

# **Information Meeting for Fiscal 2007 Results of Operations Year ended March 31, 2007**

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**April 26, 2007**

**SBI E\*TRADE SECURITIES Co., Ltd.  
Code 8701**

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# **1. Financial Highlights**

## Fiscal 2007 Consolidated Financial Highlights

(Million Yen, %)

	Year ended March 2006	Year ended March 2007	Change
Operating revenues	<b>60,213</b>	<b>57,412</b>	<b>-4.7</b>
Net operating revenues	<b>56,317</b>	<b>53,296</b>	<b>-5.4</b>
Operating income	<b>30,011</b>	<b>24,543</b>	<b>-18.2</b>
Ordinary income	<b>30,077</b>	<b>24,571</b>	<b>-18.3</b>
Net income	<b>16,970</b>	<b>13,811</b>	<b>-18.6</b>

## Fiscal 2007 Consolidated Quarterly Financial Highlights

Revenues and earnings up quarter-to-quarter in last two quarters of FY07

(Million Yen, %)

	March 2007				
	1Q (Apr-June)	2Q (July-Sep)	3Q (Oct-Dec)	4Q (Jan-March)	4Q vs. 3Q
Operating revenues	15,691	12,882	13,737	15,100	+9.9
Net operating revenues	14,886	11,905	12,642	13,861	+9.6
Operating income	7,168	5,043	5,803	6,527	+12.5
Ordinary income	7,391	5,077	5,744	6,358	+10.7
Net income	4,182	2,789	3,191	3,646	+14.3

# Highlights of Fiscal 2007 Consolidated Performance

Revenues and earnings down YoY but higher on QoQ basis

## **(1) Brokerage commissions : Down 21.1% to ¥31,695 million but up 16.2% in 4Q vs. 3Q**

- 1,405,897 customer accounts at end of March 2007; 238,119 new accounts during FY07 (avg. of 19,843 accounts per month)
- Share of individual brokerage trading value rose to an all-time high of 29.4% (for FY07)

## **(2) Financial revenues : Up 32.0% to ¥17,470 million**

- Big increase of 43.5% in net financial revenues to ¥13,396 million due mainly to growth in the use of internal resources to meet funding needs 147,659 margin accounts at end of March 2007; 32,048 new accounts during FY07 (avg. of 2,670 accounts per month)

## **(3) Underwriting, offering and selling commissions : Down 2.4% to ¥1,954 million, but IPO commissions increased**

- Stock underwriting, offering and selling commissions (non-consolidated) increased 19.2% to ¥750 million.
- Was lead manager for 3 IPOs; underwriting commissions up due to further growth in number of offerings underwritten

## **(4) Trading gains and others Up 30.9% to ¥6,291 million**

- Handled larger number of investment trusts; results also benefited from growth in foreign exchange margin trading

## **(5) Selling, general and administrative expenses**

- Variable expenses declined even though the number of executed trades was up about 20%

## **(6) E\*TRADE Korea Co., Ltd.**

- Shares registered on KOSDAQ on February 21, 2007; contributed deemed gain on sale of securities of about ¥200 million to consolidated earnings

## FY07 Highlights

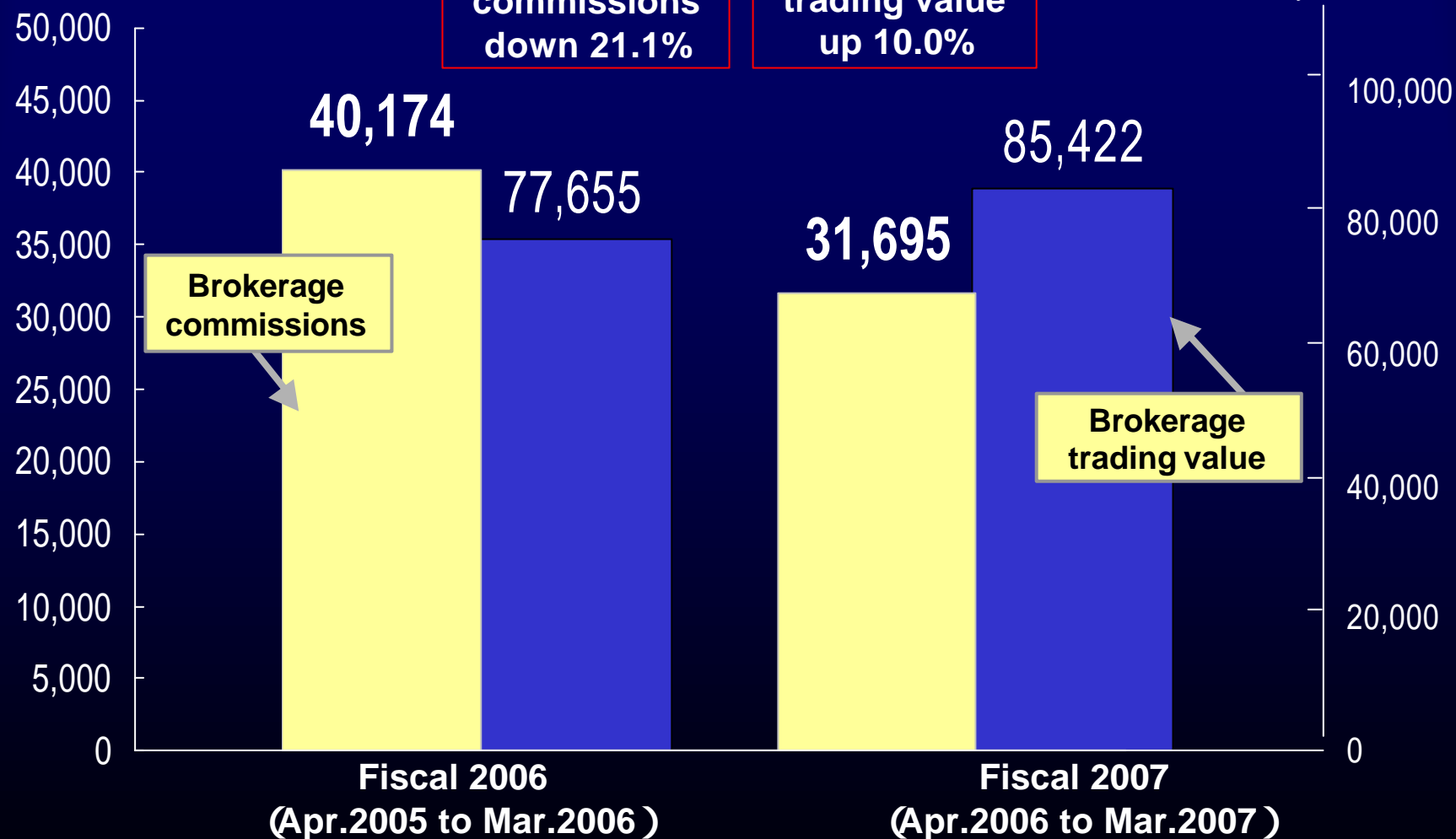
### (1) Consolidated Brokerage Commissions

