 billion yen.

- Based on more self-financing, the financial balance increased 86.5% compared to the same period in the previous year, expanding to 6.43 billion yen.
- Margin trading accounts: 135,163 (as of September 30, 2006). In 6 months, the number of accounts grew by 19,552 (3,258 accounts per month).
- Due to market factors, the margin balance decreased. However, with a smaller decrease compared to other companies, E*TRADE still has the top margin balance among all online securities companies.

3) Commissions from underwriting, public subscriptions, and secondary offerings: Up 0.7% compared to the same period in the previous year, expanding to 828 million yen.

- From the first quarter on, E*TRADE continues to have the top IPO underwriting participation rate among securities companies.
- By handling the trading activities of an overwhelming share of the individual investors, E*TRADE has expanded its off-floor distribution share to 22.8%.

4) Profit from trading and other earnings: Up 48.2% compared to the same period in the previous year, expanding to 3.1 billion yen.

- Diversified investment expanded due to market factors: The South African rand denominated bond recorded the highest sales ever on a quarterly basis.

5) Sales and management expenses

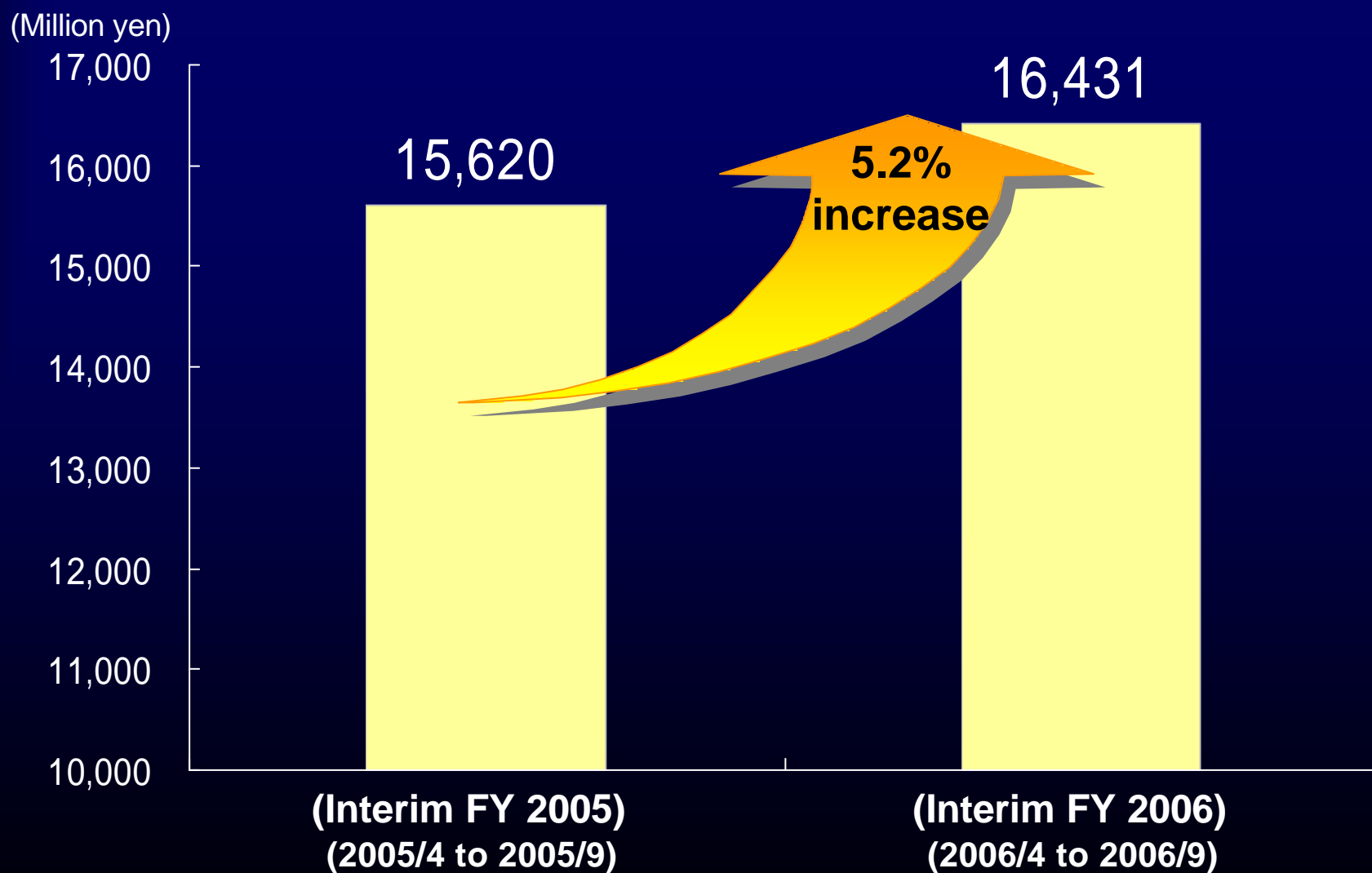
- Effective cost cutting measures contributed to a big reduction in the variable cost per contract.

6) E*TRADE Korea outlook

- E*TRADE Korea achieved higher income and profit compared to the same period in the previous year.

Performance Highlights

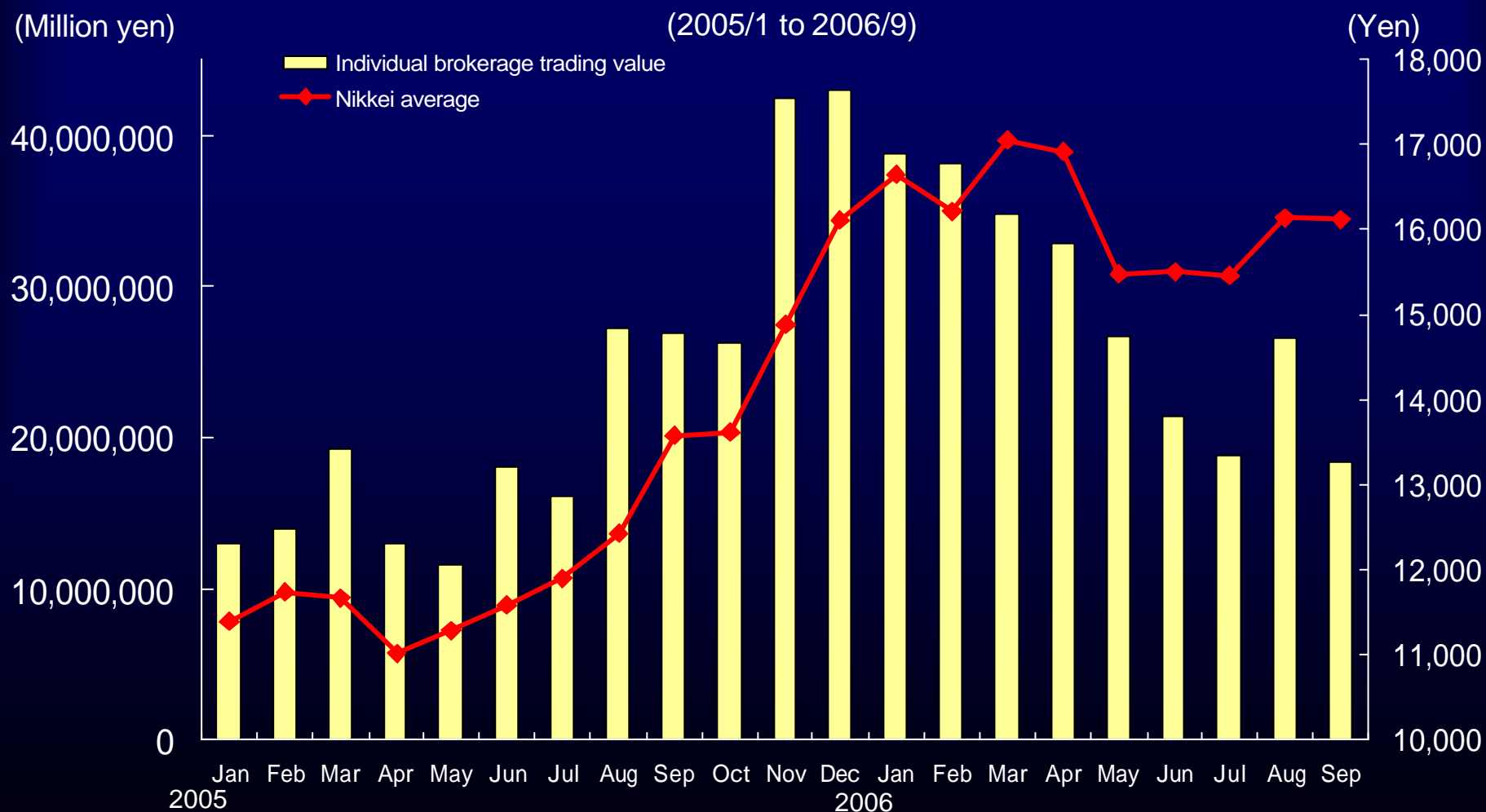
1) Consolidated Commission Earnings



1) Commission Earnings

Growth under Market Decline in Individual Brokerage Trading Value

Trends in Nikkei average and individual brokerage trading value



Source: Tokyo Stock Exchange statistical data, JASDAQ statistical data, and public documents from each company's website.
 Note: Individual brokerage trading value is totaled from three exchanges (sections one and two) and JASDAQ.

1) Commission Earnings

Commission Rate Cuts Intensify

Commission rate reductions of main online securities companies (Interim FY 2006)

E*TRADE

June to August
Commission reduction campaign
Minimum commission rate of 100 yen (Standard Plan)
Minimum commission rate of 0 yen (Active Plan)

September
New commission fee schedule launch

Matsui

April
Commission rate revision
Minimum commission rate of 0 yen

September
No commission fee on general margin trading (Interest rate is increased)

Rakuten

June
Commission rate revision
Minimum commission rate of 450 yen

Joinvest

May
Service launch
Minimum commission rate of 100 yen (Campaign rate)

August 2006 to February 2007
Commission reduction campaign
Minimum commission rate of 70 yen

April 2006

June

September

Source: Public documents from each company.

The minimum commission rate is the amount for spot trading.

1) Commission Earnings

Commission Reduction Campaign from June 2006

E*TRADE implemented a commission reduction campaign from June 1 to August 31.

Spot trading

Standard Plan

Commission is charged on the price of each contract order.

(Including tax)

One contract price	Regular commission	Campaign commission
to 200,000 yen	472 yen	100 yen
to 500,000 yen		400 yen
to 1 million yen	840 yen	750 yen
to 1.5 million yen	1,050 yen	900 yen
to 30 million yen	Contract price over 1.5 million yen	1,400 yen
over 30 million yen		1,575 yen

Active Plan

Regardless of the number of trades during one day, the commission rate is fixed based on the amount of a daily total contract price.

(Including tax)

Total amount of daily contract price	Regular commission	Campaign commission
to 100,000 yen	0 yen	0 yen
to 200,000 yen	315 yen	200 yen
to 300,000 yen		315 yen
to 500,000 yen	525 yen	450 yen
to 1 million yen	945 yen	800 yen
to 3 million yen	2,100 yen	+420 yen for each additional 1 million yen
	+2,100 yen for each additional 3 million yen	

1) Commission Earnings

New Commission System from September 2006

As the campaign ended, E*TRADE introduced a new commission system on September 1, 2006.

Spot trading

Standard Plan

Commission is charged on the price of each contract order.

(Including tax)

One contract price	Regular commission for contract up to August 31	New regular commission for contracts from September 1
to 100,000 yen	472 yen	200 yen
to 200,000 yen		250 yen
to 500,000 yen		450 yen
to 1 million yen	840 yen	800 yen
to 1.5 million yen	1,050 yen	950 yen
to 30 million yen	Commission price over 1.5 million yen	1,500 yen
over 30 million yen		1,575 yen

Active Plan

The commission is charged at a fixed rate for the total daily contract price regardless of how many trades are made during the day.

(Including tax)

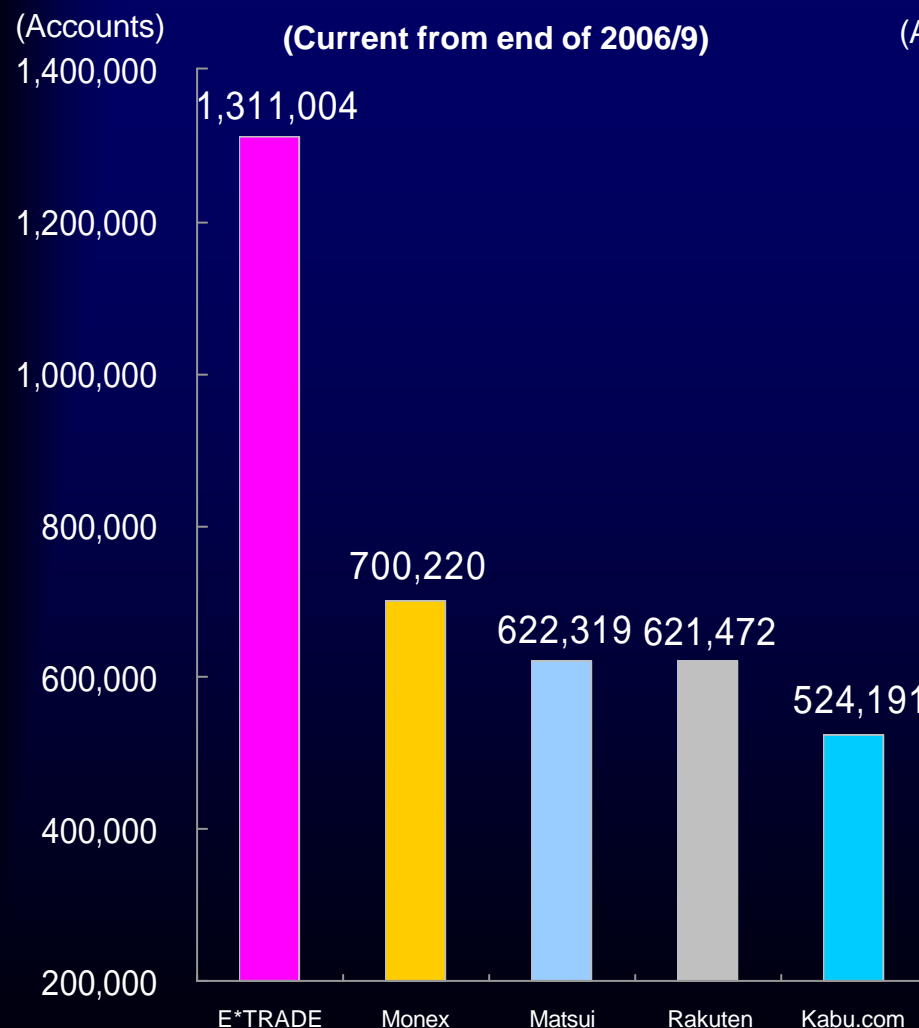
Total amount of daily contract price	Regular commission for contract up to August 31	New regular commission for contracts from September 1
to 100,000 yen	0 yen	0 yen
to 200,000 yen	315 yen	250 yen
to 300,000 yen		315 yen
to 500,000 yen	525 yen	500 yen
to 1 million yen	945 yen	900 yen
to 3 million yen	2,100 yen	+420 yen for each additional 1 million yen
	+2,100 yen for each additional 3 million yen	

Note: 7.7% of investors selected the Active Plan as of the end of September 2006.

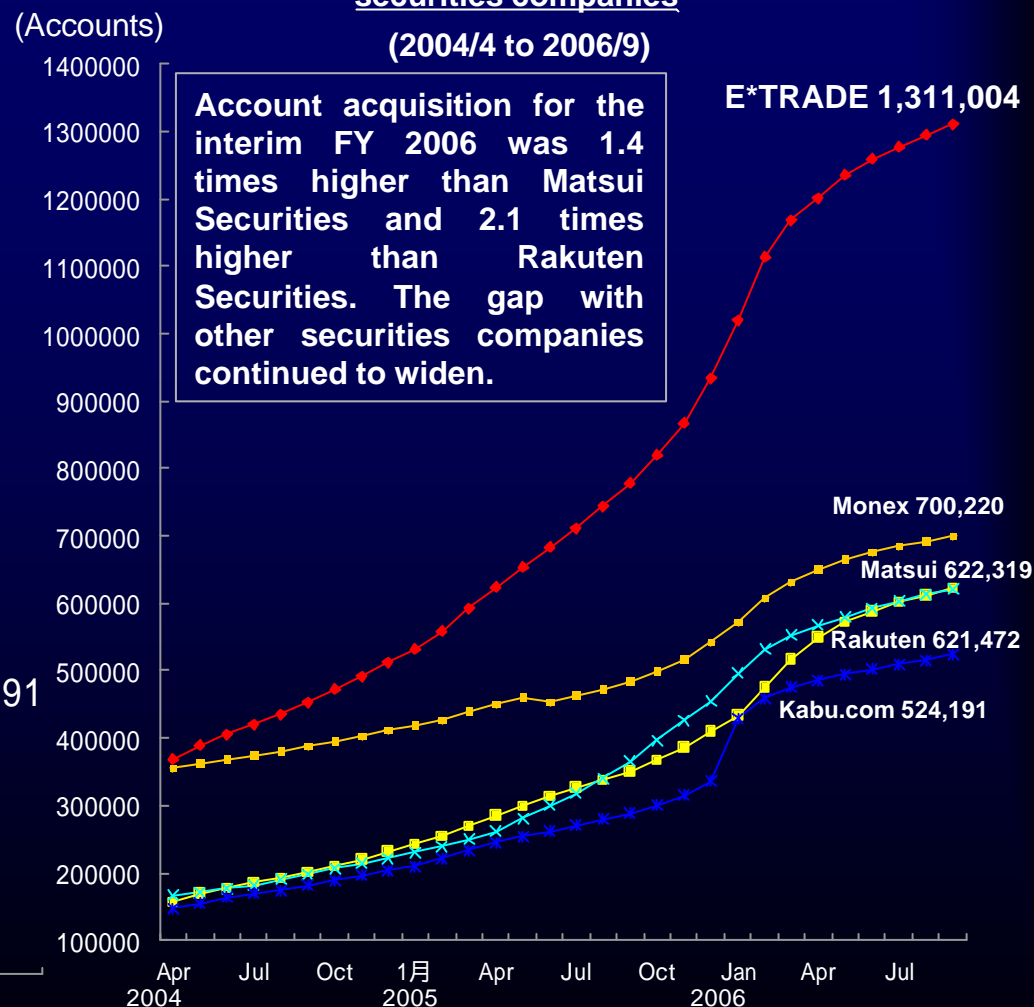
1) Commission Earnings

Account Comparison for Main Online Securities Companies

Accounts of five main online securities companies



Account trend of five main online securities companies



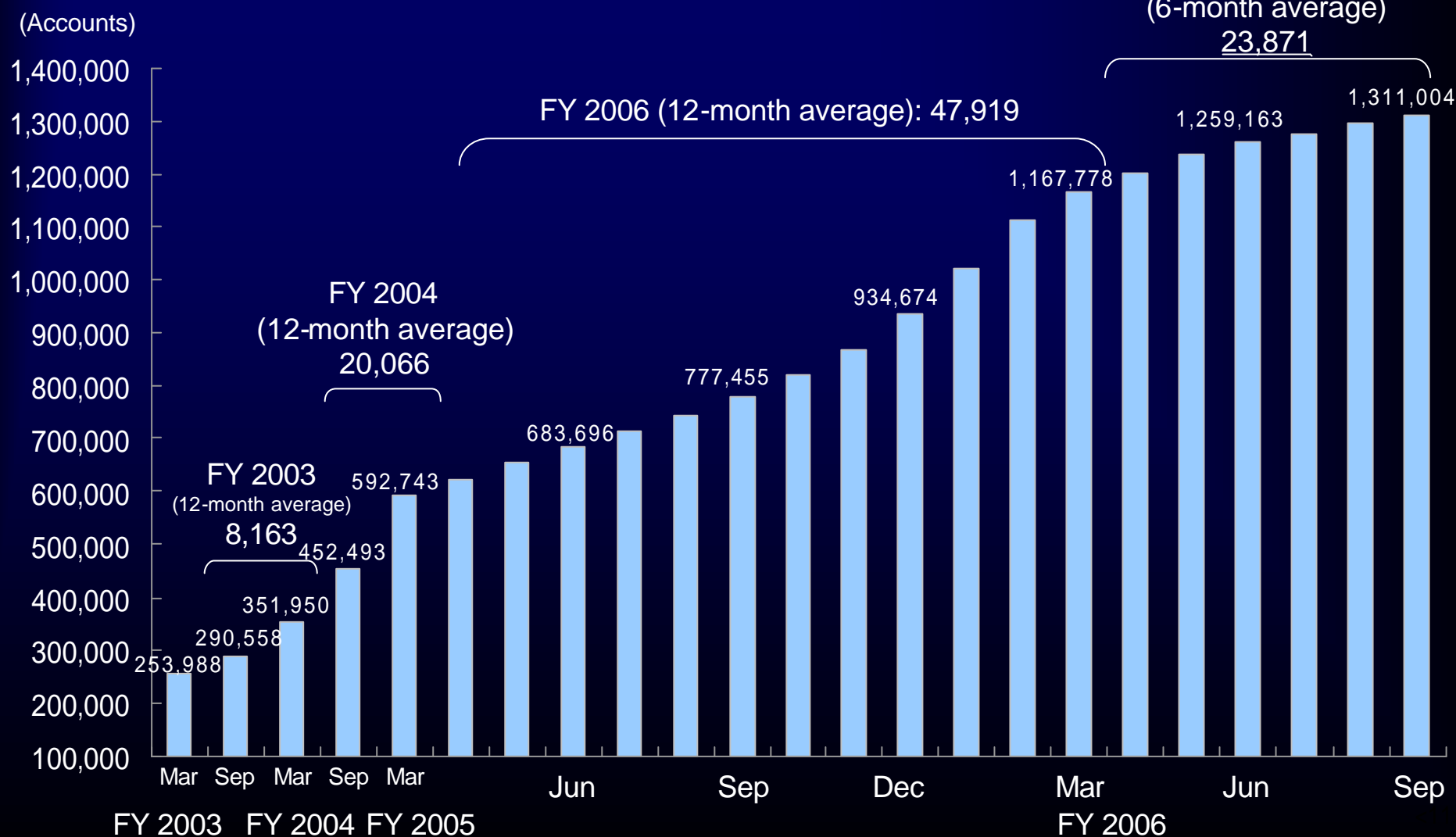
Source: Public documents from each company's website.