Brokerage commissions  
 Million Yen

**Brokerage  
 commissions  
 down 21.1%**

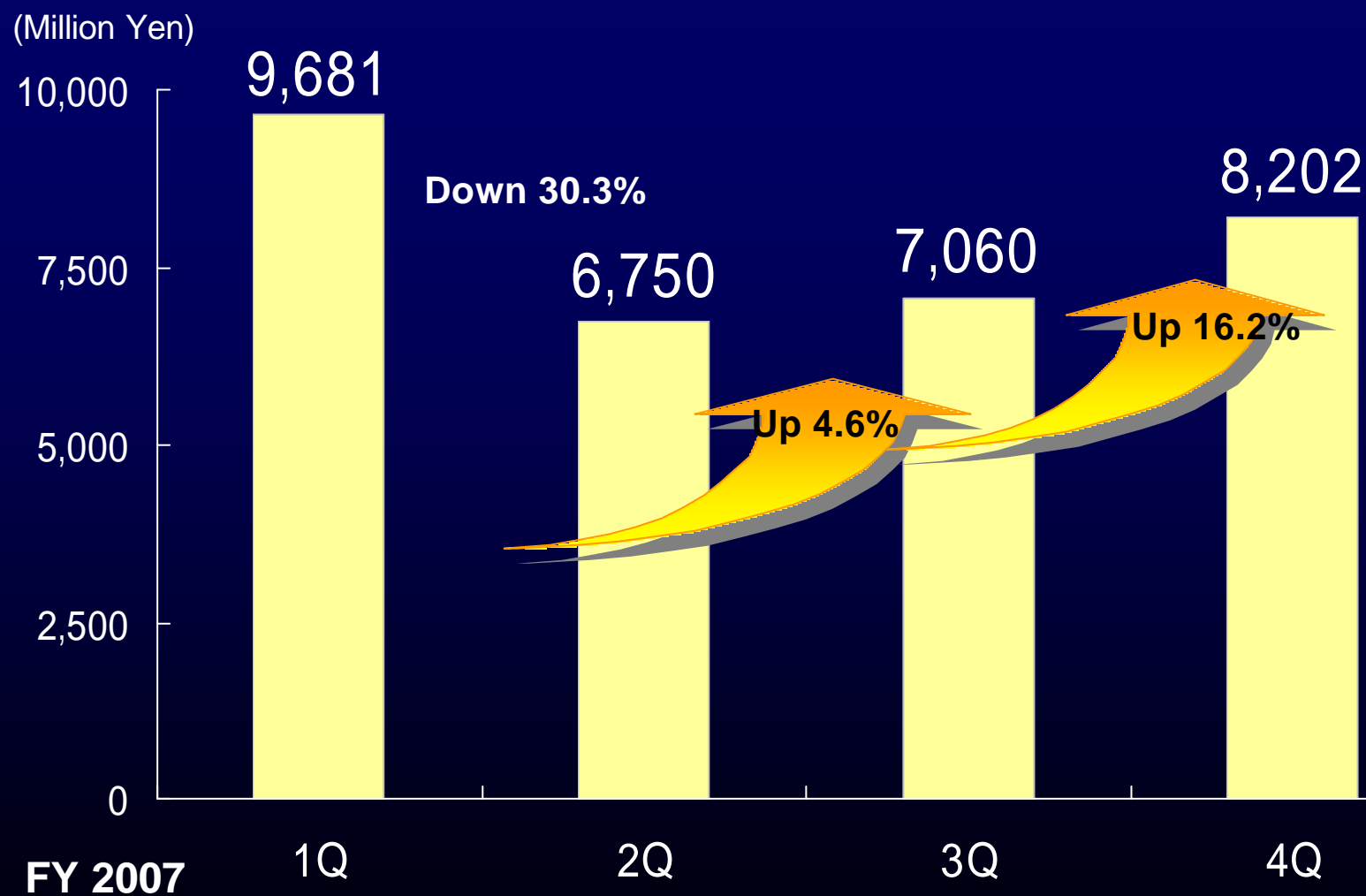
**Brokerage  
 trading value  
 up 10.0%**

Brokerage trading value  
 Billion yen



(1) Brokerage commissions

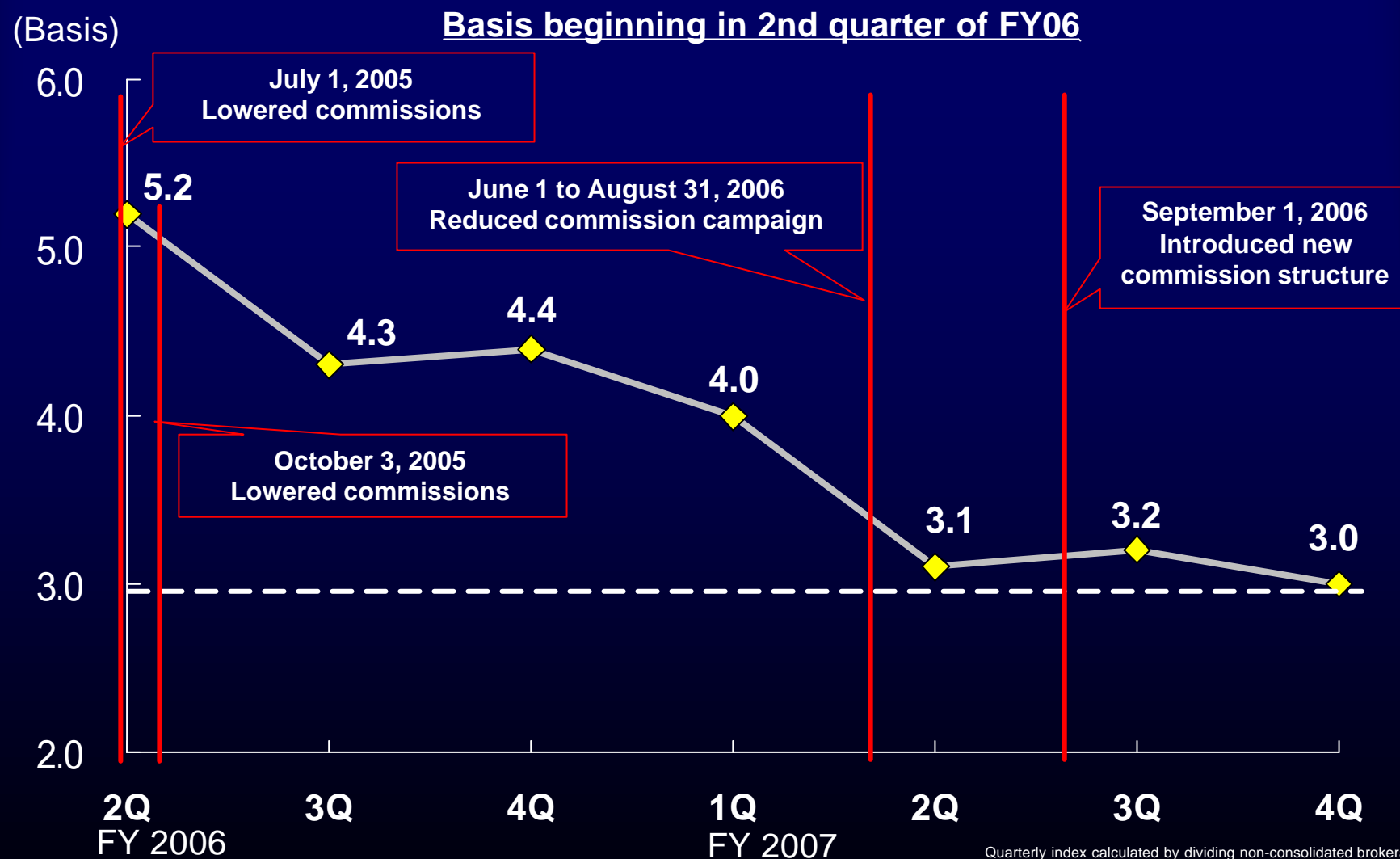
FY07 Quarterly Brokerage Commissions



\* Figures are for each quarter

(1) Brokerage commissions

**SBI E\*TRADE SECURITIES Basis**



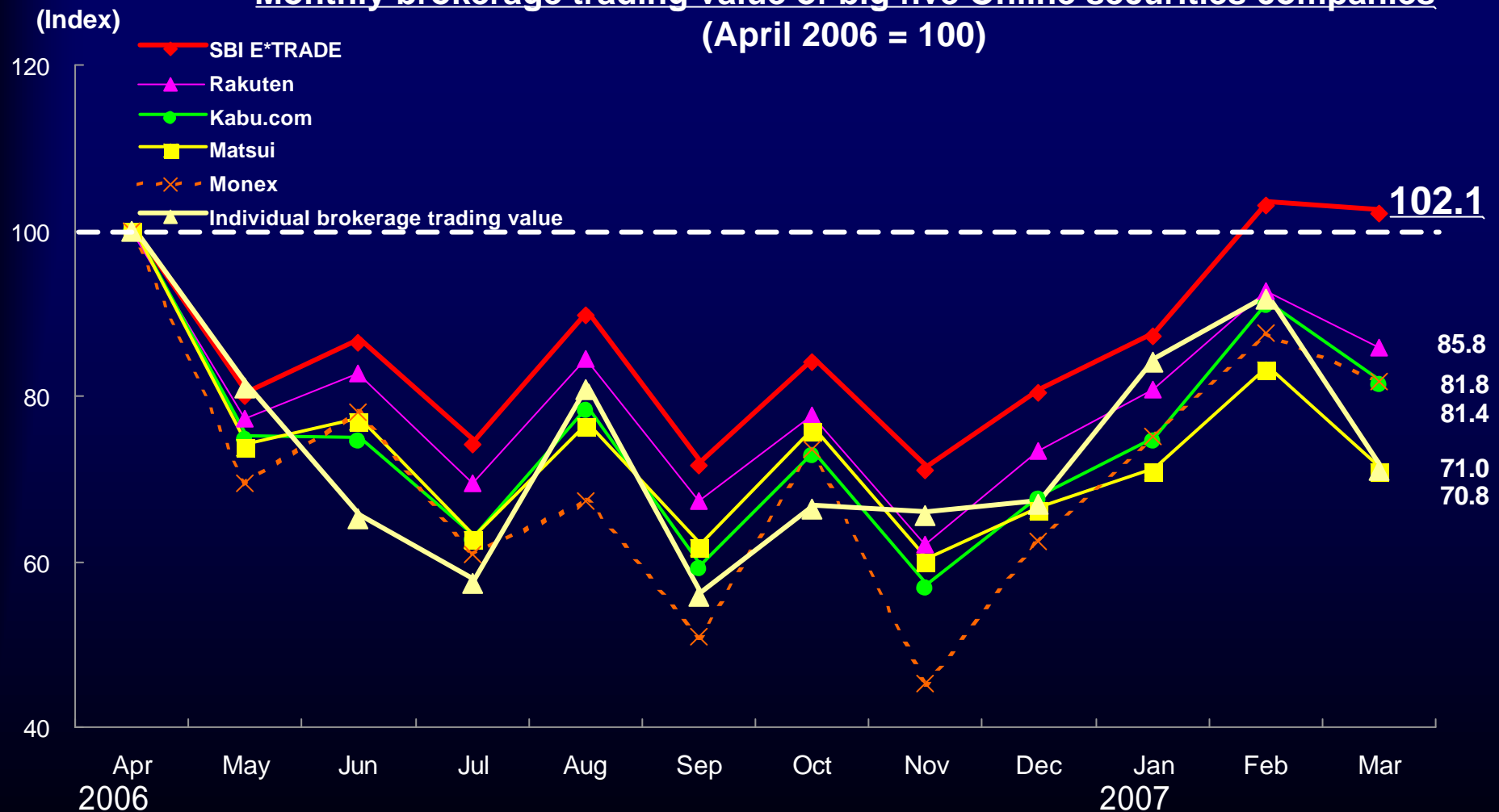
Quarterly index calculated by dividing non-consolidated brokerage commissions by brokered trades, using brokerage commissions as shown in the kessan tanshin.