Note: Monex Securities and Nikko Beans are totaled as Monex. On January 1, 2006, Kabu.com Securities merged with MeNet Securities.

1) Commission Earnings

E*TRADE Account Trend

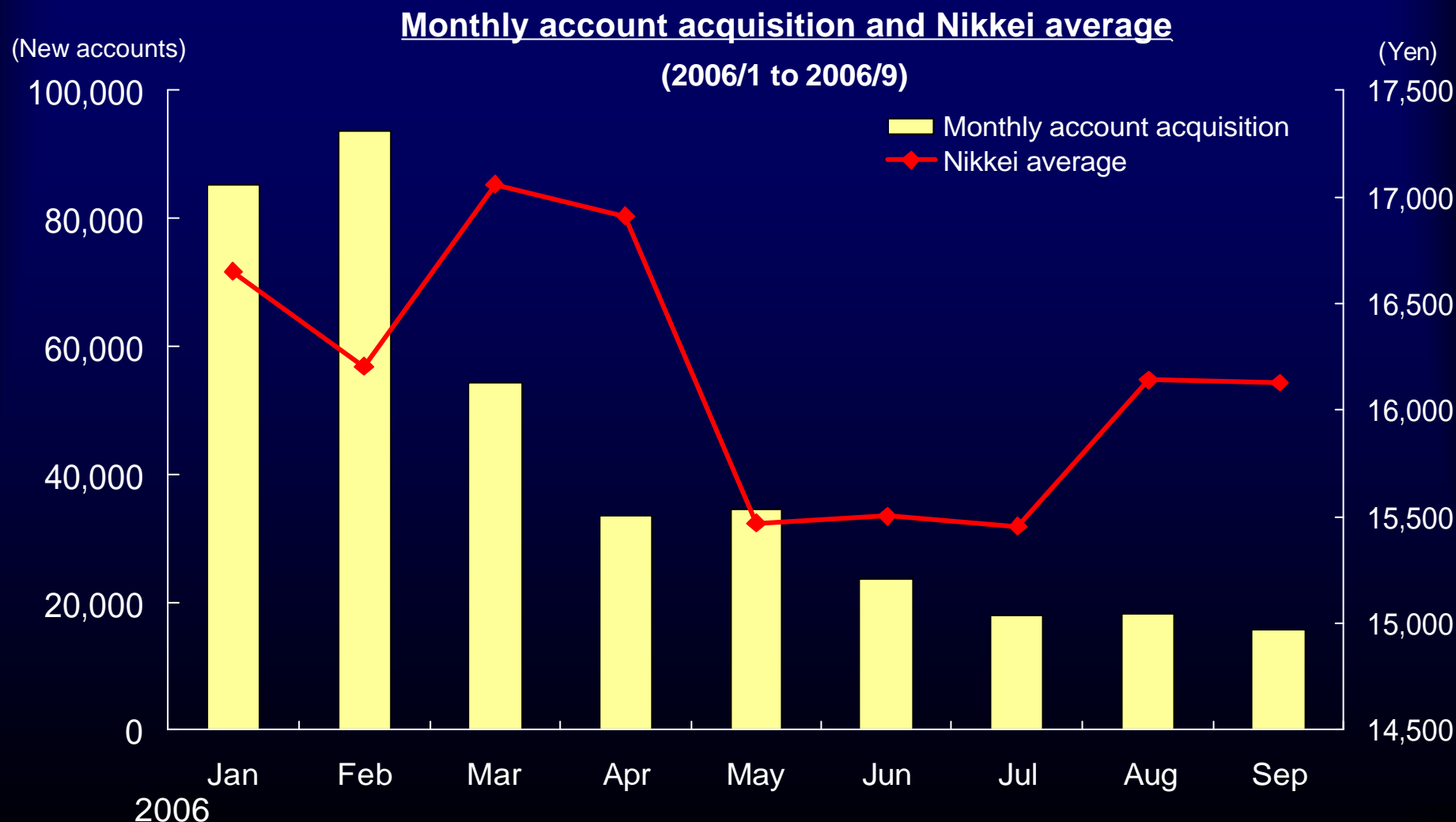
Average monthly account acquisition



1) Commission Earnings

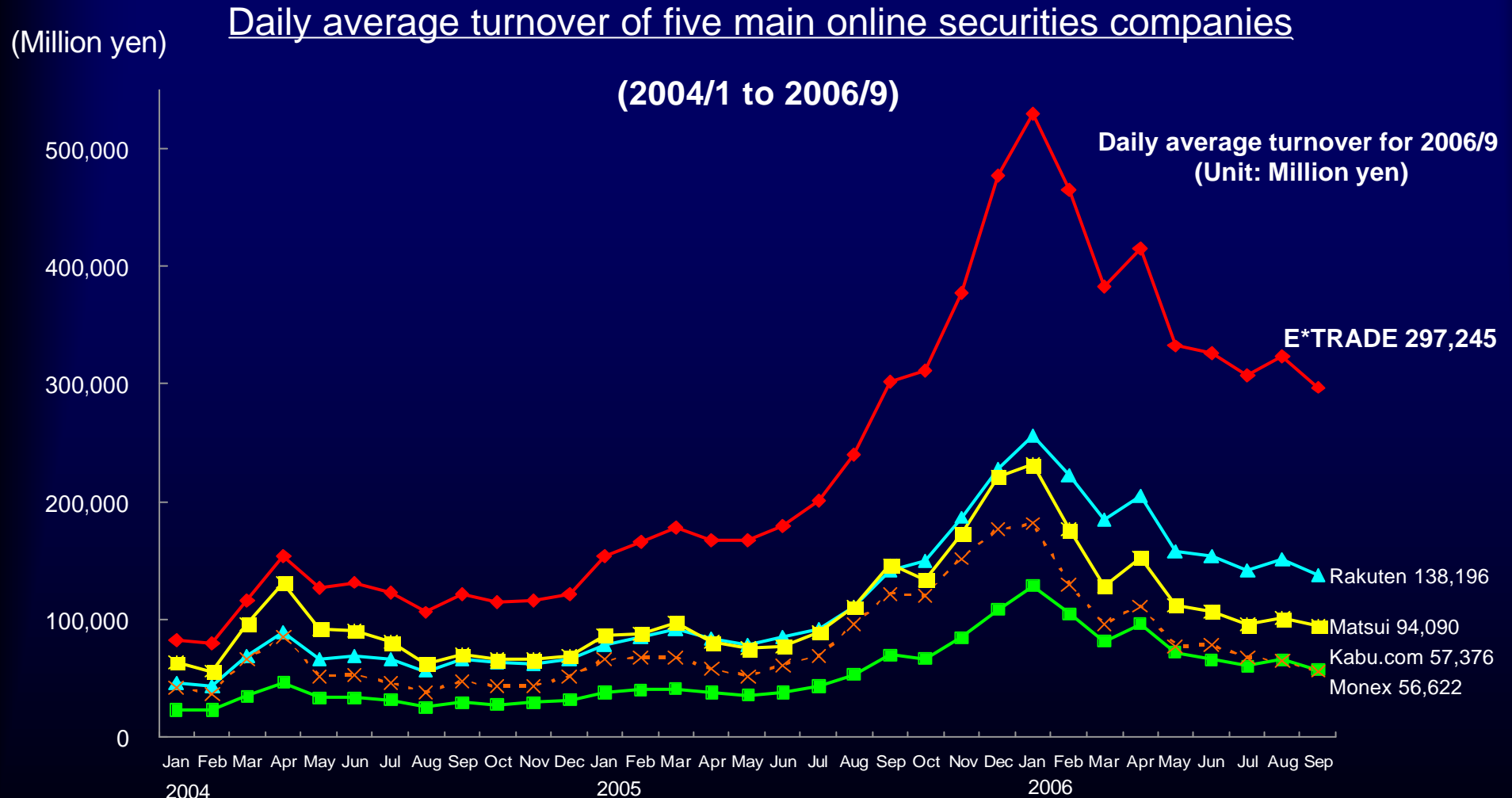
Trends in Nikkei Average and E*TRADE Account Acquisition

A drop in the Nikkei average had an impact on the acquisition of new accounts.



1) Commission Earnings

Brokerage Trading Value of Main Online Securities Companies



Source: Public documents from each company's website.

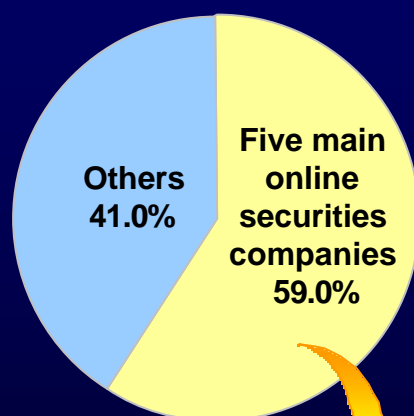
Note: Monex Securities and Nikko Beans are totaled as Monex. Kabu.com Securities merged with MeNet Securities in January 2006.

1) Commission Earnings

Individual Brokerage Trading Value Share of Main Online Securities

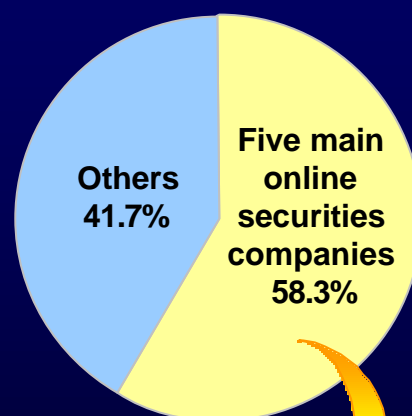
Individual brokerage trading value share

Interim FY 2004
(2004/4 to 2004/9)



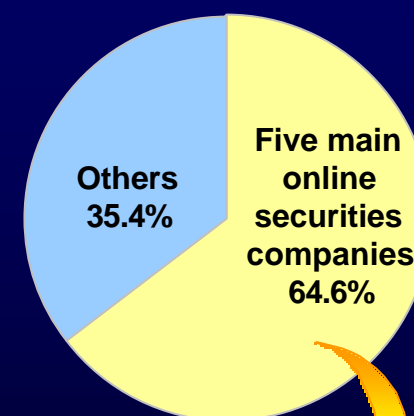
E*TRADE	20.2%
Matsui Securities	14.0
Rakuten Securities	11.0
Monex	8.6
Kabu.com	5.3

Interim FY 2005
(2005/4 to 2005/9)



E*TRADE	23.2%
Rakuten Securities	10.9
Matsui Securities	10.7
Monex	8.5
Kabu.com	5.1

Interim FY 2006
(2006/4 to 2006/9)



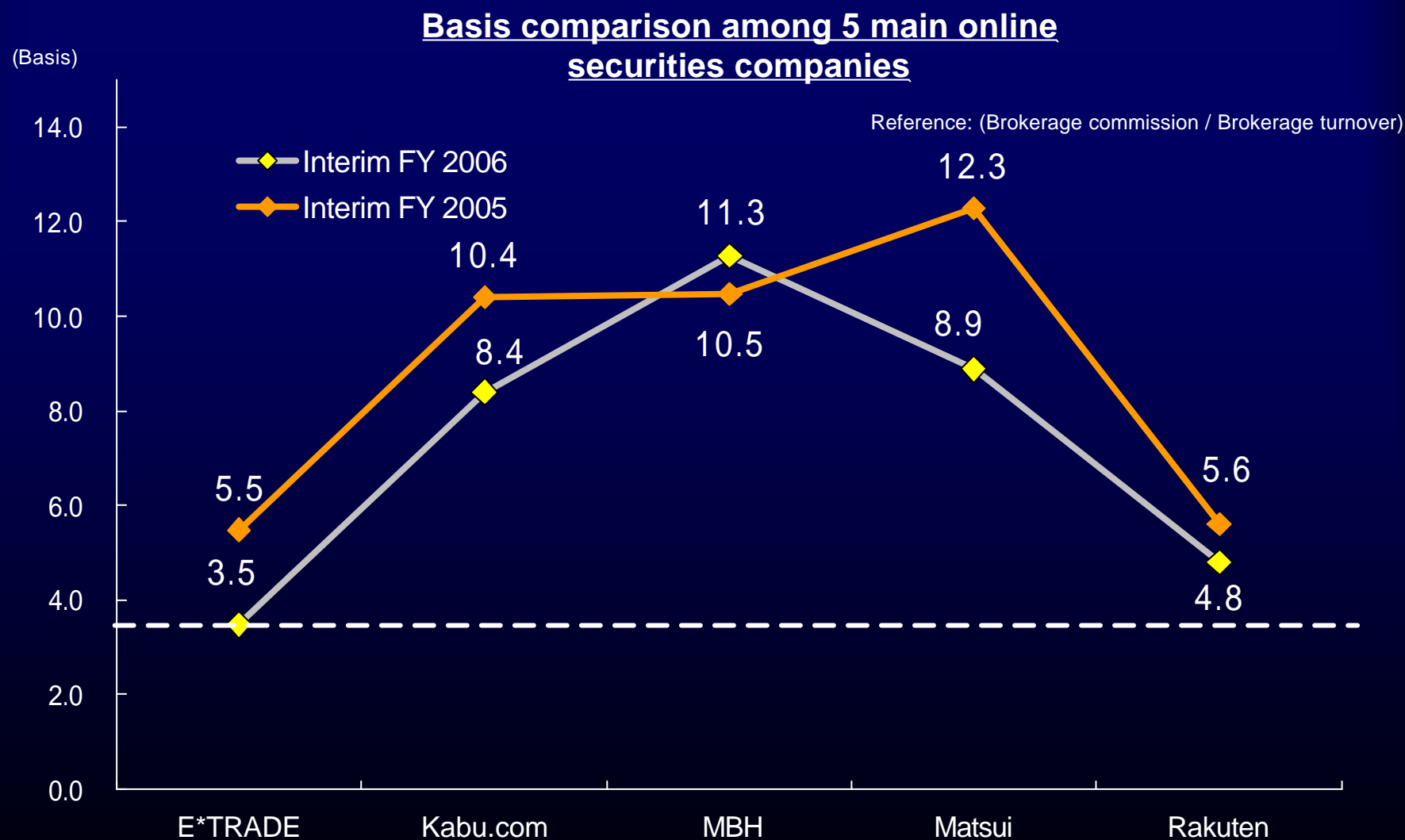
E*TRADE	28.8%
Rakuten Securities	13.7
Matsui Securities	9.5
Monex	6.6
Kabu.com	6.0

Source: Tokyo Stock Exchange statistical data, JASDAQ statistical data, and public documents from each company's website.

Note: Individual brokerage trading value is totaled from three exchanges (sections one and two) and JASDAQ. Monex Securities and Nikko Beans are totaled as Monex. Kabu.com Securities merged with MeNet Securities in January 2006.

1) Commission Earnings

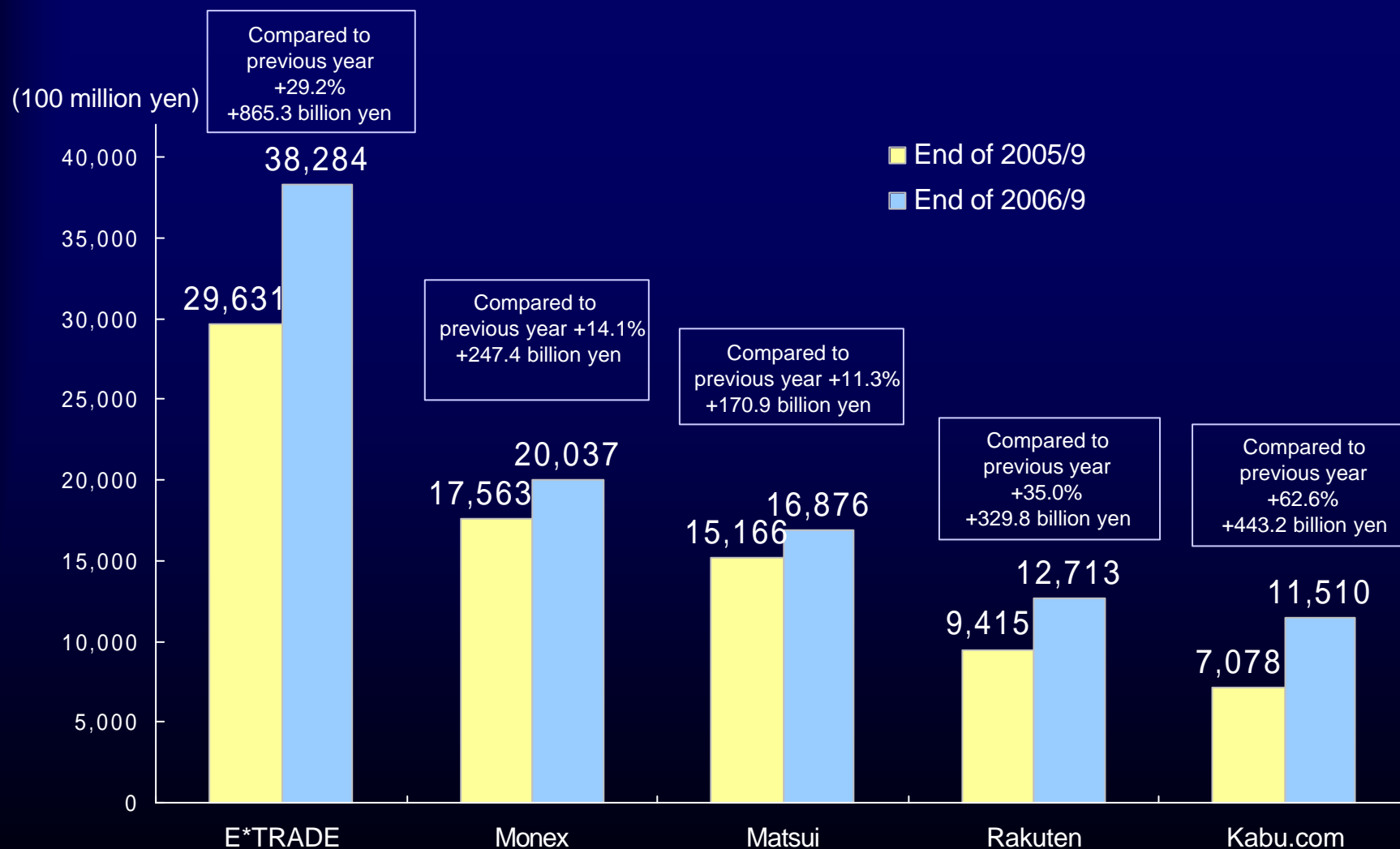
Basis Comparison for Main Online Securities Companies



Source: Prepared by E*TRADE using settlement of account documents from each company.