## (1) Brokerage commissions

Brokerage trading value at major Japanese Online securities companies

**Monthly brokerage trading value of big five Online securities companies**  
(April 2006 = 100)



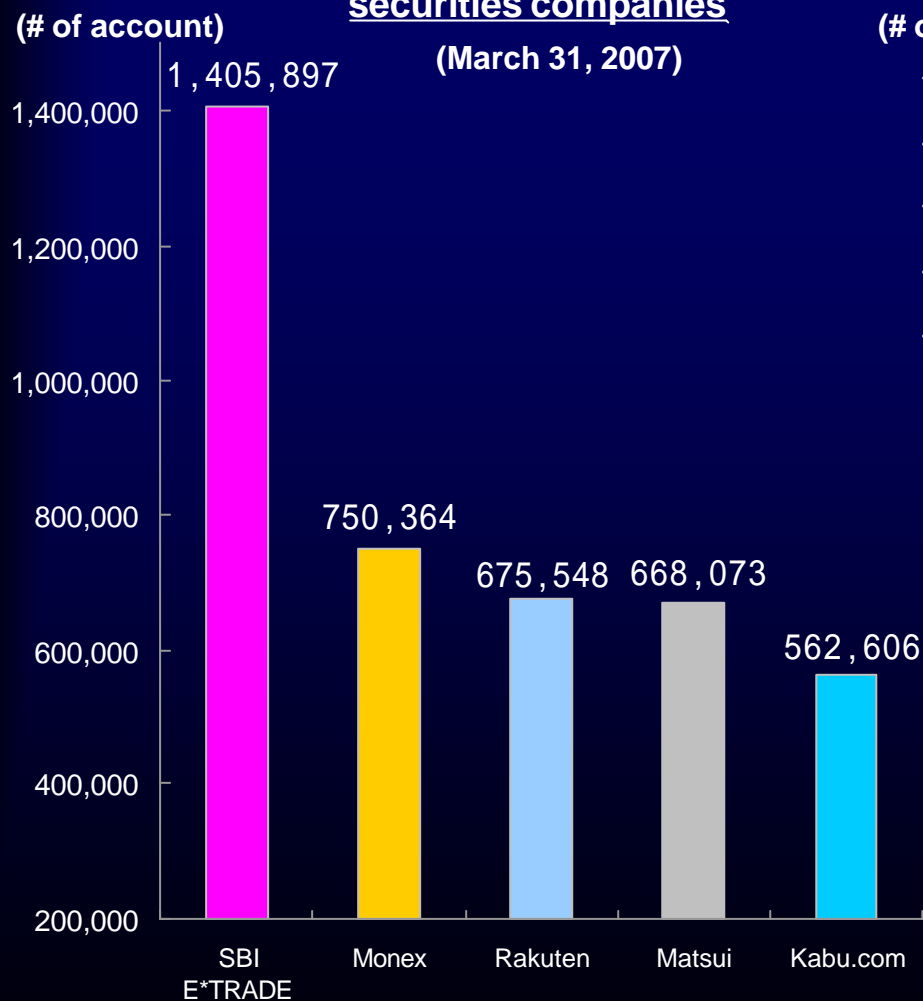
Source: Compiled by SBI E\*TRADE SECURITIES based on Tokyo Stock Exchange and JASDAQ materials and Web sites and other public information for each company

\*Individual brokerage trading value is for 1st and 2nd Sections of Tokyo, Nagoya and Osaka exchanges and JASDAQ.