1) Commission Earnings

Client Asset Trend (Reference)



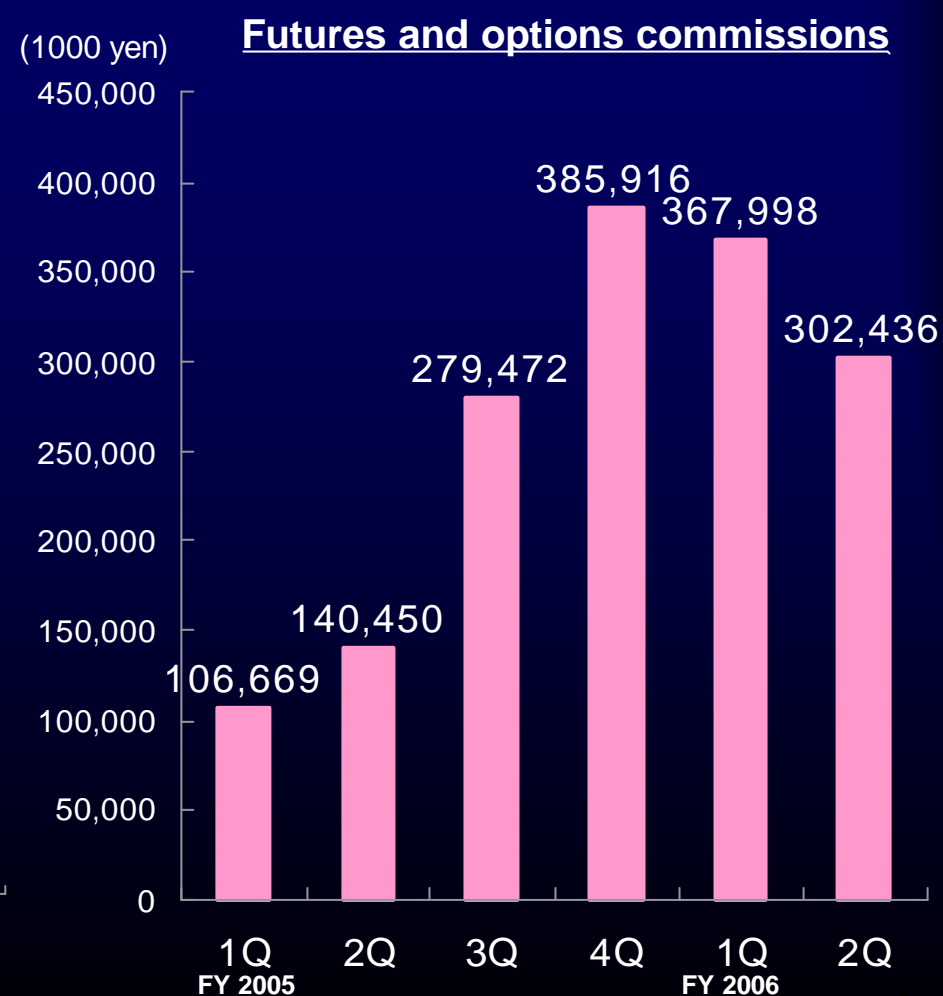
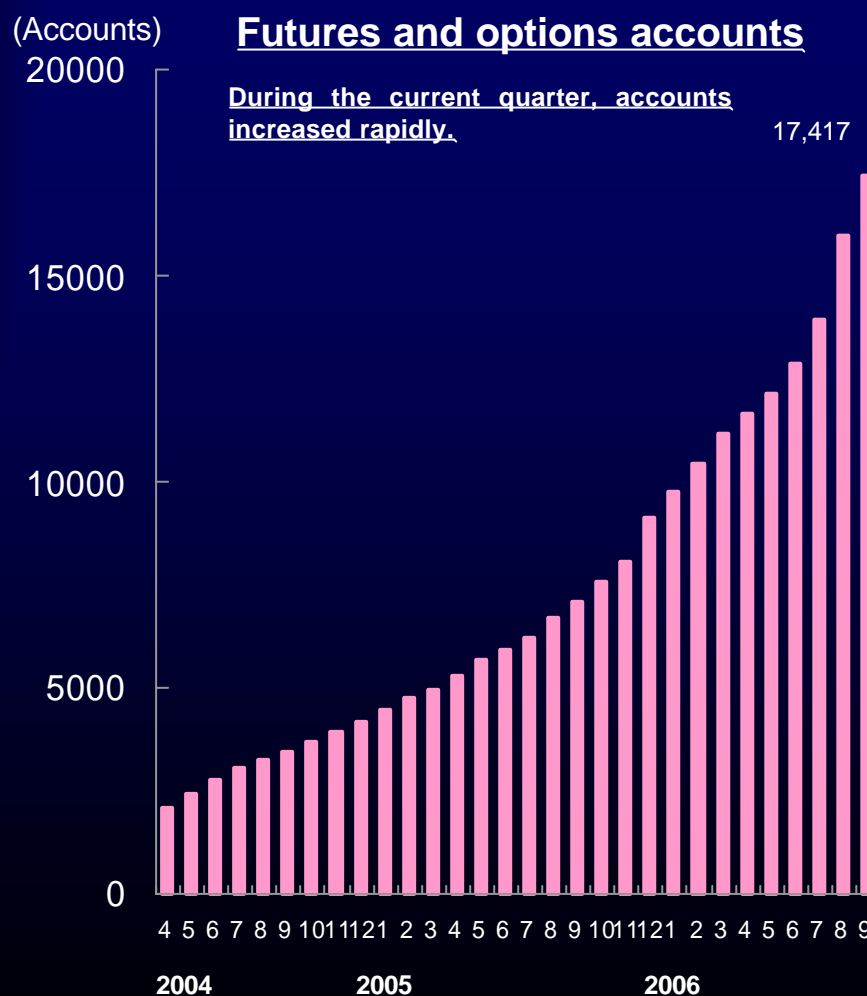
Source: Public documents from each company's website.

Note: Kabu.com Securities merged with MeNet Securities in January 2006.

1) Commission Earnings

Expansion of Trading in Futures and Options

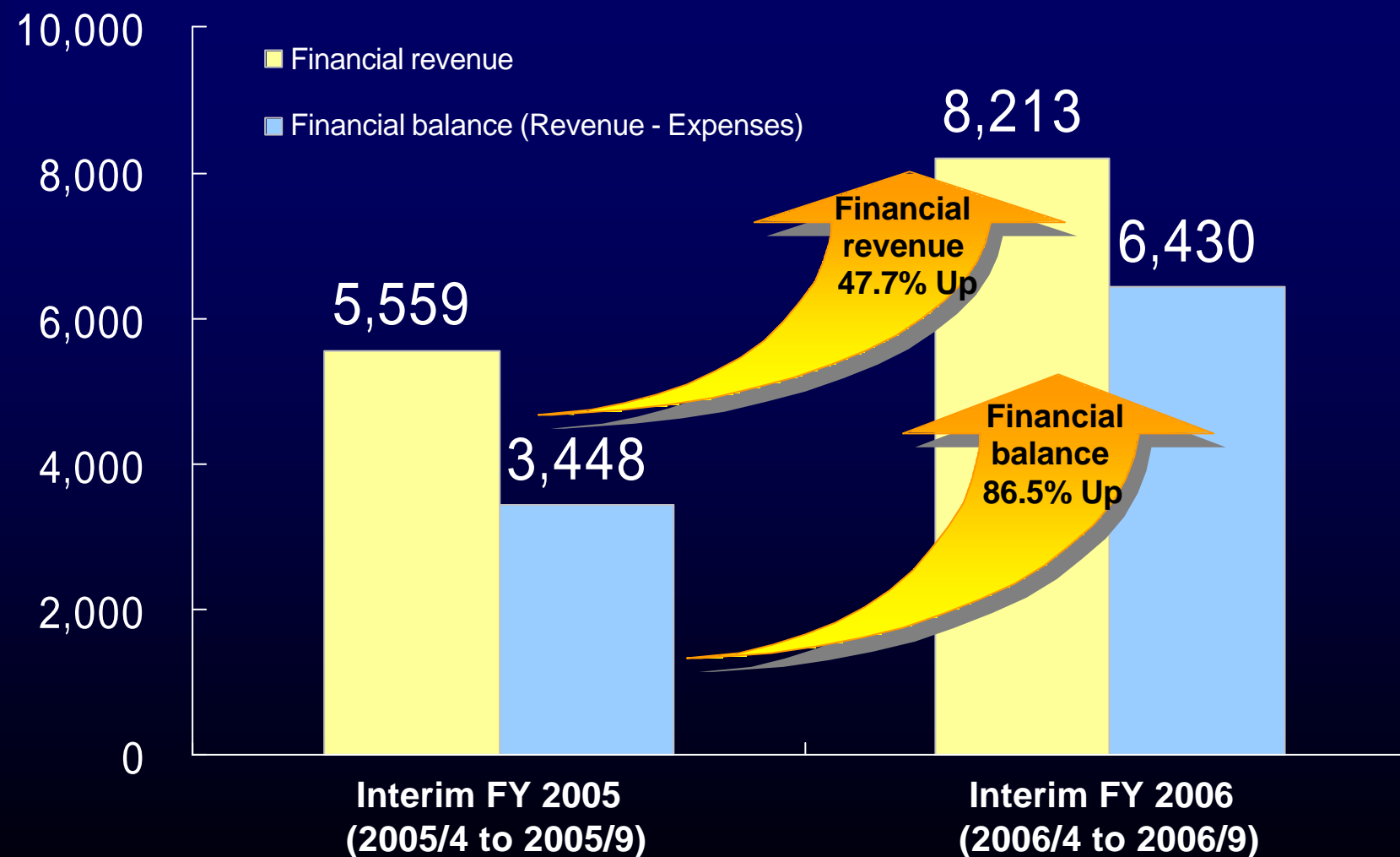
Trading in futures and options is a pillar of earning power and growing rapidly. We expect further expansion in the future.



Performance Highlights

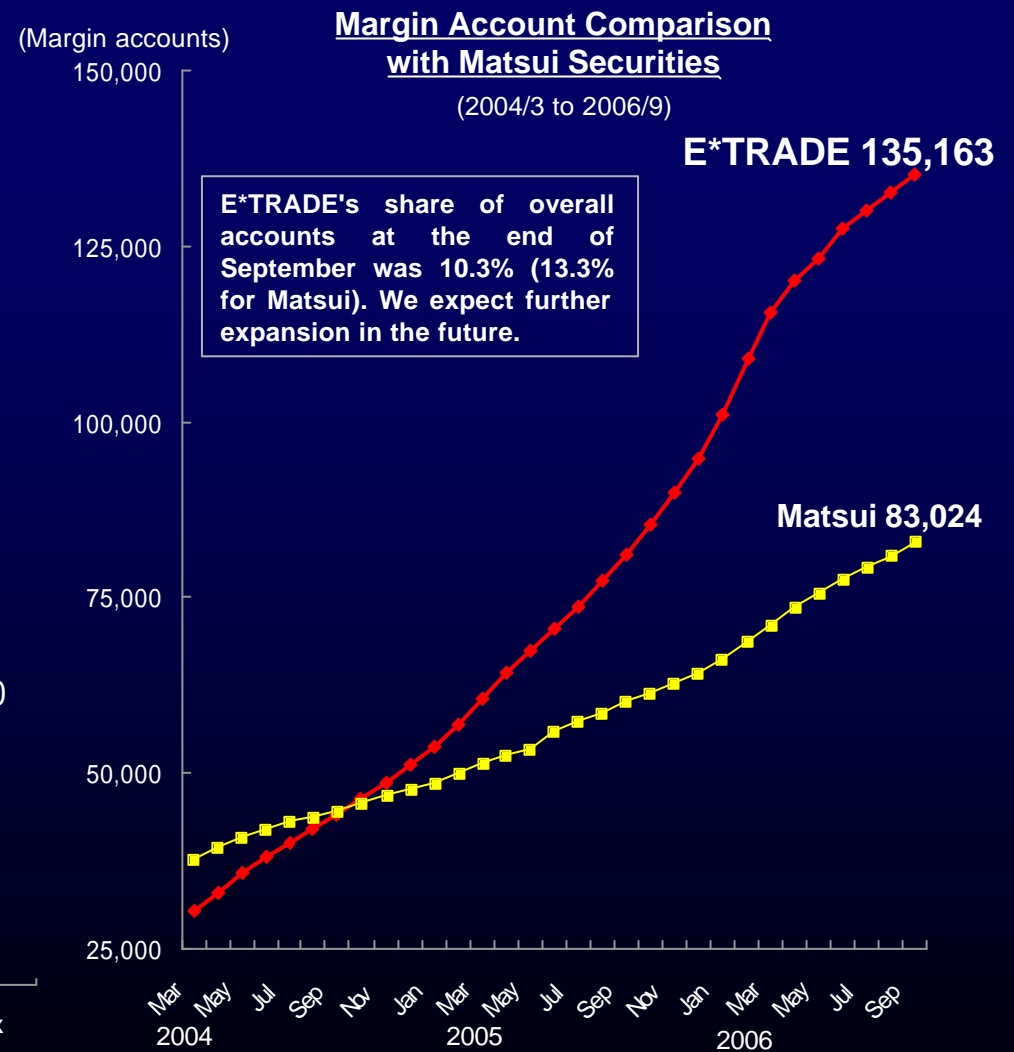
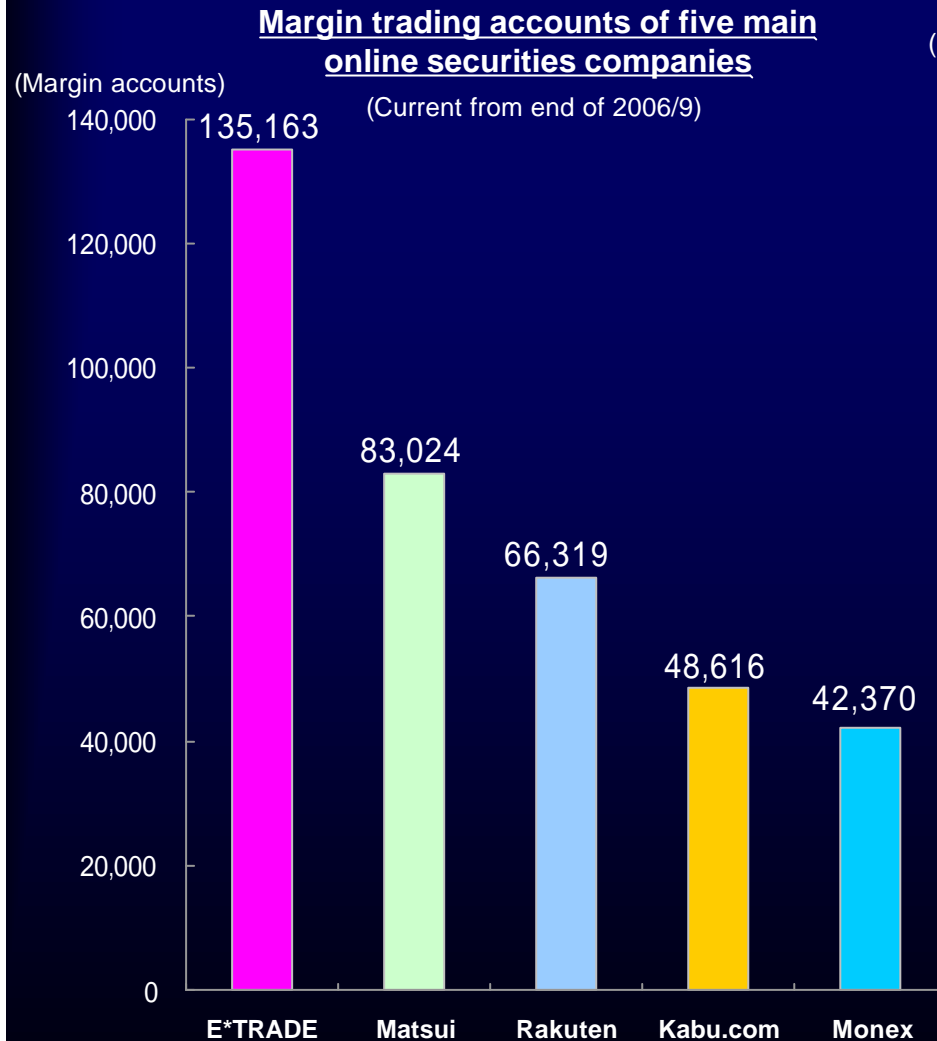
2) Consolidated Financial Revenue

(Million yen)



2) Financial Revenue

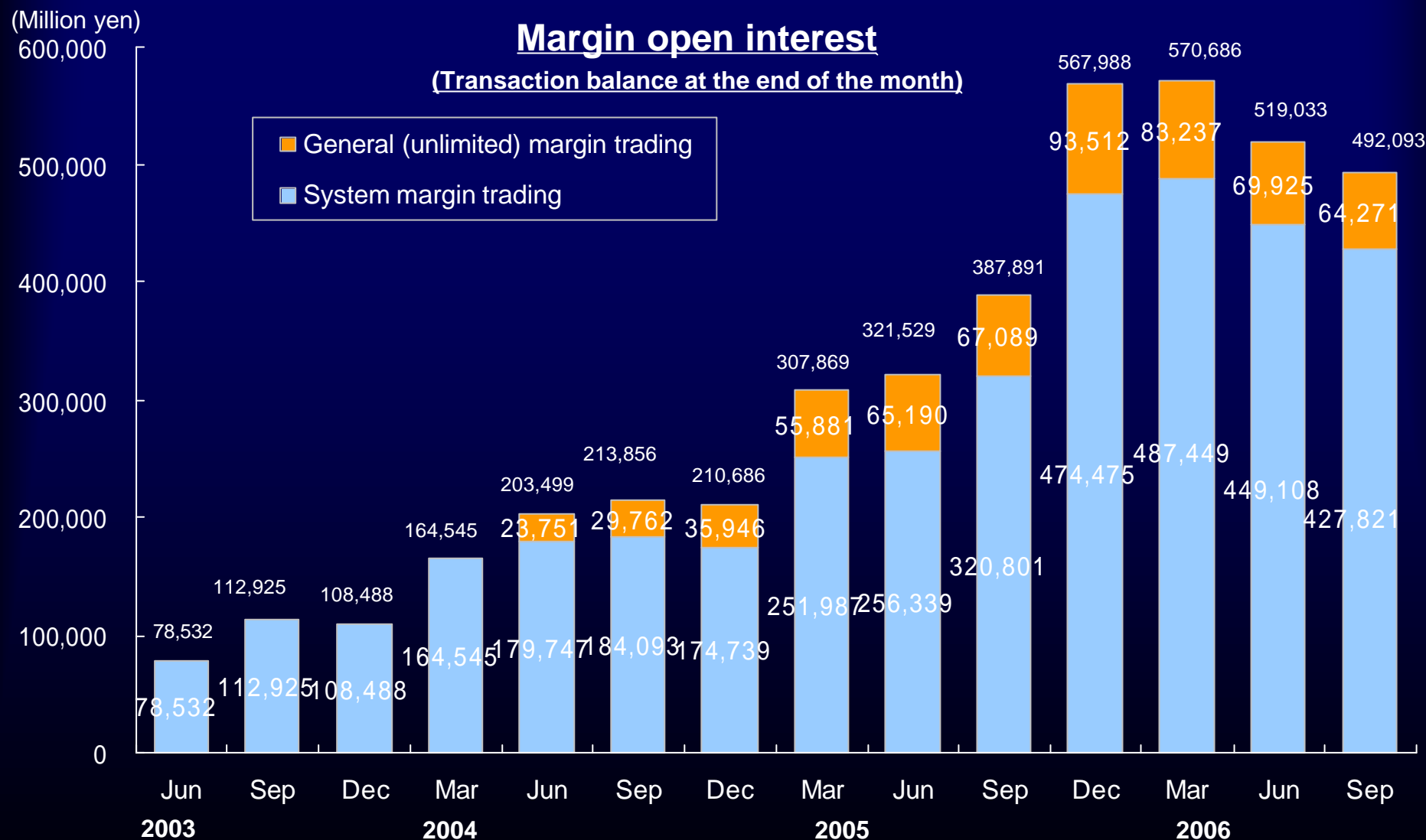
Margin Trading Account Comparison for Main Online Securities Companies



Source: Public documents from each company's website.

2) Financial Revenue

Margin Open Interest Trend



Note: Settlement day base

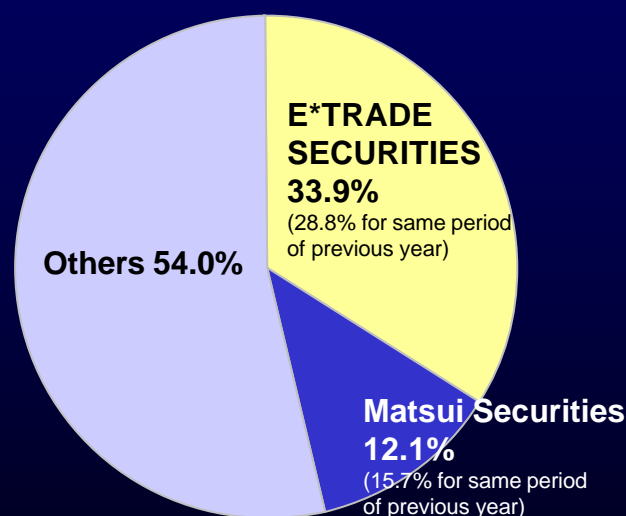
2) Financial Revenue

Margin Trading Comparison with Matsui Securities

The share of individual margin trading value increased by 5.1% over the same period in the previous term to 33.9%.
 On a contract day base, E*TRADE rose above Matsui Securities at the end of June 2006 and continued to widen the gap.

Share of individual margin trading value

(Six months from 2006/4 to 2006/9)

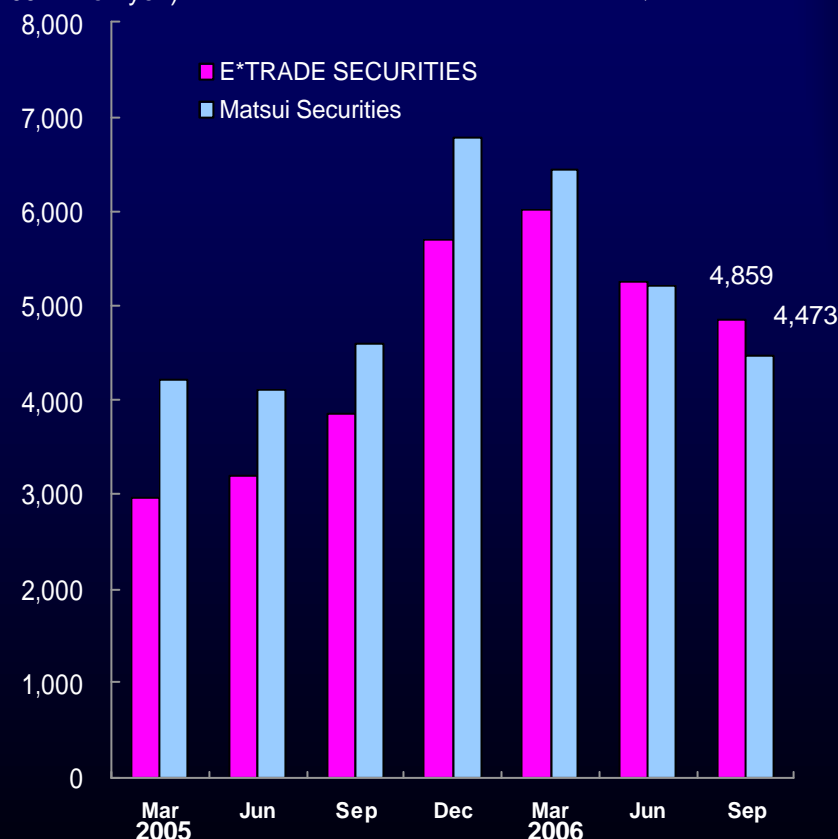


Source: Tokyo Stock Exchange statistical data, JASDAQ statistical data, and public documents from each company's website.

Note: Individual margin trading is totaled from three exchanges (sections one and two) and JASDAQ.

Margin open interest comparison with Matsui Securities

(100 million yen)



Source: Public documents from each company's website.

Figures are on a contract day base.

2) Financial Revenue

Expanding Financial Revenue over Expenses

Cutting financial expenses through diversifying channels to raise funds

Diversify fund sources for margin trading lending

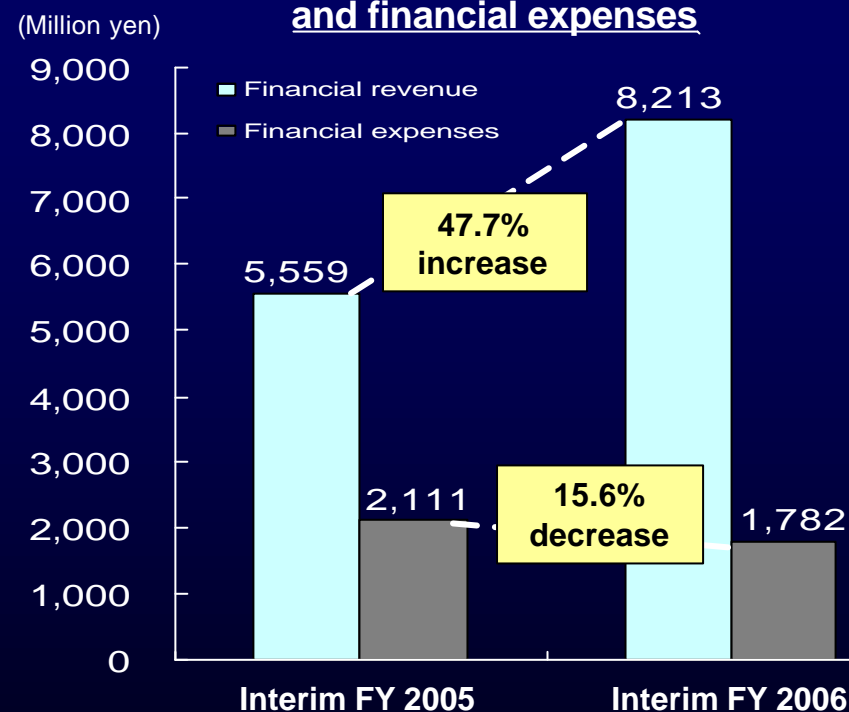
- Borrowing from securities finance institutions
- Issuing straight bonds (2006/3)
- Organizing syndicate loans
- Increasing capital by issuing new shares (2005/12)
- Raising funds through call market
- Strengthening cash management (improving fund management)

↓
Expand self-financing

↓
Make use of lending stock operations
(New revenue source)

Expand self-financing operations in the future and diversify revenue sources.

Consolidated financial revenue and financial expenses

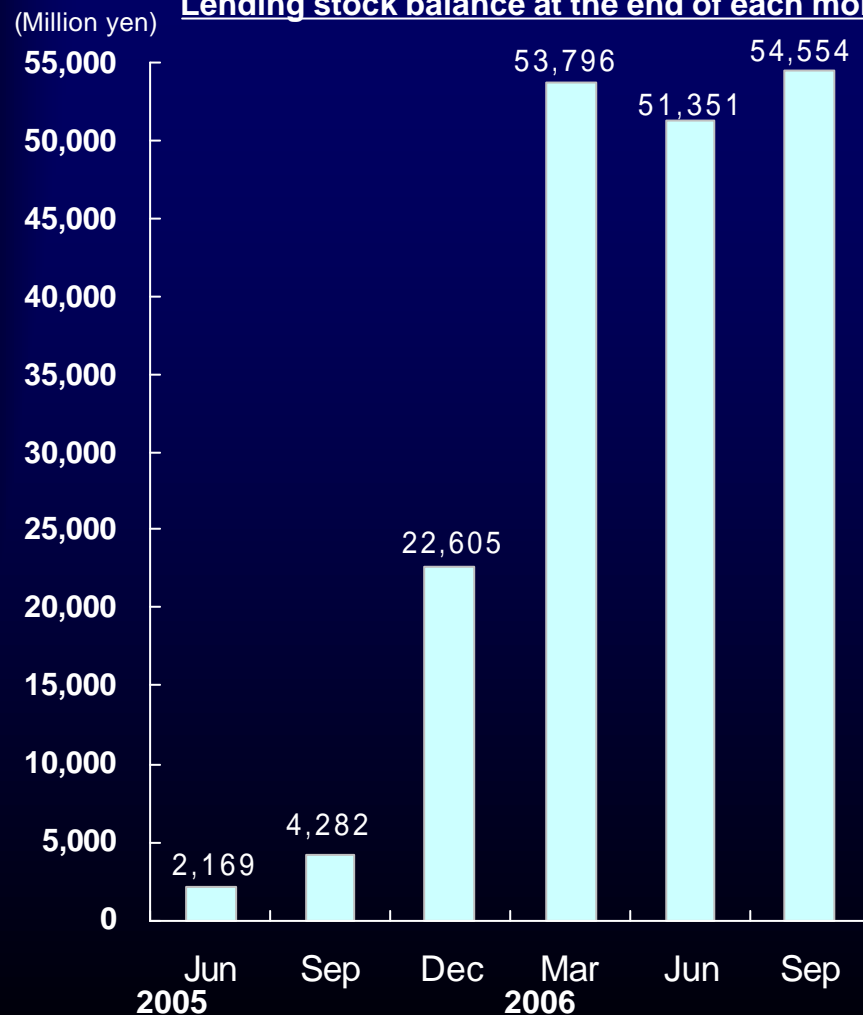


2) Financial Revenue

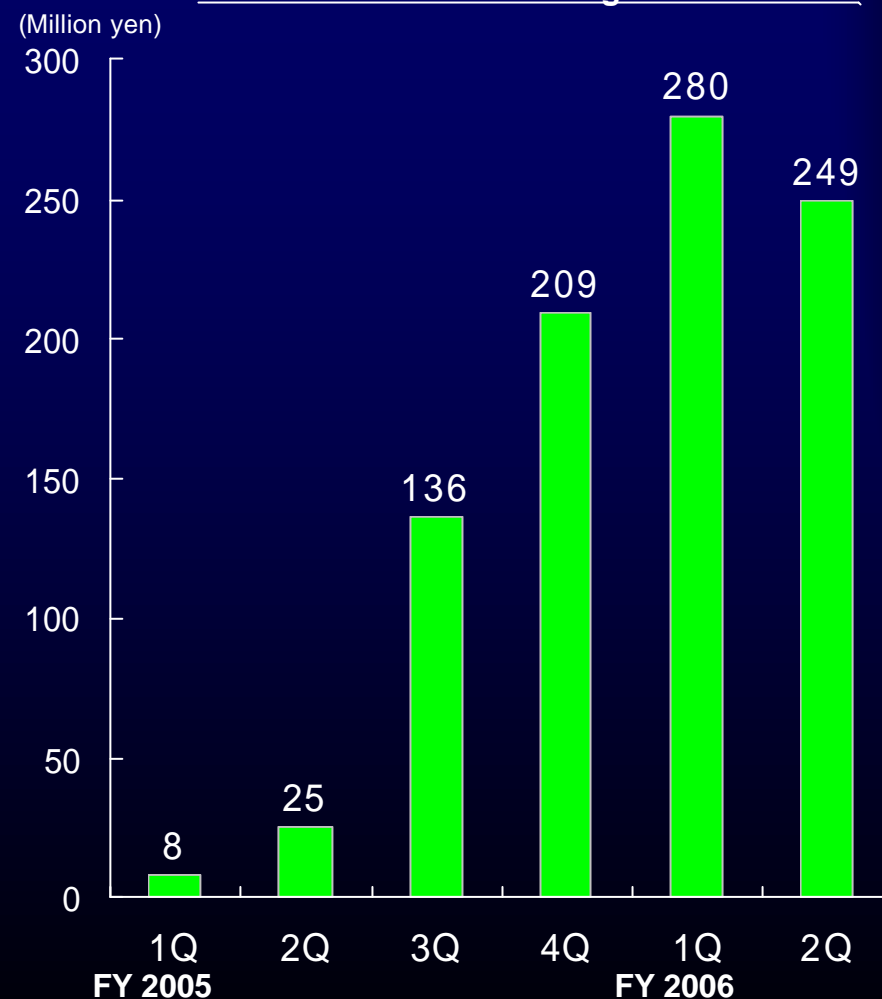
Expanding Revenues from Lending Stock Business

Expand this stable revenue source further in the future.

Lending stock balance at the end of each month



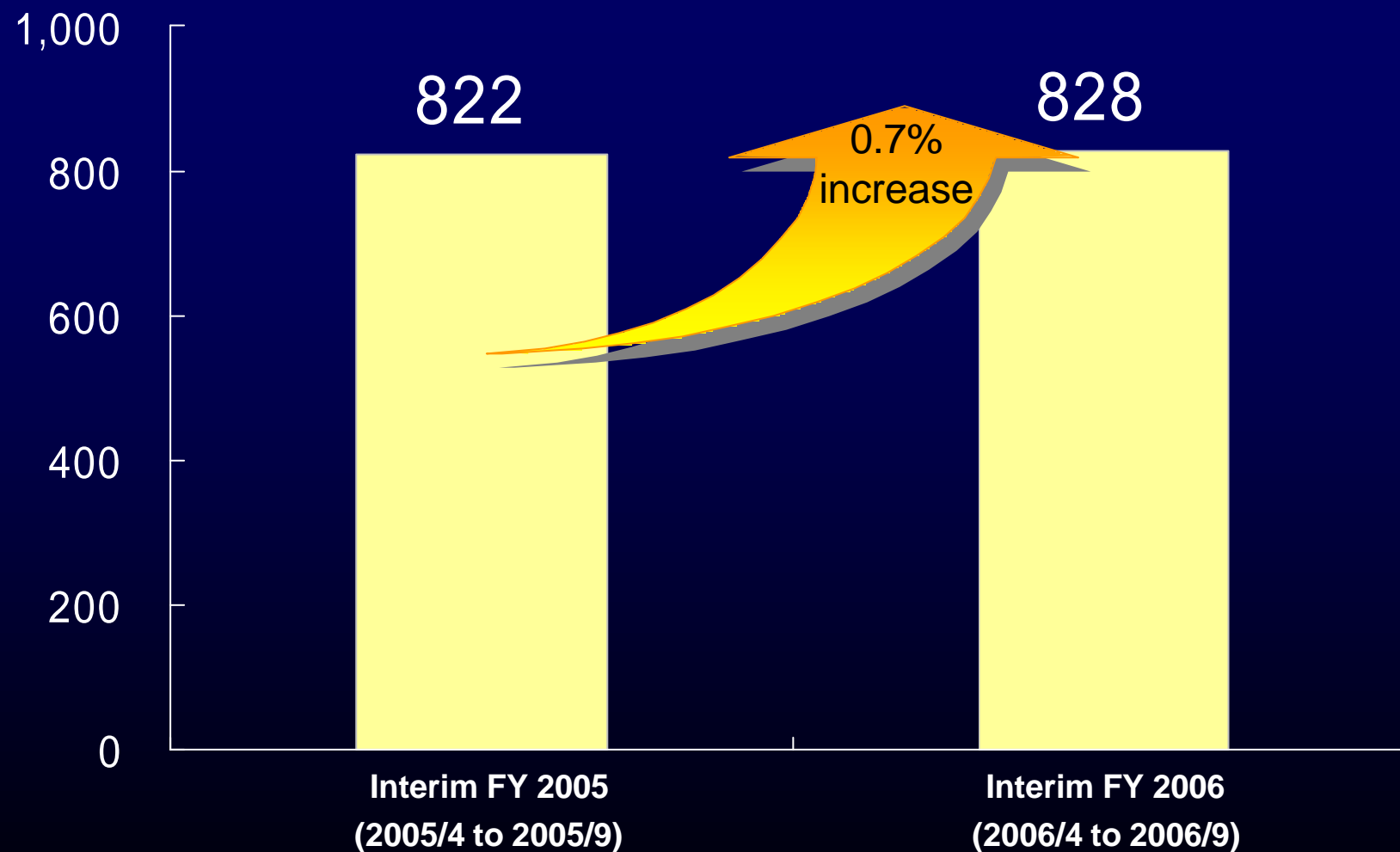
Revenue trend from lending stock business



Performance Highlights

3) Consolidated Commissions from Underwriting, Public Subscriptions, and Secondary Offerings

(Million yen)

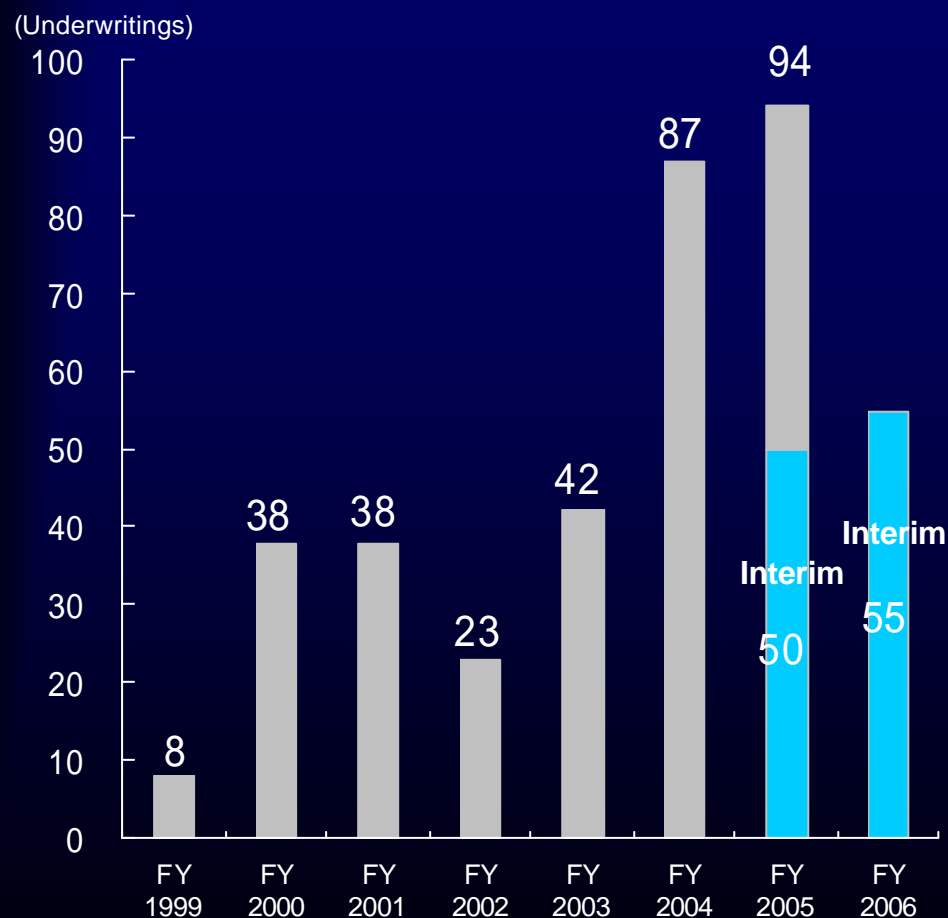


3) Underwriting and Other Commissions

IPO Underwriting Performance

E*TRADE SECURITIES

IPO stock underwriting performance



Note: Figures do not include listing date base, agency transaction, and real estate investment trust.