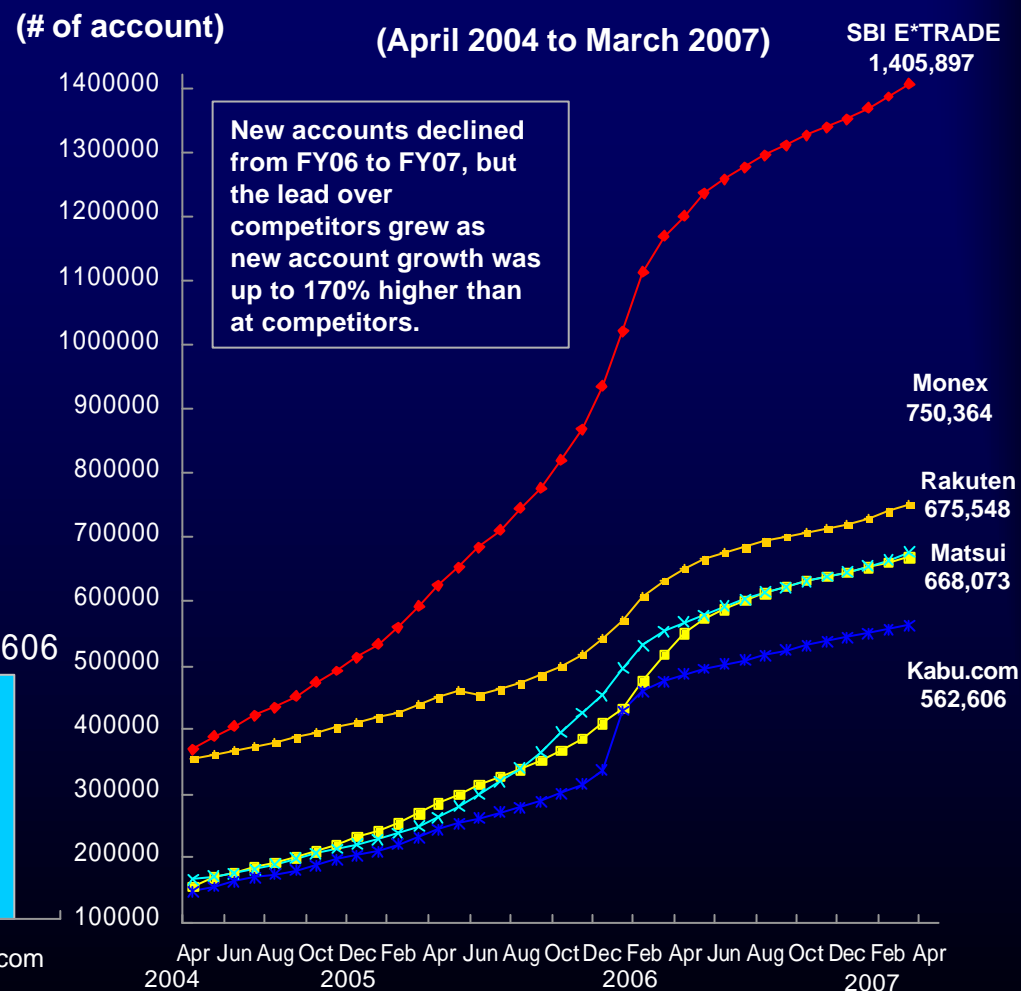
# (1) Brokerage commissions

## Customer accounts at major Online securities companies

**Customer accounts at big five Online securities companies**



**Growth in customer accounts at big five Online securities companies**

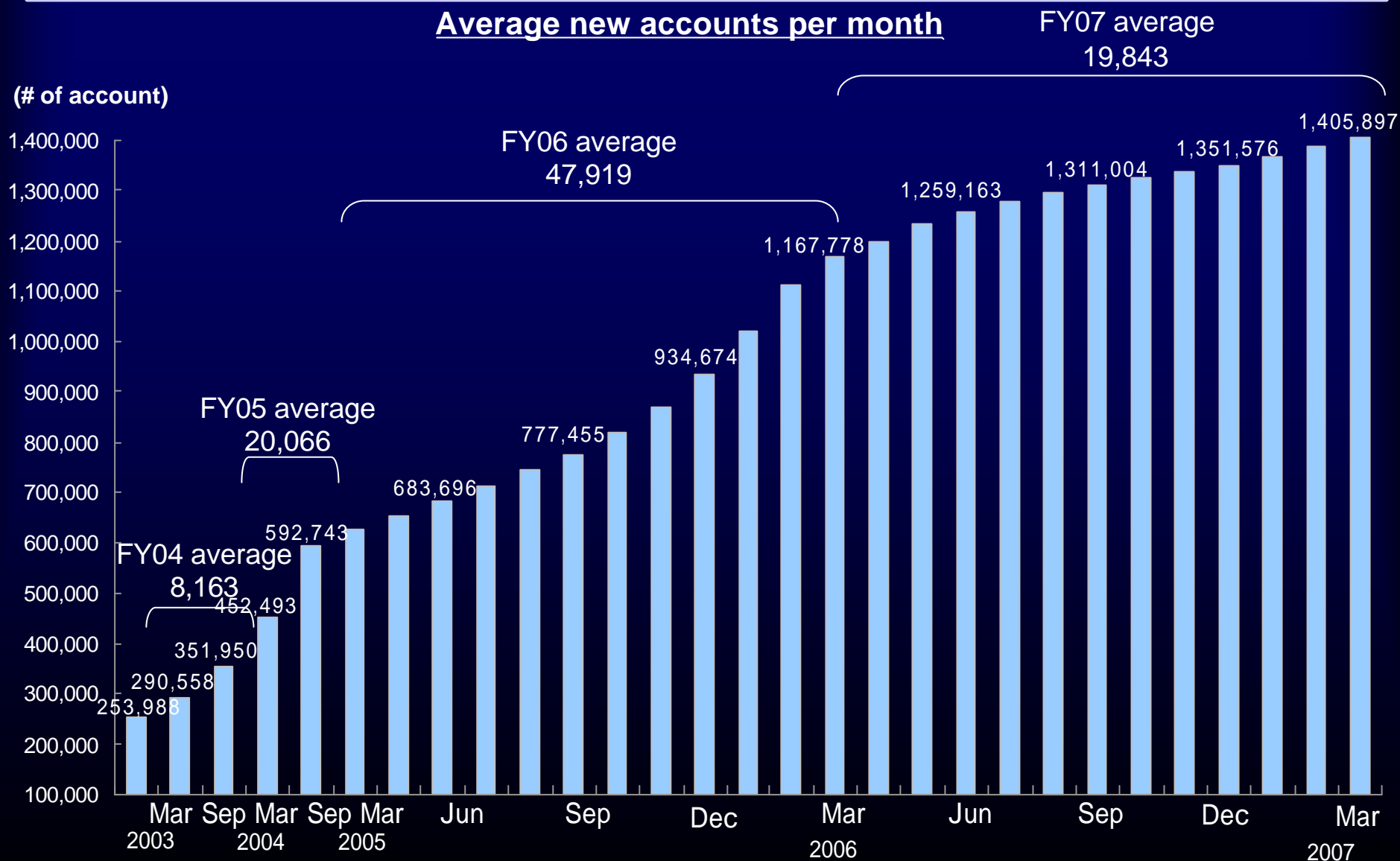


Source: Compiled by SBI E\*TRADE SECURITIES based on Web sites and other public information for each company

\*Monex is the sum of Nikko Beans and Monex. Kabu.com merged with MeNet in January 2006.