IPO underwriting ranking

(2006/4 to 2006/9)

Top among all securities firms

Rank	Name	(Underwritings)	Participation ratio (%)
1	<u>E*TRADE SECURITIES</u>	<u>55 companies</u>	<u>66.3%</u>
2	Mitsubishi UFJ Securities	54 companies	65.1%
3	Monex Securities	44 companies	53.0%
4	Shinko Securities	43 companies	51.8%
5	Nomura Securities	37 companies	44.6%
5	Daiwa Shoken SMBC	37 companies	44.6%
5	Nikko City Group	37 companies	44.6%

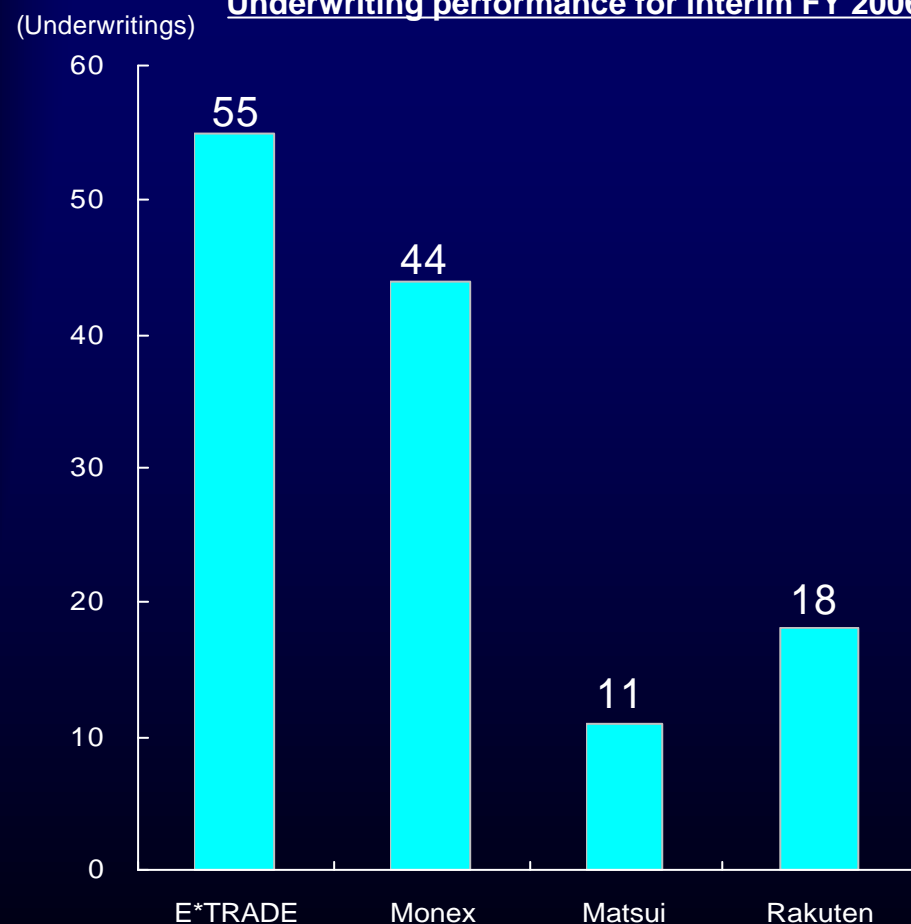
Note: The data was collected as much as possible from public documents by E*TRADE. Data was collected from 2006/4 until 2006/9 for domestic underwriting of 83 companies (listing date base) undergoing an IPO, not including secondary offerings.

3) Underwriting and Other Commissions

IPO Underwriting Performance

Four main online securities companies

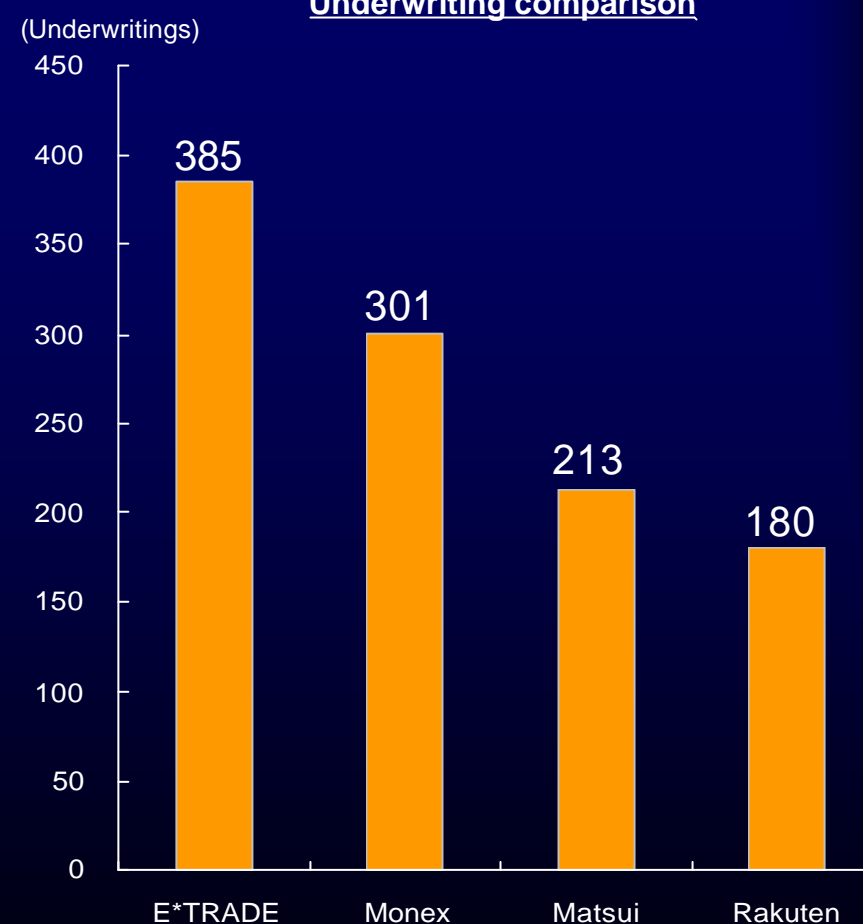
Underwriting performance for interim FY 2006



Note: Figures include over allotment. Listing date base. Dealer agency not included.

Four main online securities companies

Underwriting comparison



Source: Public documents at each company. The data is from the first day of online trading for each company to September 30, 2007 (Listing date base). Figures do not include agency transactions and real estate investment trusts.

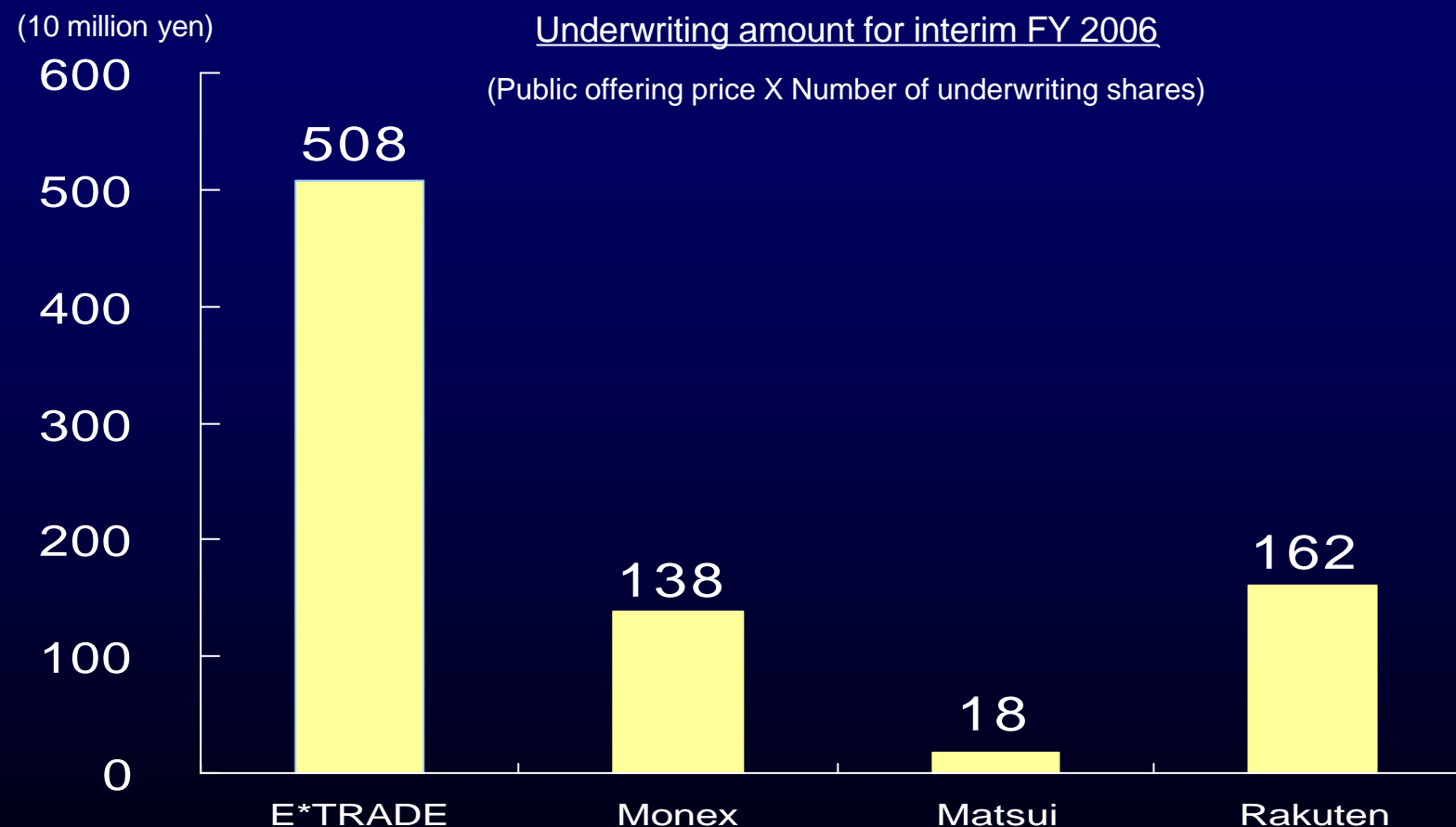
3) Underwriting and Other Commissions

IPO Underwriting Performance

Four main online securities companies

Underwriting amount for interim FY 2006

(Public offering price X Number of underwriting shares)



Source: Public documents at each company.

Note: Figures do not include agency transactions and real estate investment trusts. Figures include over allotment. Dealer agency not included. Until 2007/9/30 (Listing date base).

3) Underwriting and Other Commissions

Off-Floor Distribution Performance (Reference)

Performance on TSE, OSE, and JASDAQ

Interim FY 2006 (2006/4 to 2006/9)

Companies handled: 42 (Interim FY 2006: 93)

Distribution total: 15.3 billion yen (Interim FY 2006: 44.2 billion yen)

E*TRADE application total: 15.8 billion yen (Interim FY 2006: 87.0 billion yen)

Handling total: 3.4 billion yen

(Interim FY 2005: 8.3 billion yen)

E*TRADE handling share: 22.8% (Interim FY 2006: 18.8%)

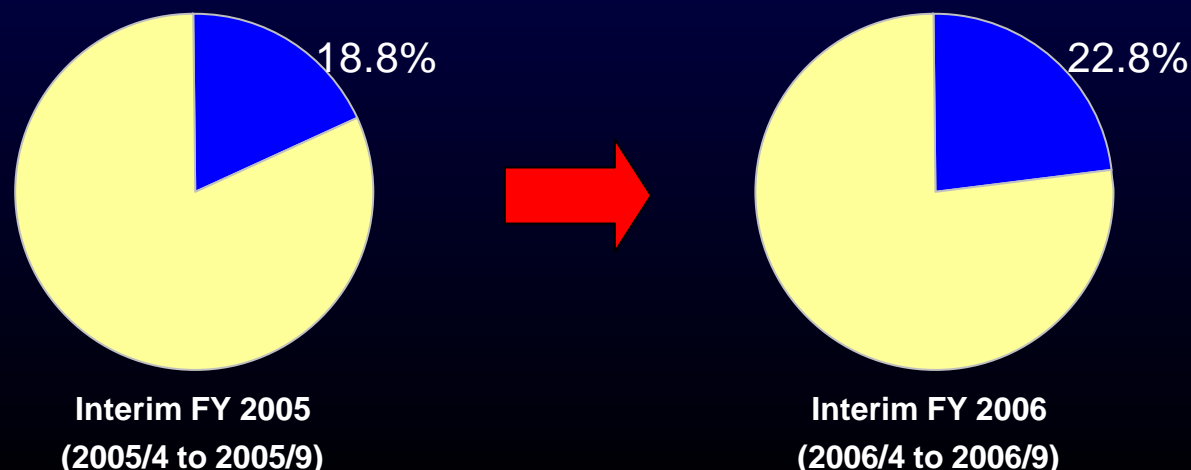
Note: Earnings from off-floor distributions include commissions.

Companies with off-floor distributions handled by E*TRADE

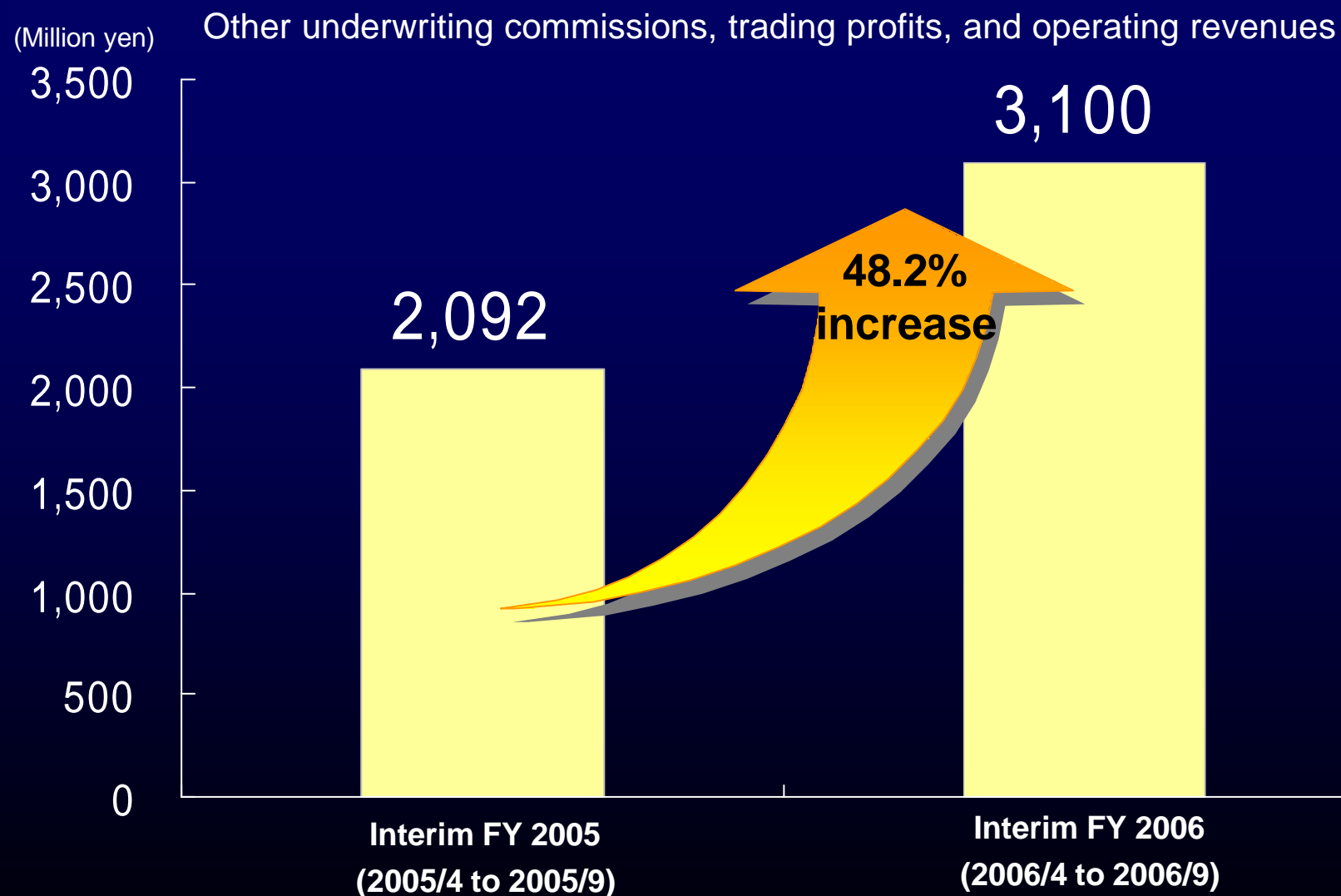
Interim FY 2006

Date implemented	Company name	Stock exchange
2006/5/12	GAGA Communications	HC
2006/6/29	GEO	Tokyo Section 1
2006/8/ 1	Met's Corporation	Tokyo Mothers
2006/8/23	Eighting Co., Ltd.	Tokyo Mothers

E*TRADE handling share trend



Performance Highlights

4) Consolidated Trading Profits and Other Earnings

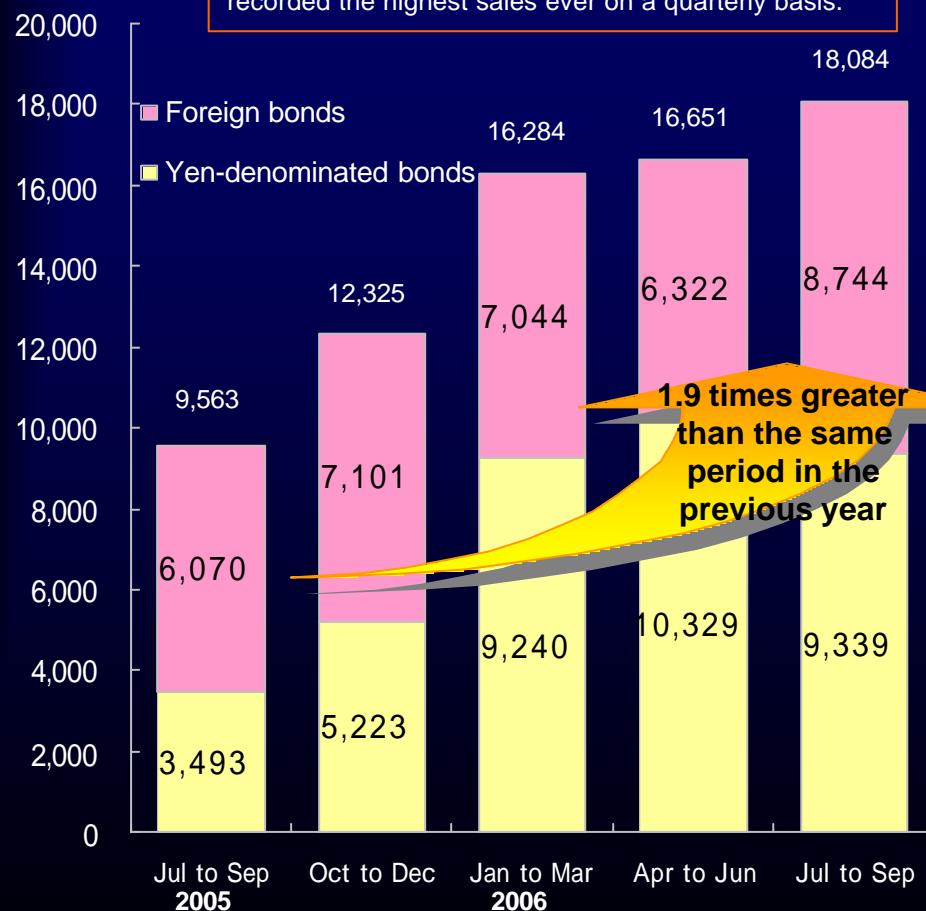
4) Trading Profits and Other Earnings

Bond and Other Product Performance

Bond sales (Public and foreign)

Government bonds and foreign bonds for individuals performed well partially due to the coupon present campaign. South African rand denominated bond recorded the highest sales ever on a quarterly basis.

(Unit: Million yen)



Note: Earnings from government bonds for individuals includes commissions from underwriting and secondary offering. Figures include agency transactions.

South African rand-based bond records highest sales ever (Quarterly basis)

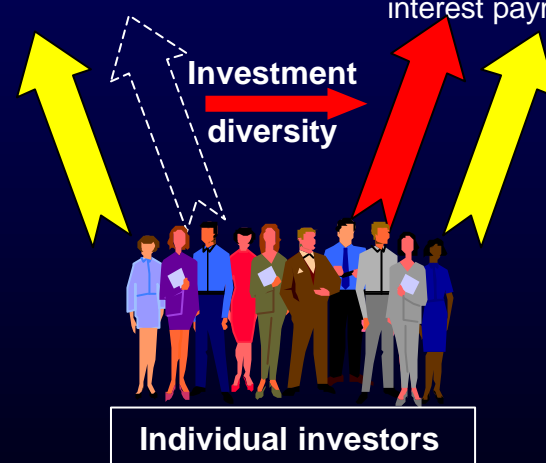
With domestic stock markets flagging, individual investors will begin to diversify their investments into other products as a risk hedge.

Domestic stocks

Flagging markets

Foreign bonds

Favorable rate of interest, high ranking, monthly interest payments



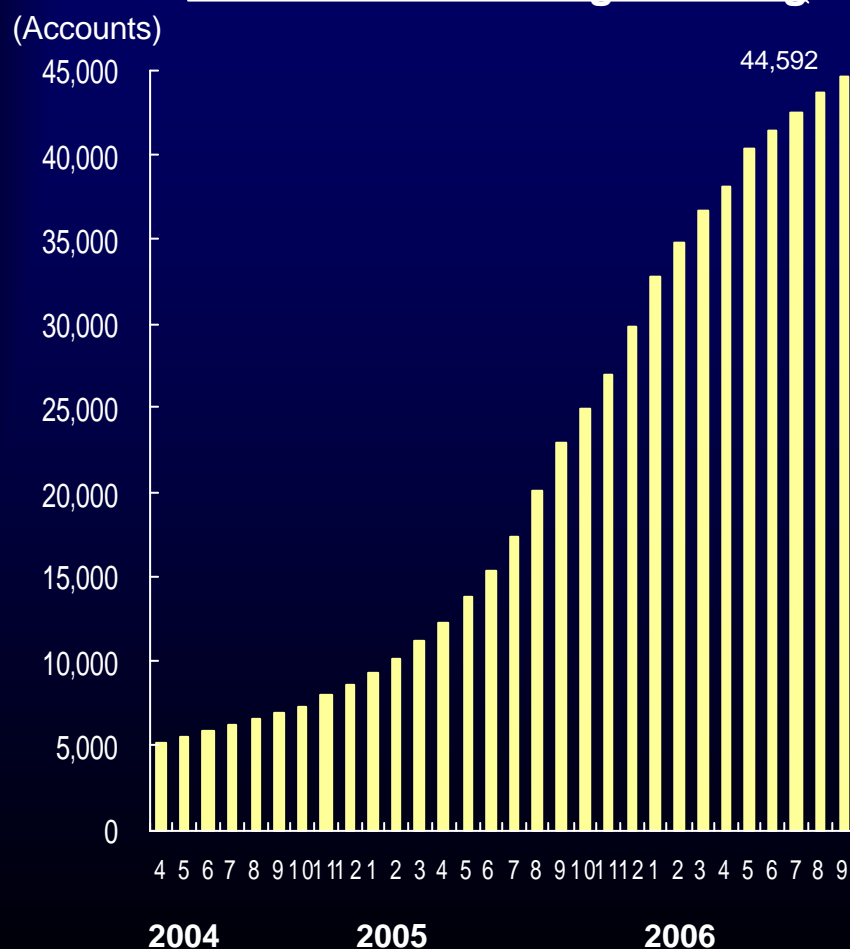
By offering a wide variety of financial products, each investor will be able to select the right product for his needs.

4) Trading Profits and Other Earnings

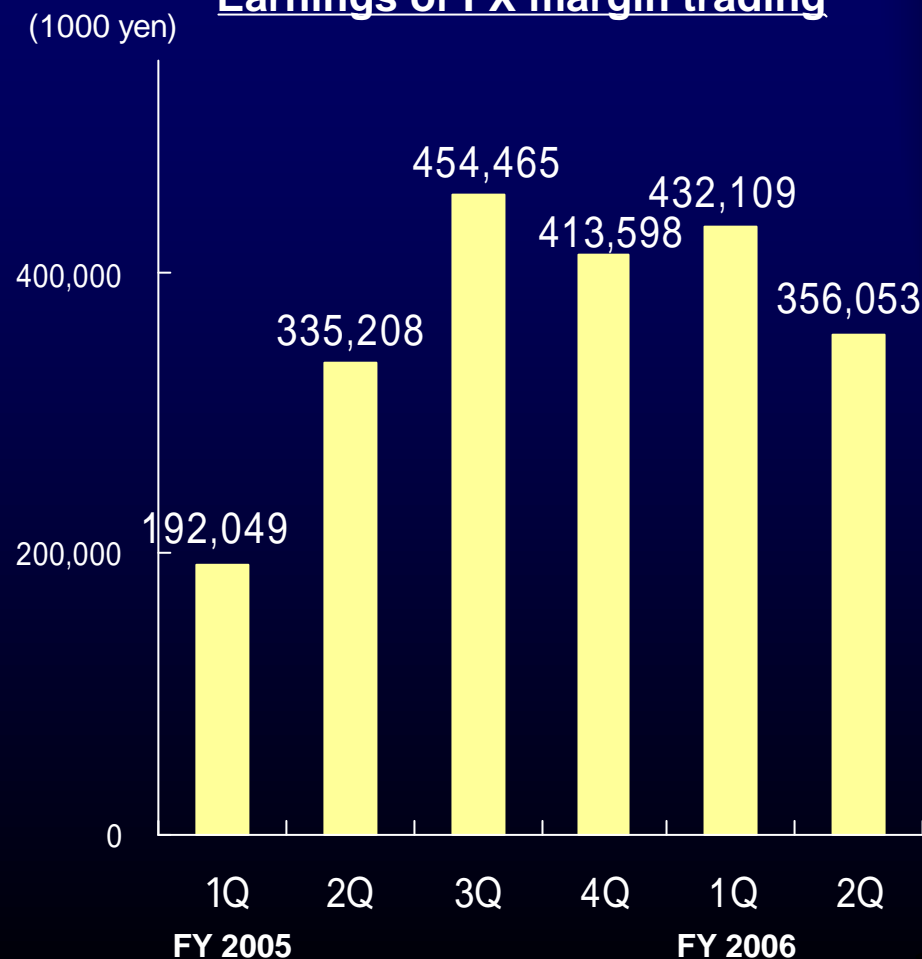
Expansion of FX Margin Trading

Becoming more important as a revenue source, depending on the market, we expect FX margin trading to contribute more to earnings in the future.

Accounts of FX margin trading

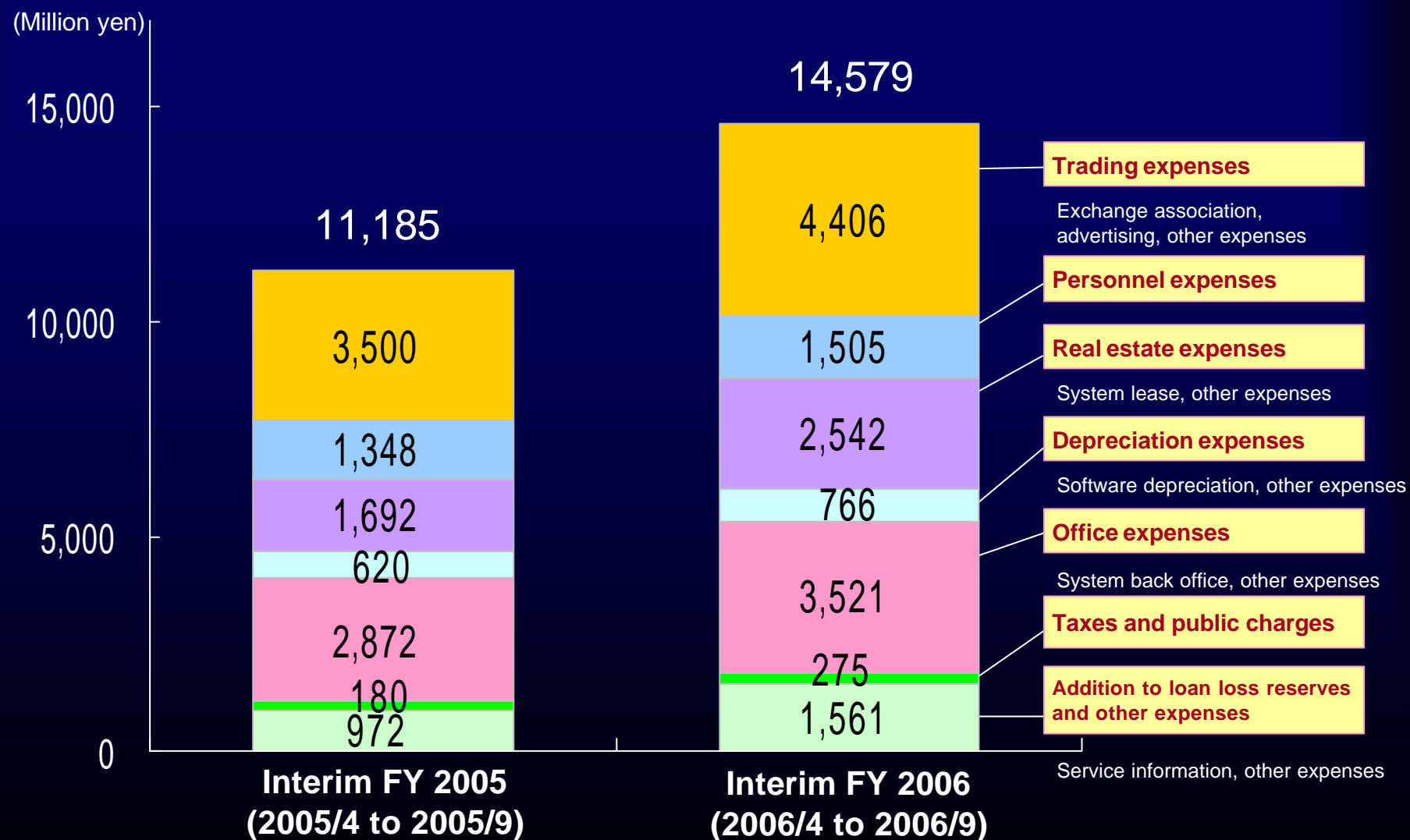


Earnings of FX margin trading



Performance Highlights

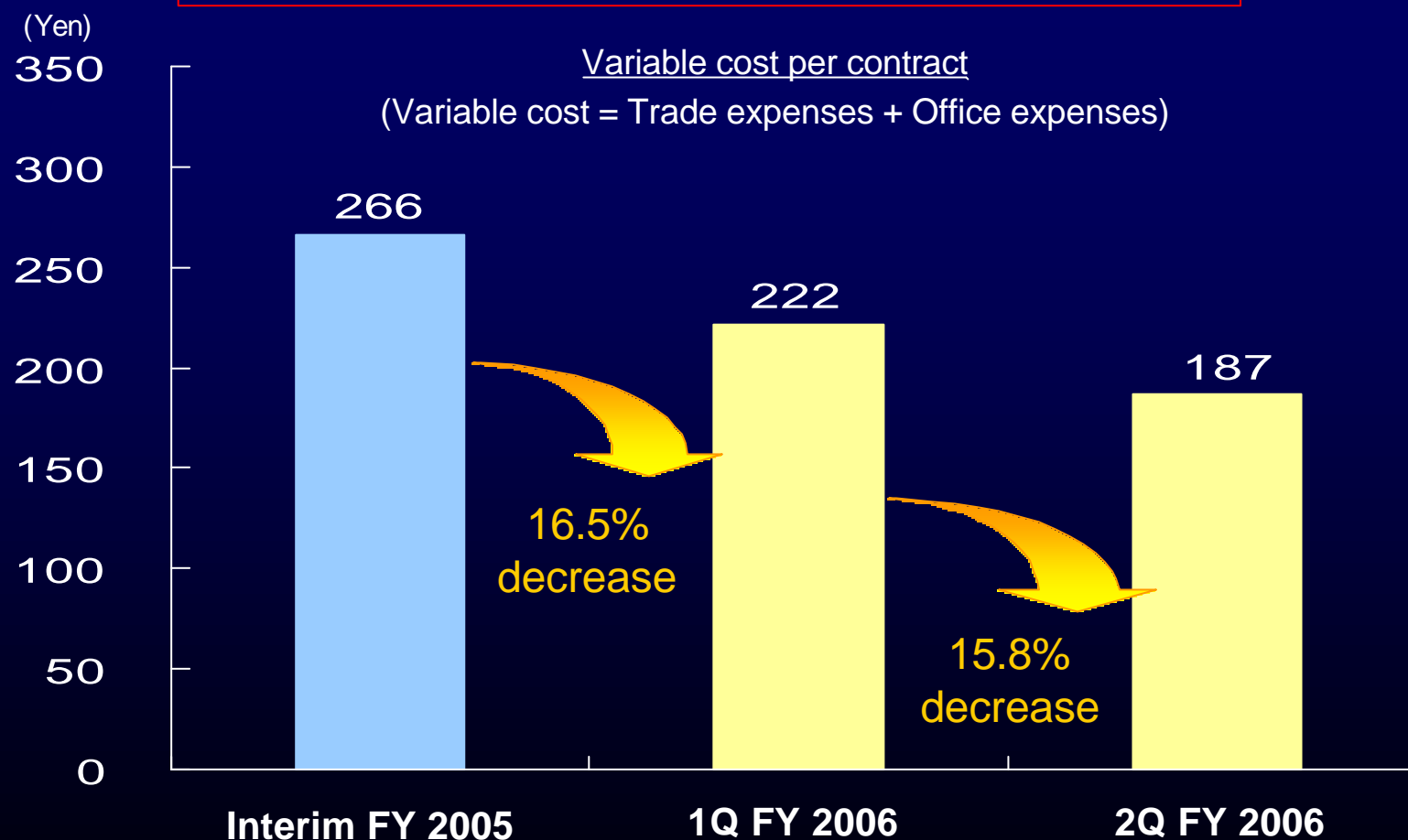
5) Consolidated Sales and General Management Expenses



5) Sales and General Management Expenses

Variable Cost Trend

The variable cost per contract is reaching a low level due to cost-cutting measures.



Note: Calculated using non-consolidated results.

Performance Highlights

Interim FY 2006 Performance of E*Trade Korea Co., Ltd.

(Unit: Million yen, %)

	Interim FY 2005 (2005/4 to 2005/9)	Interim FY 2006 (2006/4 to 2006/9)	Compared to same period in previous year
Operating revenue	1,991	2,830	+42.1
Net operating revenue	1,933	2,666	+37.9
Operating profit	235	699	+197.3
Ordinary profit	237	706	+197.4
Interim net profit	224	521	+132.3

6) E*TRADE Korea

E*TRADE Korea Outlook

E*TRADE
K O R E A

During the interim of FY 2006, stocks markets in Korea were on the decline. As a result, the relative importance of both individual stock investors and online trading declined. However, E*TRADE Korea's brokerage trading value share increased.

Outlook (Current from end of 2006/9)

- Stock capitalization: 56 billion Korean won
- Investment ratio: 87%
- Accounts: 113,227
- Brokerage trading value: 23.7282 trillion won
(Interim FY 2006)

Main business tasks during current interim

- Launched new trading tool in 2006/9.
- Made tie-ups with banks to increase the number of accounts (Customers must make new account application at E*TRADE service counter. But banks introduce E*TRADE at their own counters.)
- Implemented assertive marketing activities.

Main strengths

- The lowest online commission rate in Korea (Stock: 0.024%)
- Online investment consulting (video, audio, chat)

Increasing the share of individual brokerage trading value

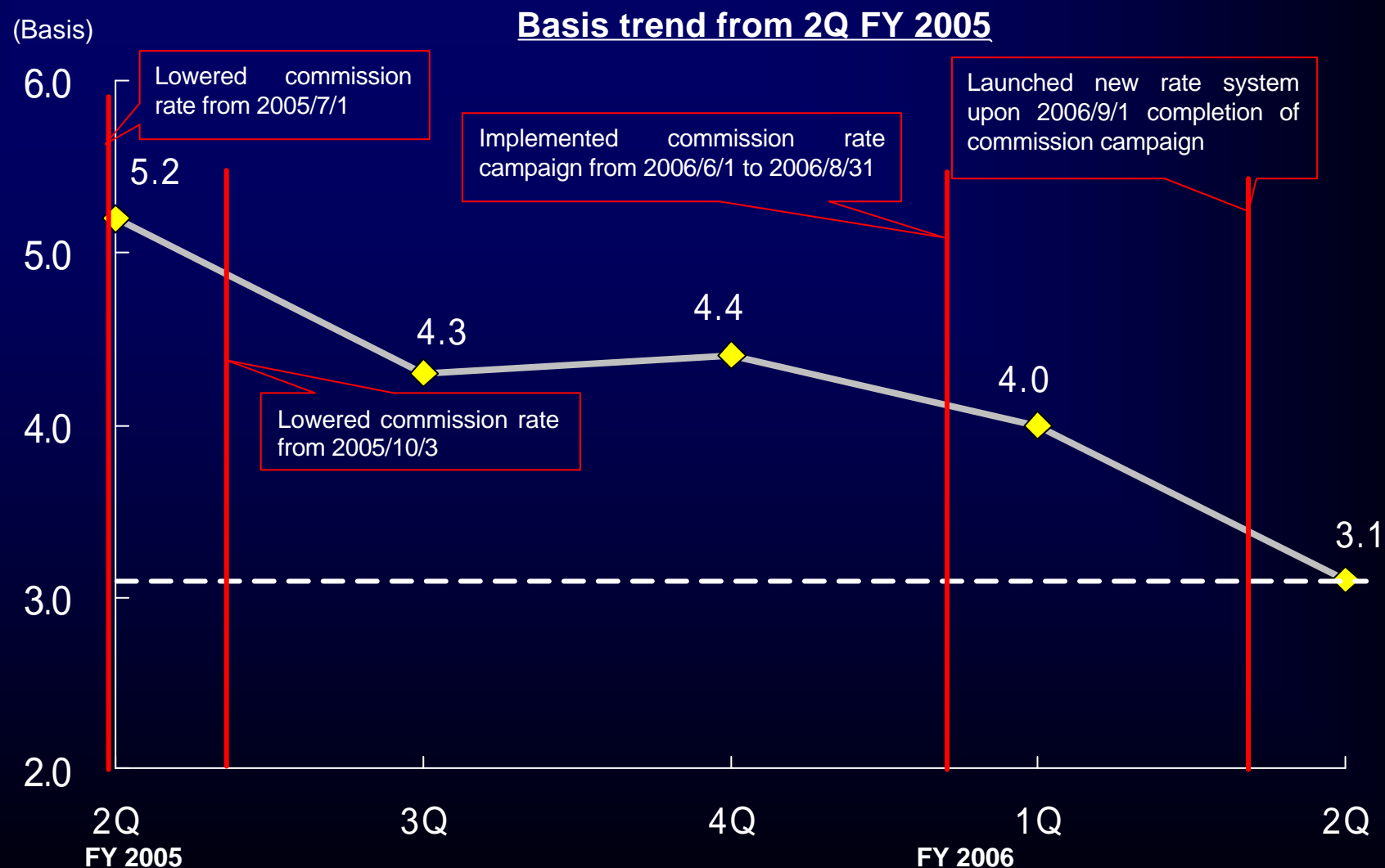


Preparing to become listed on KOSDAQ

2. Lower Stock Commission Rates

2. Lower Stock Commission Rates

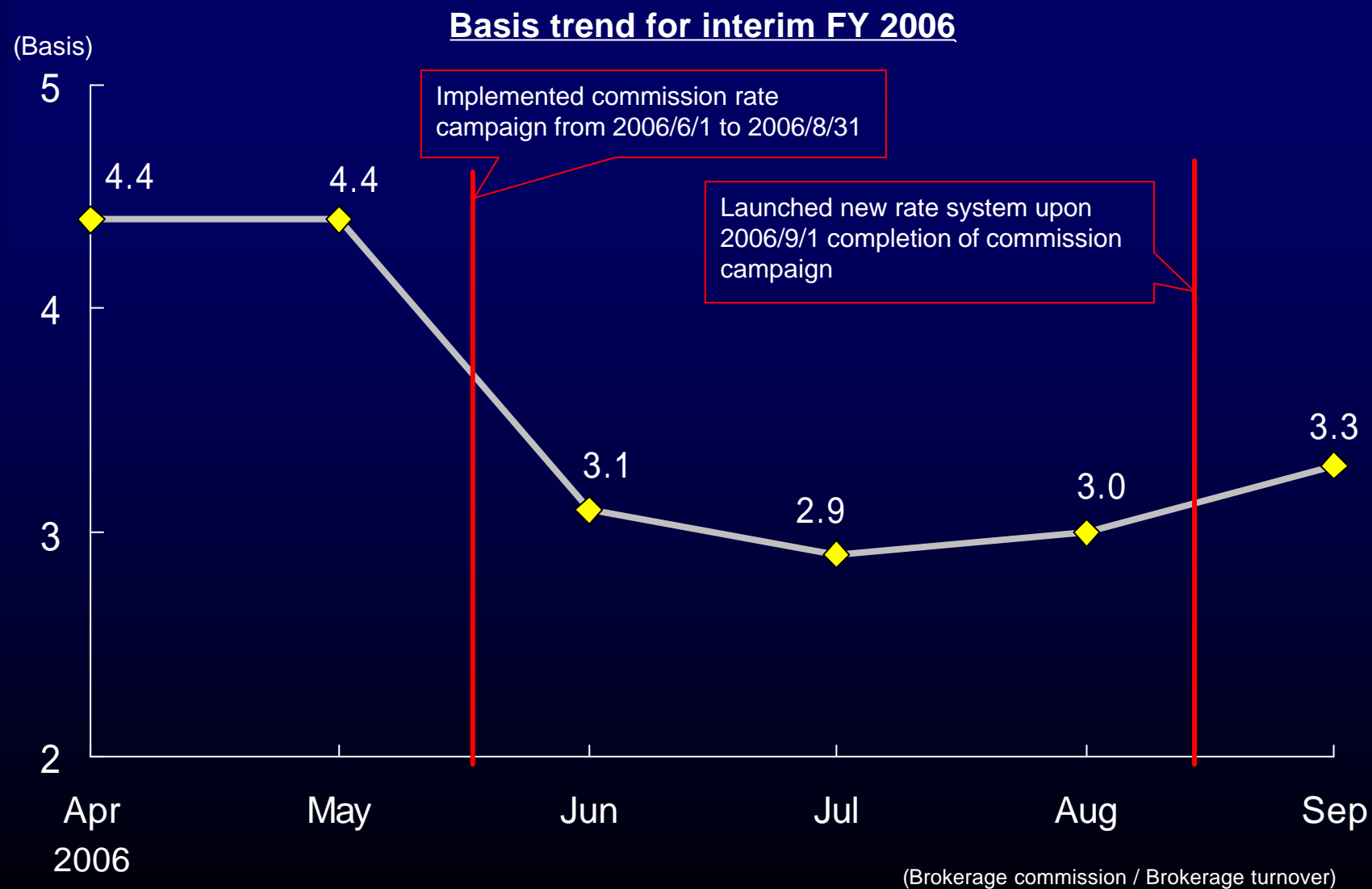
E*TRADE SECURITIES Basis Trend



(Commission / Brokerage turnover) calculated every three months.