# (1) Brokerage commissions

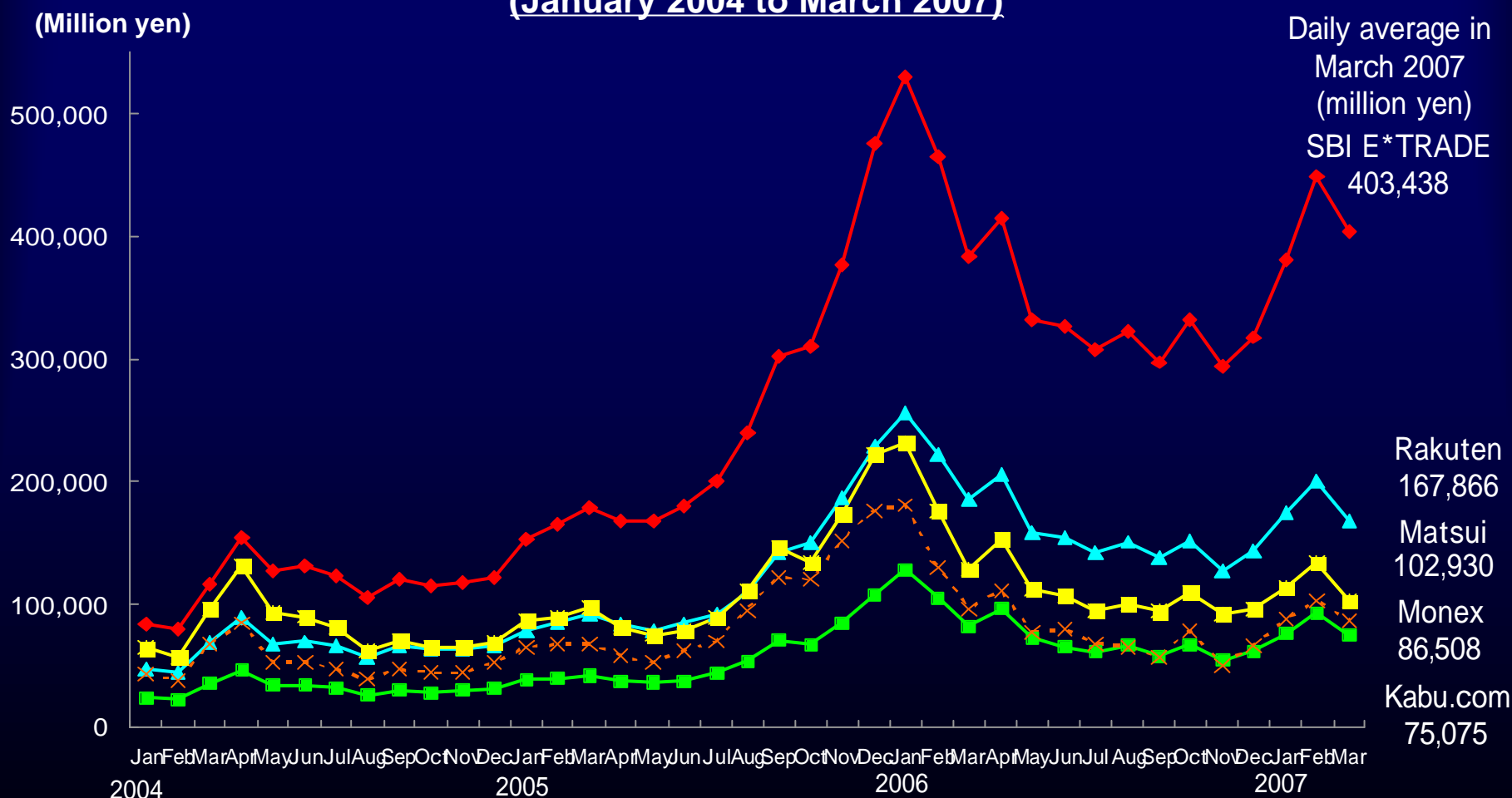
## Growth in customer accounts at SBI E\*TRADE SECURITIES