2. Lower Stock Commission Rates

E*TRADE SECURITIES Basis Trend



2. Lower Stock Commission Rates

Individual Brokerage Trading Value Share of Main Online Securities

Individual brokerage trading value share

4Q FY 2005
(2006/1 to 2006/3)



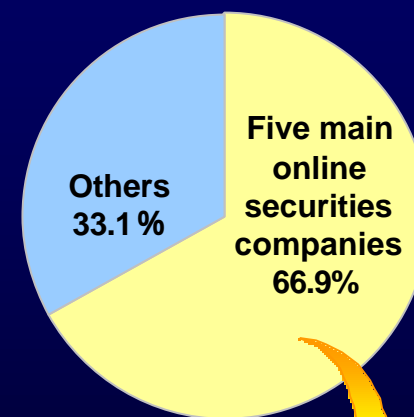
E*TRADE	24.9%
Rakuten Securities	12.0
Matsui Securities	9.6
Monex	7.3
Kabu.com	5.7

1Q FY 2006
(2006/4 to 2006/6)



E*TRADE	27.3%
Rakuten Securities	13.2
Matsui Securities	9.5
Monex	6.8
Kabu.com	6.0

2Q FY 2006
(2006/7 to 2006/9)



E*TRADE	30.7%
Rakuten Securities	14.3
Matsui Securities	9.6
Monex	6.2
Kabu.com	6.1

Source: Tokyo Stock Exchange statistical data, JASDAQ statistical data, and public documents from each company's website.

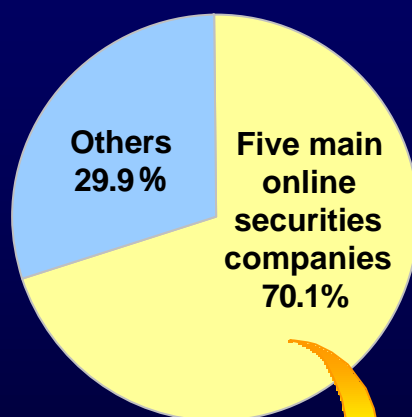
Note: Individual brokerage turnover in individual margin trading is totaled from three exchanges (sections one and two) and JASDAQ.
Kabu.com Securities merged with MeNet Securities in January 2006.

2. Lower Stock Commission Rates

Share of Individual Margin Trading Value for Main Online Securities

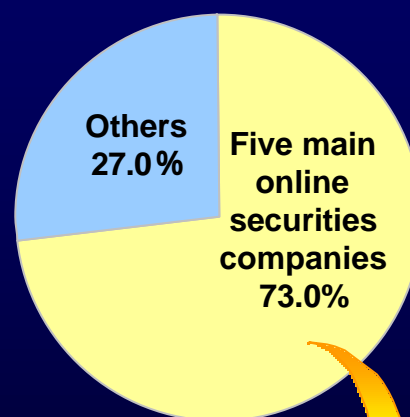
Share of individual margin trading value

4Q FY 2005
(2006/1 to 2006/3)



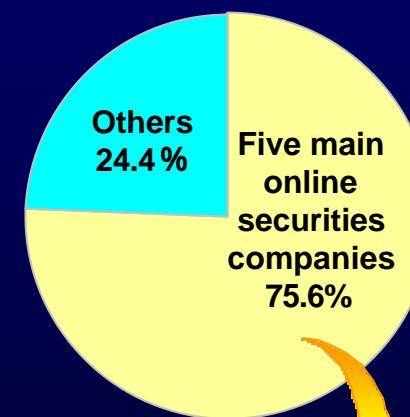
E*TRADE	29.0%
Matsui Securities	13.8
Rakuten Securities	13.3
Monex	7.1
Kabu.com	6.9

1Q FY 2006
(2006/4 to 2006/6)



E*TRADE	32.2%
Rakuten Securities	14.4
Matsui Securities	12.5
Kabu.com	7.4
Monex	6.6

2Q FY 2006
(2006/7 to 2006/9)



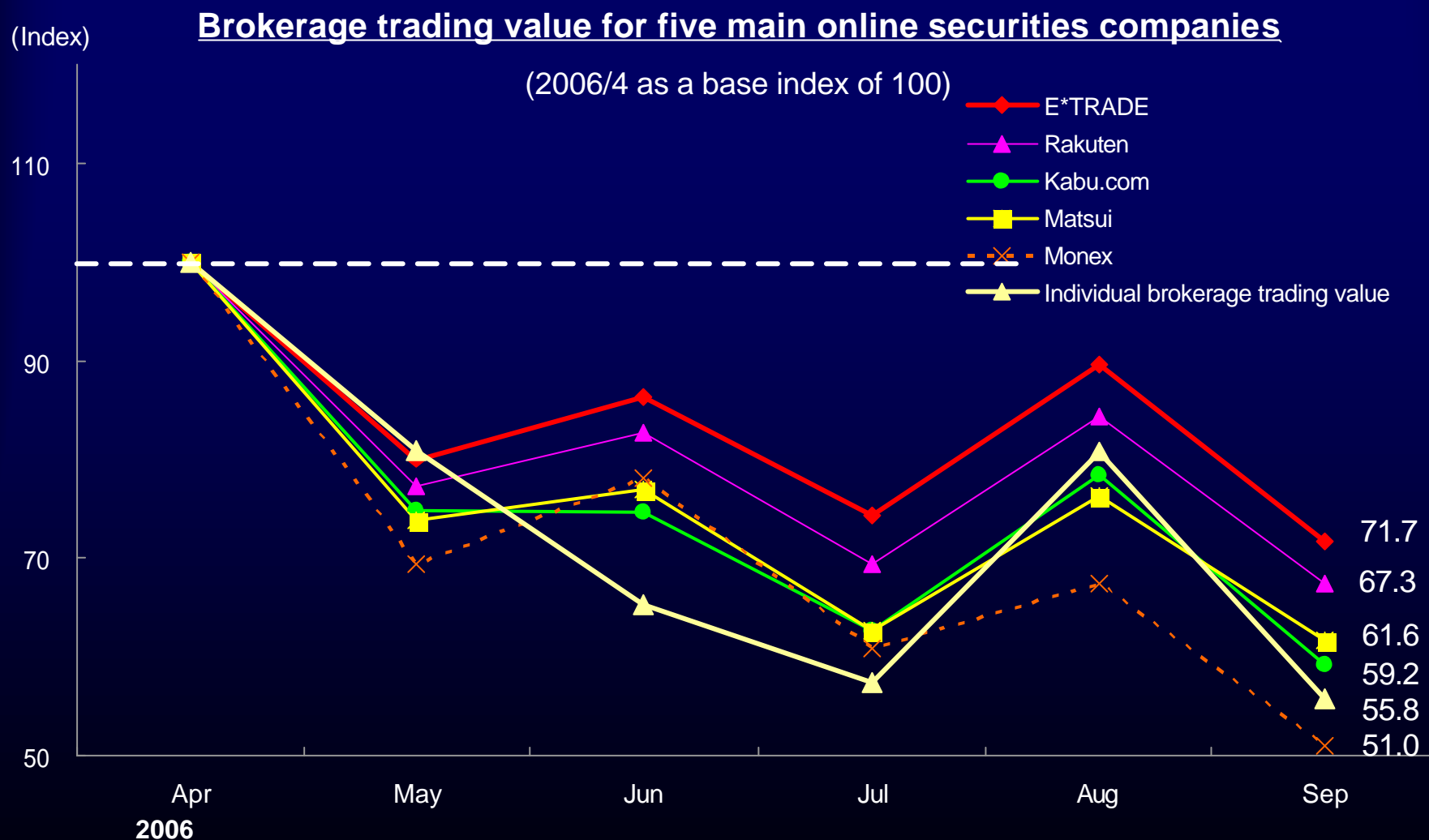
E*TRADE	35.8%
Rakuten Securities	15.1
Matsui Securities	11.7
Kabu.com	7.2
Monex	5.8

Source: Tokyo Stock Exchange statistical data, JASDAQ statistical data, and public documents from each company's website.

Note: Individual margin trading value is totaled from three exchanges (sections one and two) and JASDAQ. Kabu.com Securities merged with MeNet Securities in January 2006.

2. Lower Stock Commission Rates

Brokerage Trading Value of Main Online Securities Companies



Source: Tokyo Stock Exchange statistical data, JASDAQ statistical data, and public documents from each company's website.

Note: Individual brokerage turnover in individual margin trading is totaled from three exchanges (sections one and two) and JASDAQ.

3. Main Business Tasks During This Interim Period

3. Main Business Tasks During Interim

Main Tasks for Interim FY 2007

A bullet mark ("•") indicates a service release and a yellow asterisk ("*") indicates a business decision/alliance.

Month	Task content	Indicator trend
April	<u>* Cooperated with Sumitomo Trust Bank in the market promotion business.</u>	Total securities accounts top 1.2 million
May	<ul style="list-style-type: none"> Enhanced the system to handle 1.75 million accounts. Launched bond lottery and gift certificate service (Informal name: Happy Choice). <u>* Cooperated with Kanto Tsukuba Bank in the market promotion business.</u>	
June	<ul style="list-style-type: none"> Lowered the commission rate on stocks traded over the Internet (Active Plan lowest rate: 0 yen). Launched lower stock commission rate campaign (Until August 31). Raised the open interest limit when starting a margin trading account (From 50 to 100 million yen). Covered all market making issues. <u>* Cooperated with Chuo Mitsui Trust Bank in the market promotion business.</u>	Individual brokerage trading value share exceeded 30% on a monthly basis (See note)
July	<ul style="list-style-type: none"> Enhanced the system to handle 2.0 million accounts. Launched i-appli trading tool "HYPER MOBILE Lite," which is compatible with FOMA 700i series and newer models. <u>* Agreed with Rakuten Securities and SBI Securities to jointly prepare for launch of evening trading.</u>	
August	<ul style="list-style-type: none"> Lowered commission rate for Nikkei 225 futures trading. <u>* Acquired additional stock of SBI Benefit Systems Co., Ltd. and made it a subsidiary.</u>	
Sep	<ul style="list-style-type: none"> Implemented large rate reductions on stock commissions and regular commissions. Started accepting new account applications from persons under age. Launched "Golf Membership Market" service in cooperation with E-Golf Co., Ltd. Added news feature "Kabushik Shimbun Update" (10-minute delay). <u>* ORIX Securities and GMO Internet Securities decided to participate in preparation of evening trading system.</u>	Total securities accounts top 1.3 million

(Note) Source: Tokyo Stock Exchange statistical data, JASDAQ statistical data, and public documents from each company's website.
Individual brokerage turnover in individual margin trading is totaled from three exchanges (sections one and two) and JASDAQ.

3. Main Business Tasks During Interim

HYPER MOBILE Lite

Improving the convenience of E*TRADE's mobile trading information tool

件数	売件数	価格	買件数	件数
	58800	2230		
	74600	2225		
	193300	2220		
	180400	2215		
	57300	2210		
		2205	108400	
		2200	153300	
		2195	114400	
		2190	178200	
		2185	163100	

Y:48093100 14:52
O:2300(09:00)

July 2006 service launch

HYPER MOBILE Lite (i-appli trading tool) is now compatible with more mobile devices. Information is automatically updated as frequently as every 5 seconds.

銘柄	前日比	出来高	先高	先低	株数
9984 ソフトバンク 東*	15:00 2205 -130	49698600	221	2270	
8473 SBI 東*	15:00 48850 -700	154942	480	37	
8473 SBI 大	10:05 48300 -100	4	5100		
8701 エトレード証券 JQ*	14:59 152000 -8000	86230	15300	89	
3749 SBIペリトラ HC*					

Individual share information	Quotations, current prices, fund information, and more
Registered issues	Up to 80 issues
Market information	Main indices and FX rates from Japan and overseas
Trading	Domestic stocks (Spot, funds)
Account information	List of issue holdings, buying margin
Compatible devices	FOMA 700i, 701i, 702i, 900i, 901i, and 902i

(Current as of 2006/10/26)

E*TRADE is currently preparing to launch HYPER MOBILE with other mobile carriers.

3. Main Business Tasks During Interim

Big Reduction in Commission Rate for Nikkei 225 Futures Trading

Influenced by mini Nikkei 225 futures trading, the level of attention for trading has increased.

Big reduction in commission rate for Nikkei 225 futures

To 2006/7

1,995 yen per unit (including tax)

For day trading, reverse trade commission is 0 yen.



From 2006/8

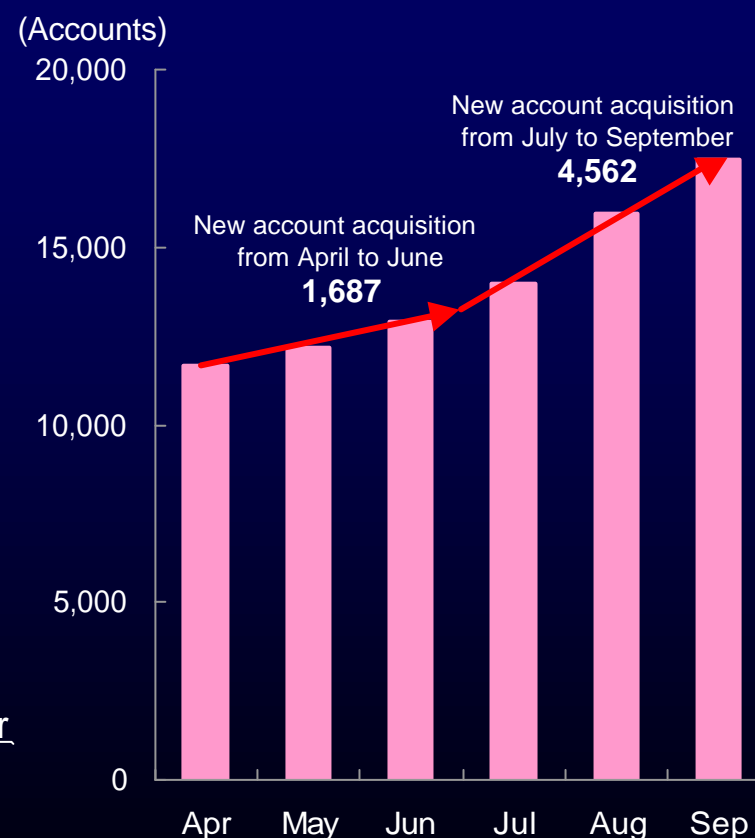
903 yen per unit (including tax)

For day trading, 0-yen commission for reverse trading was discontinued.

The commission for two-way reverse trading is 1,806 yen, which on a daily basis is a reduced rate.

Provide investors with a more convenient environment for stock price index futures trading.

Futures and options accounts

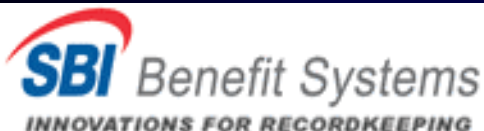


2006

Note: Opening a futures or options account requires a special screening separate from a general securities account.

3. Main Business Tasks During Interim

SBI Benefit Systems Becomes Subsidiary



On August 31, 2006, E*TRADE held 87% of SBI Benefit Systems shares, making the company a subsidiary.

E*TRADE expects contributions to future earnings from expanding 401K services (individual defined contribution pension plan) and services related to corporate defined contribution pension plans. Service expansion activities will leverage E*TRADE's extensive corporate customer base.

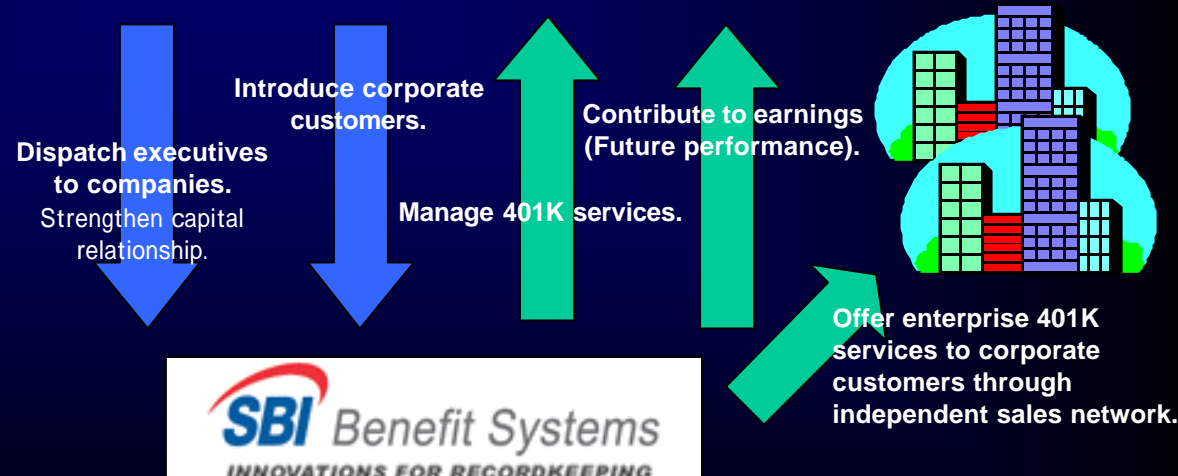


Trade name: SBI Benefit Systems Co., Ltd.

Stock capitalization: 1.3 billion yen

Establishment: March 29, 2001

Main business: Defined contribution pension management, system outsourcing, human resources, and welfare services



Through subsidiary relationship, strengthen mutual business ties and expand business even further.

4. Future Business Development

4. Future Business Development

1) Become a comprehensive online securities company

- Maintain our "customer-centric principle"
- Expand corporate business as a comprehensive online securities company
- Establish stable earnings structure

2) Promote corporate business

- Expand IPO operations
- Develop multi-faceted business alliance with Sumitomo Trust & Banking

3) Other future developments

- Prepare launch of evening trading market
- Enhance HYPER E*TRADE service
- Add stop limit feature
- Examine lending stock services

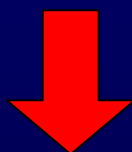
1) Become Comprehensive Online Securities Company

Management Philosophy and Basic Policy

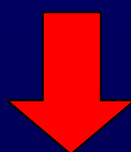
Management Philosophy

Total "customer-centric principle"

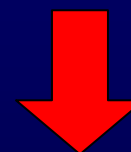
Offer the lowest commission rate system in the industry and the highest quality service.



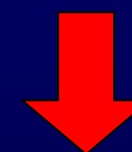
Significantly reduce
the cost of investment



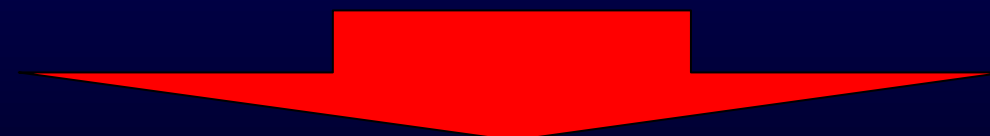
Provide abundant
high-quality investment
information



Offer attractive
investment products



Provide a safe and
stable trading
environment



Capture the largest market share in the industry.

Customer accounts

Brokerage trading value

Client assets

Capture an overwhelming share of business, expand business opportunities, and achieve stable earnings.