# (1) Brokerage commissions

## Brokerage trading value at major Online securities companies

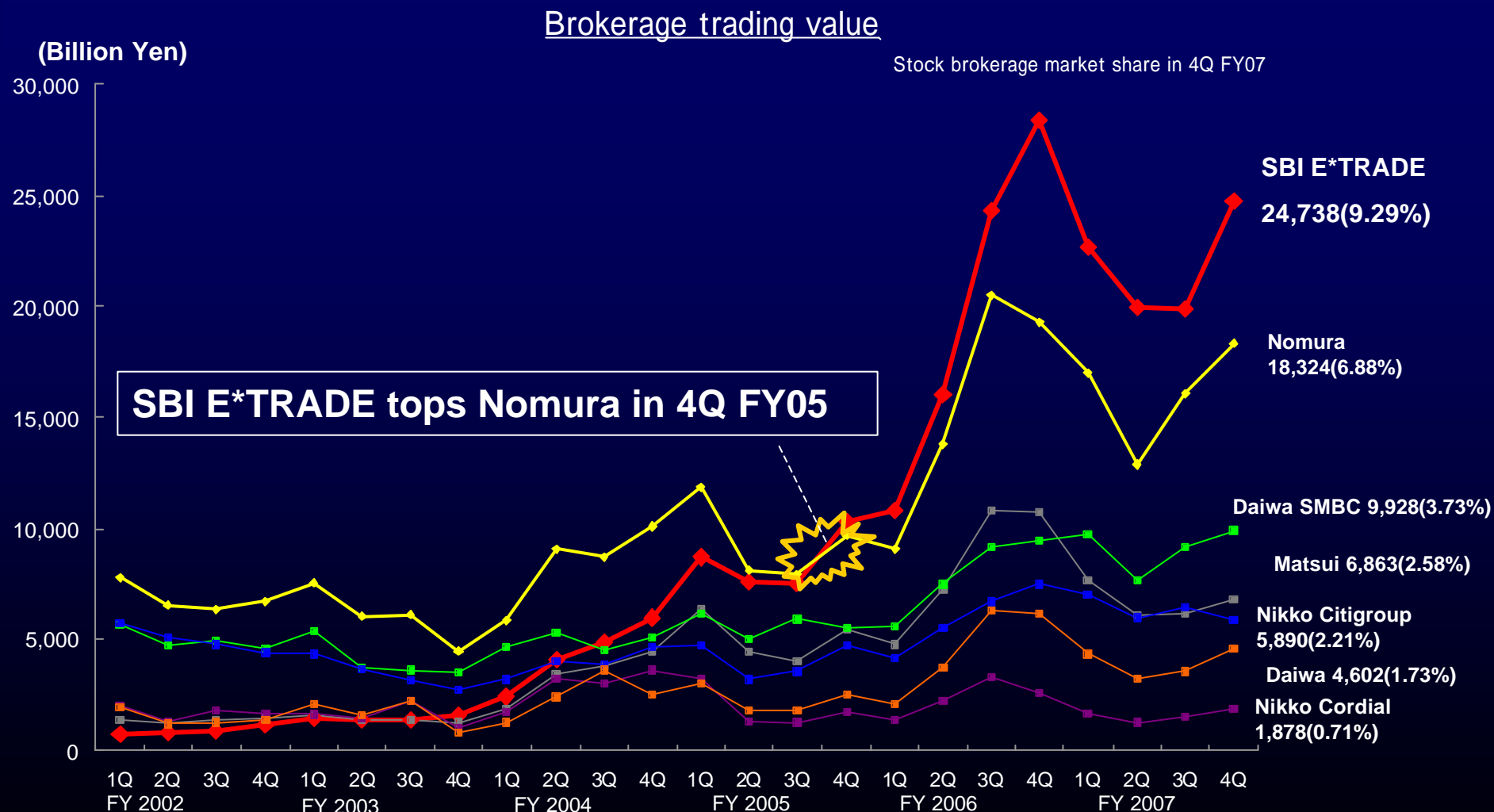
### The average daily brokerage trading value at major Online securities companies (January 2004 to March 2007)



Source: Compiled by SBI E\*TRADE SECURITIES based on Web sites and other public information for each company  
 \*Monex is the sum of Nikko Beans and Monex. Kabu.com merged with MeNet in January 2006.

# (1) Brokerage commissions

Comparison with brokerage trading value of Japan 's big three securities companies



Source: Compiled by SBI E\*TRADE SECURITIES based on company Web sites and Tokyo Stock Exchange materials (SBI E\*TRADE includes orders from overseas investors)

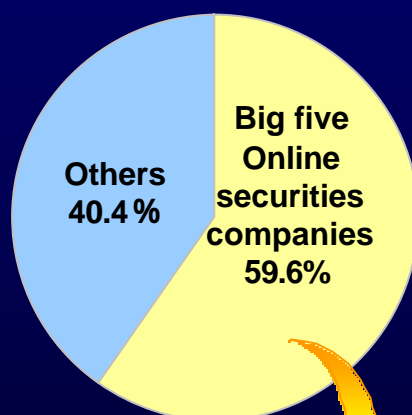
( Billion yen, percentages are calculated by dividing transactions by all brokered )

## (1) Brokerage commissions

### Major Online securities company share of individual brokerage trading value

#### Trend in individual brokerage trading value share

**FY 2005**  
(Apr.2004 ~ Mar.2005 )



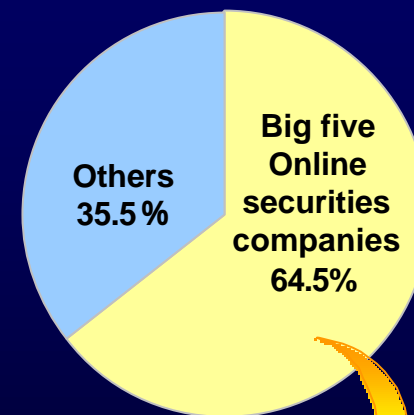
SBI E*TRADE	21.1 %
Matsui	13.1
Rakuten	11.3
Monex	8.7
Kabu.com	5.4

**FY 2006**  
(Apr.2005 ~ Mar.2006 )



SBI E*TRADE	23.1 %
Rakuten	11.1
Matsui	10.0
Monex	8.0
Kabu.com	5.2

**FY 2007**  
(Apr.2006 ~ Mar.2007 )



SBI E*TRADE	29.4 %
Rakuten	13.5
Matsui	9.2
Monex	6.5
Kabu.com	5.9

Source: Compiled by SBI E\*TRADE SECURITIES based on Tokyo Stock Exchange and JASDAQ materials and Web sites and other public information for each company

\*Individual brokerage trading value is sum for Tokyo, Nagoya and Osaka exchanges and JASDAQ.

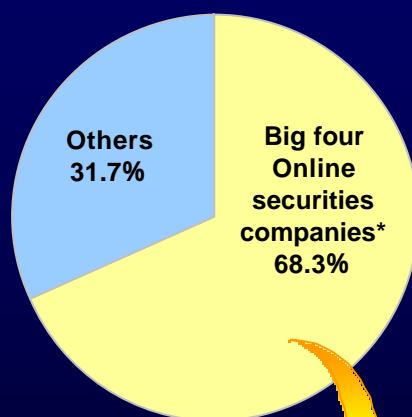
Monex is the sum of Nikko Beans and Monex. Kabu.com merged with MeNet in January 2006.