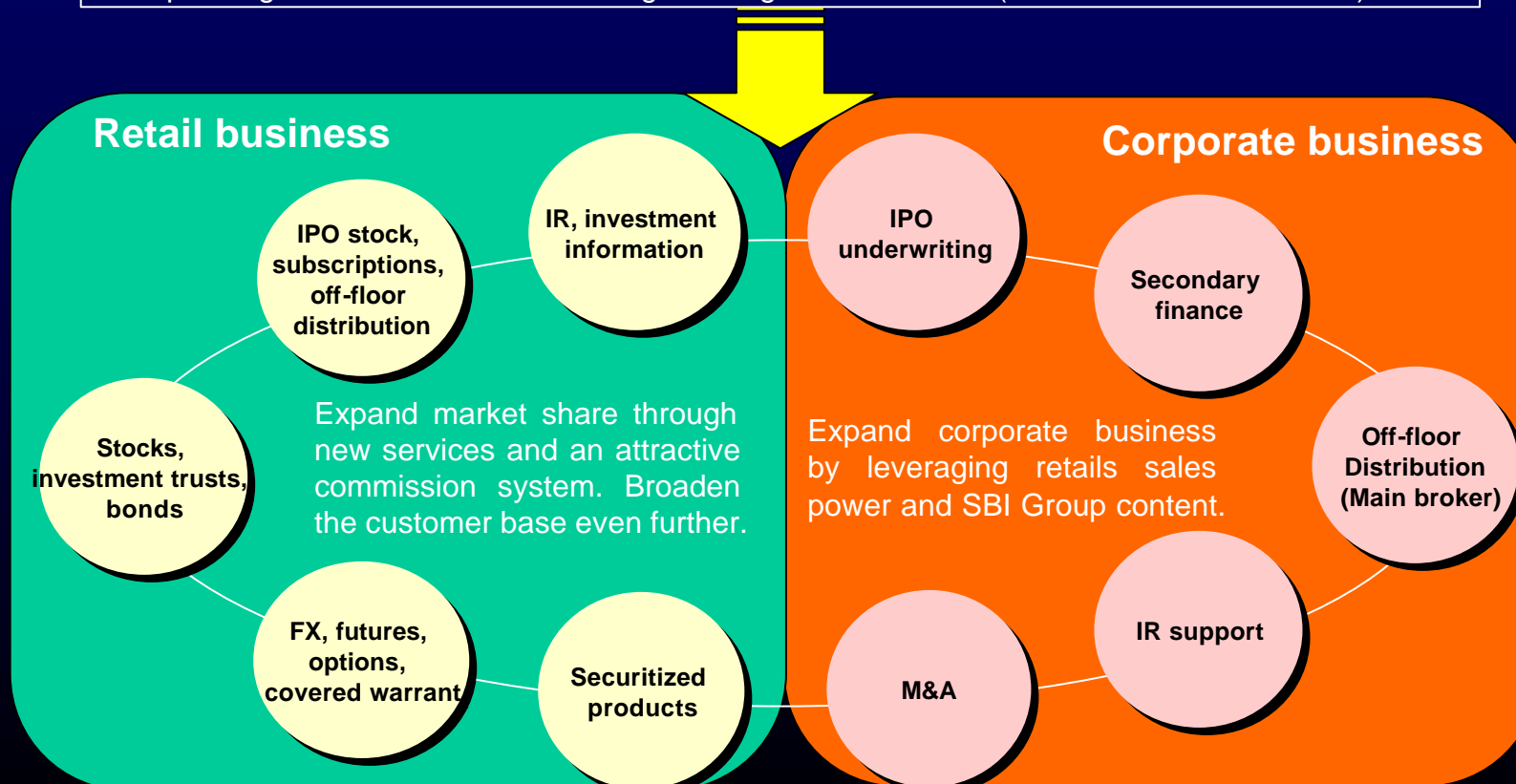
1) Become Comprehensive Online Securities Company

Expand corporate business as a comprehensive online securities company

Build a stable earnings structure by developing corporate business that leverages the retail customer base.

Overwhelming customer share: **1,311,004 accounts** (Current as of 2006/9/30)

Expanding share of individual brokerage trading value: **30.7%** (Current as of 2Q FY 2006)

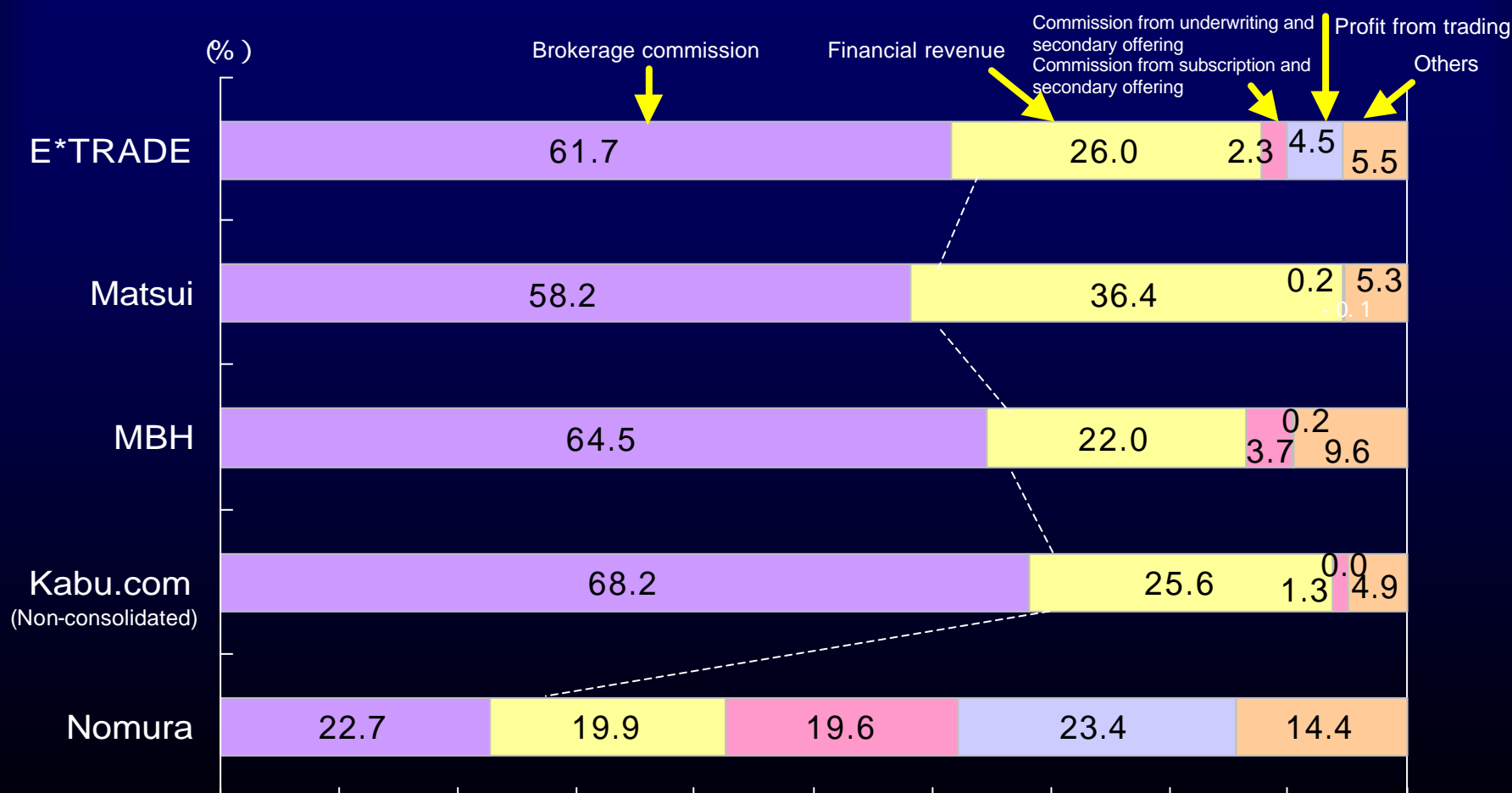


1) Become Comprehensive Online Securities Company

Establish Stable Earnings Structure

E*TRADE is building an earnings structure not influenced by market conditions.

Operating revenue comparison of listed securities companies (1Q FY 2006)



Note: Data was compiled by E*TRADE using material on each company's website. E*TRADE, Matsui, and MBH use consolidated data.

2) Promote corporate business

Expand IPO Underwriting Operations

E*TRADE had the top IPO participation rate for the 1Q and interim period.

- Increasing amount and number of underwritings.
->Revenue source diversity
- Increase distribution of stock to individual investors.
-> Attractive investment opportunities



Increase underwriting amount in the future and expand operations.

Become a lead managing underwriter.

2nd case: Netage Group, Inc.

2006/8/30: Listing on Mothers (TSE)

3rd case: Netage Group, Inc.

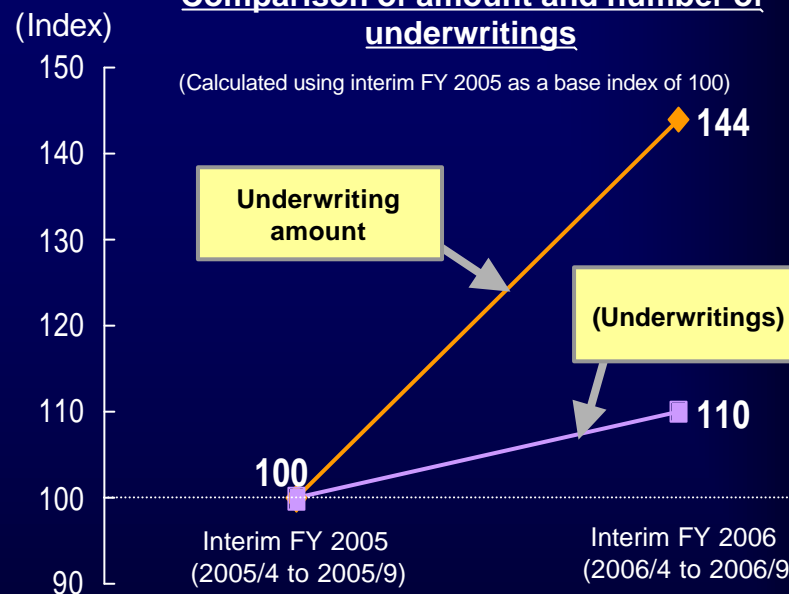
2006/11/16: Listing on Hercules (OSE)



Act as a bridge for the stock issuing and distribution markets and expand these activities in the future.

Comparison of amount and number of underwritings

(Calculated using interim FY 2005 as a base index of 100)



2) Promote corporate business

Develop Multi-Faceted Business Alliance with Sumitomo Trust & Banking

Develop the customer introduction business by leveraging E*TRADE's wide customer base.

Develop activities around planned IPOs

Securities agency operations

- List of stockholders
- Transfer of title
- General meeting of stockholders
- Dividend calculation

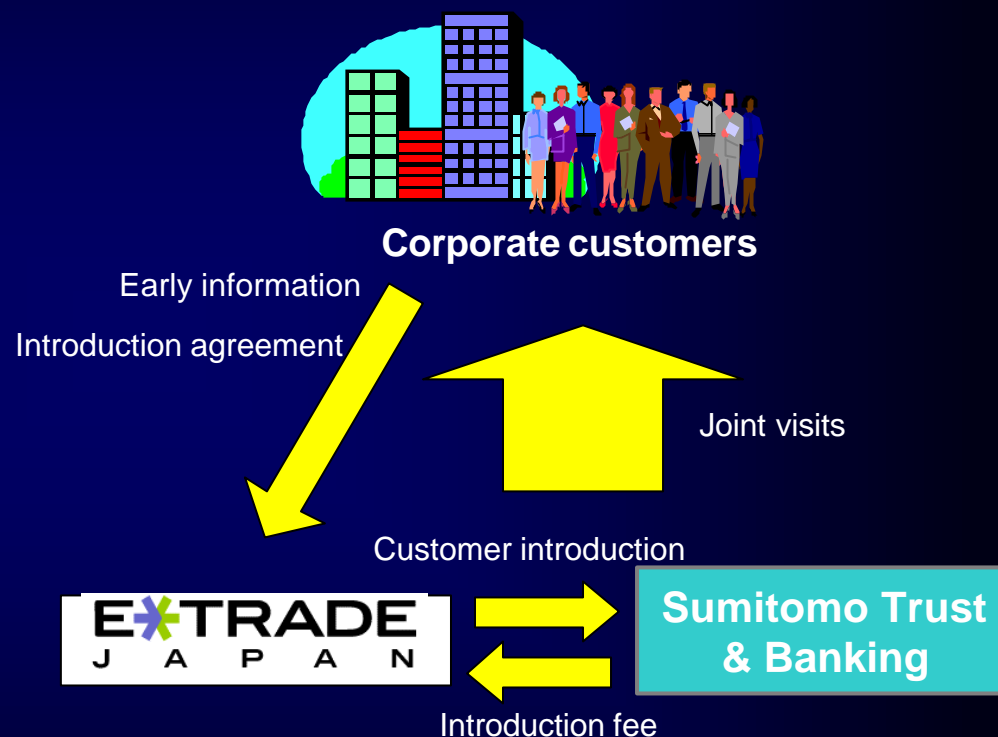
Develop activities around corporate customers/owners

Testamentary trust

- Will preparation/advice
- Will announcement/execution

Inheritance planning

- Inheritance examination, inventory of property
- Tax advice, apportionment of estate



After forming a tie up in April 2006, E*TRADE and Sumitomo Trust & Banking have been cooperating on a customer introduction service as one example of a multi-faceted business alliance.

Note 1: E*TRADE introduces customers with particular needs to Sumitomo Trust & Banking. All services are provided directly by Sumitomo Trust.

Note 2: All planned business activities are subject to approval by the Financial Service Agency.

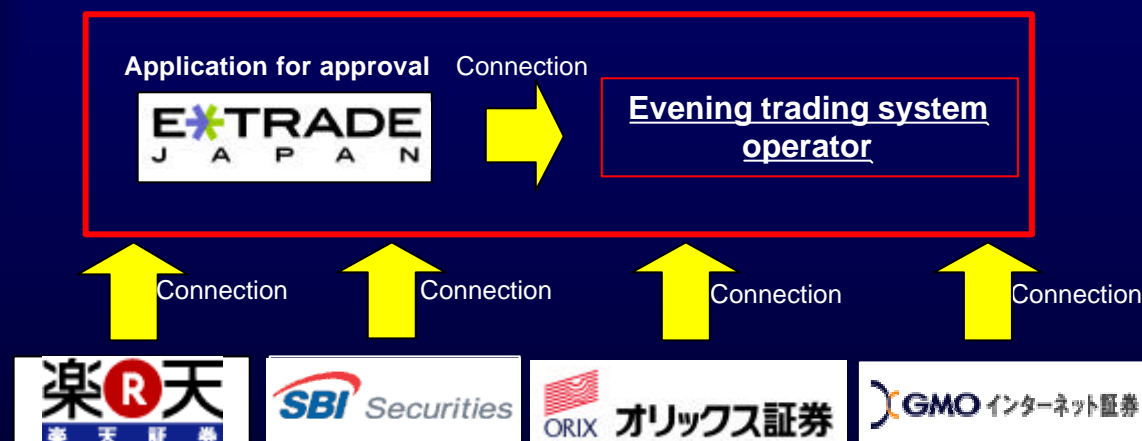
3) Other Future Developments

Prepare Launch of Evening Trading Market

Aim to launch the evening trading market next year at the earliest possible time.

Image of evening trading market

Proprietary trading system (PTS)



E*TRADE plans to apply to the Financial Service Agency for PTS approval. Each securities company that participates connects to the trading system operator. Depending on the outcome of ongoing examinations, E*TRADE may handle settlement of account operations.

Service content under examination

Trading launch	February/March 2007
Time frame	20:00 to 23:50 (Plan)
Price determination method	Auction
Type of trading	Domestic stocks (Spot, general funds)
Target stocks	Issues from TSE, OSE, Nagoya Stock Exchange, Sapporo Stock Exchange JASDAQ (Including market make issues), but details are undecided
Bid and price limit	Same as stock exchanges

All details about the launch and content of evening trading are subject to approval by the Financial Service Agency.

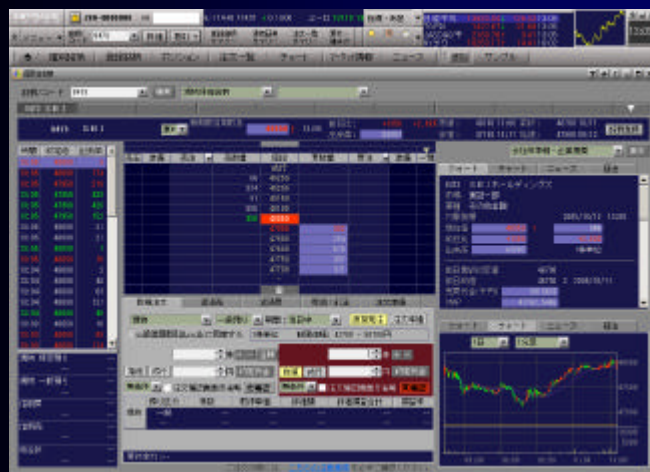
3) Other Future Developments

Enhance HYPER E*TRADE Service

Offer an even more convenient trading environment by enhancing operation features and investment information.

HYPER E*TRADE was released in May 2005 as our company's main trading tool.

Planned tool enhancements



(Current HYPER E*TRADE window)

Visibility	<ul style="list-style-type: none"> • Change font and button design
Usability	<ul style="list-style-type: none"> • Change the stock code toolbar to always reflect the stock under observation
Information	<ul style="list-style-type: none"> • Expand the use of financial analysis indices • Add news from Japan Company Handbook (Toyo Keizai Inc.) • Incorporate information from POWER E*TRADE 2 (Indices, ranking information, and FX information)

Lower the conditions for free usage and promote use among even more investors.

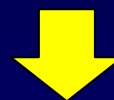
A new version will be released in December 2006 with lower conditions for free usage.

3) Other Future Developments

Add Stop Limit Feature

Enhance the execution conditions for domestic stock orders.

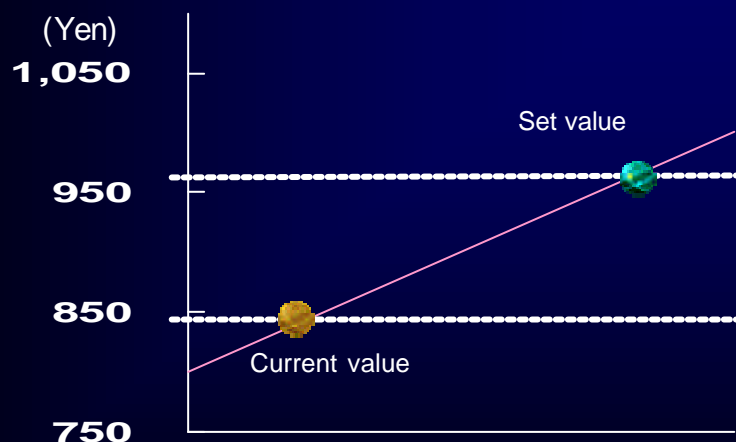
E*TRADE customer attributes: 57% are company employees (Current as of 2006/9/30)



Enable customers who are outside the office to easily execute orders.

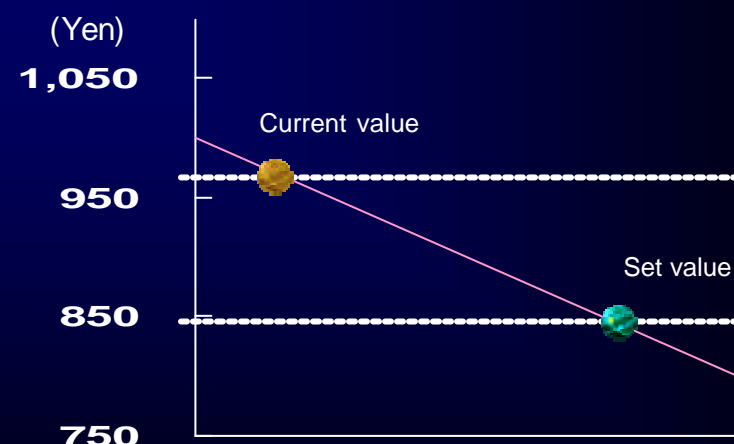
During upward movement

Enable a trader to place a buy order at the desired price without missing an opportunity when a stock is rising towards a set price.



During downward movement

Enable a trader to avoid unexpected losses by placing a sell order before a stock passes a set price.



E*TRADE is striving to expand its customer base and enhance the convenience of existing customers. The new service is scheduled to launch at the beginning of 2007.

3) Other Future Developments

Examine Lending Stock Services

Offer more services to individual investors and enhance convenience.

Provide a gateway to the lending stock market for individual investors who own want to manage their own stock holdings.

-> Through lending stock operations, it is possible to receive interest payments.



Make efficient use of the stock held by individual investors and offer a new source of revenue through interest payments on lending stock.

<http://www.etrade.ne.jp>