## (1) Brokerage commissions

### Major Online securities company share of individual margin trading value

#### Trend in individual margin trading value share

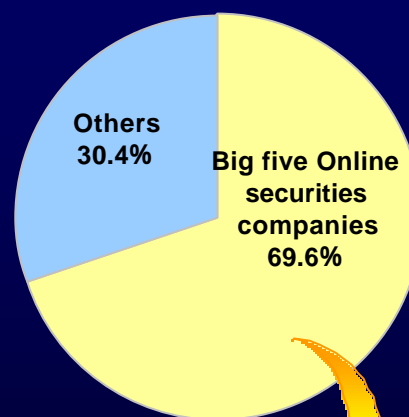
**FY 2005**  
(Apr.2004 ~ Mar.2005 )



SBI E*TRADE	28.1 %
Matsui	20.4
Rakuten	12.3
Kabu.com	7.5
Monex*	n/a

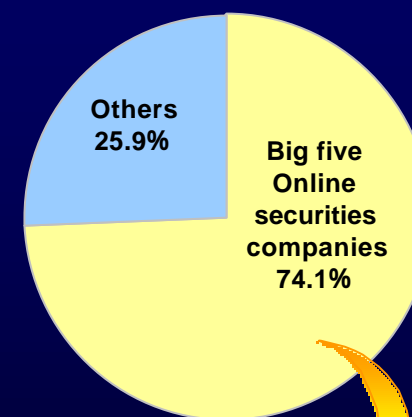
\*Monex figure is not available because the April '04 transactions of Nikko Beans were not announced.

**FY 2006**  
(Apr.2005 ~ Mar.2006 )



SBI E*TRADE	27.5 %
Matsui	14.4
Rakuten	12.6
Monex	8.4
Kabu.com	6.7

**FY 2007**  
(Apr.2006 ~ Mar.2007 )



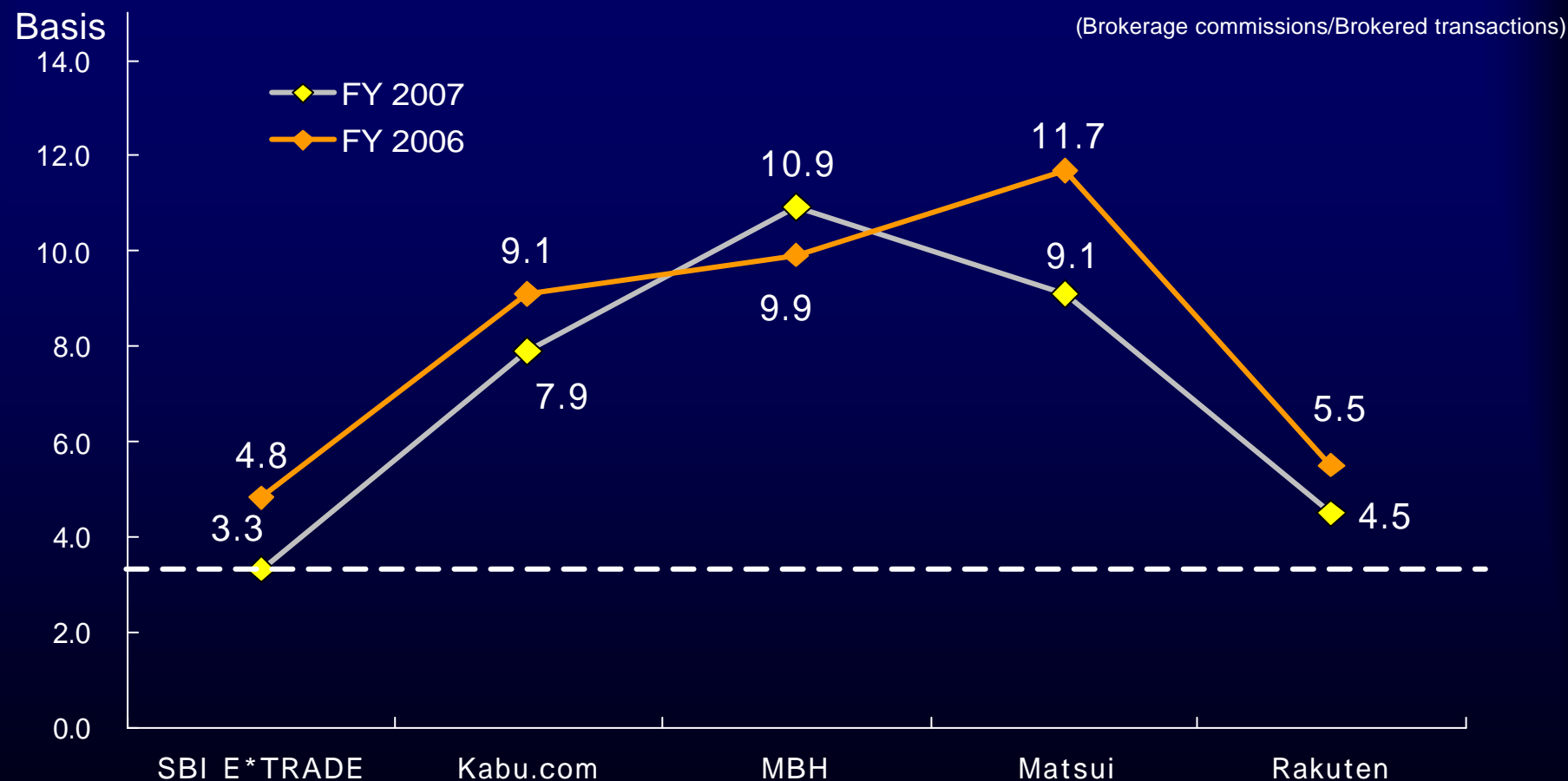
SBI E*TRADE	34.4 %
Rakuten	14.9
Matsui	11.6
Kabu.com	7.1
Monex	6.3

Source: Compiled by SBI E\*TRADE SECURITIES based on Tokyo Stock Exchange and JASDAQ materials and Web sites and other public information for each company  
 \*Individual margin trading value is sum for Tokyo, Nagoya and Osaka exchanges and JASDAQ.  
 Monex is the sum of Nikko Beans and Monex. Kabu.com merged with MeNet in January 2006.

# **(1) Brokerage commissions**

## Basis for major Online securities companies

### Basis for big five Online securities companies

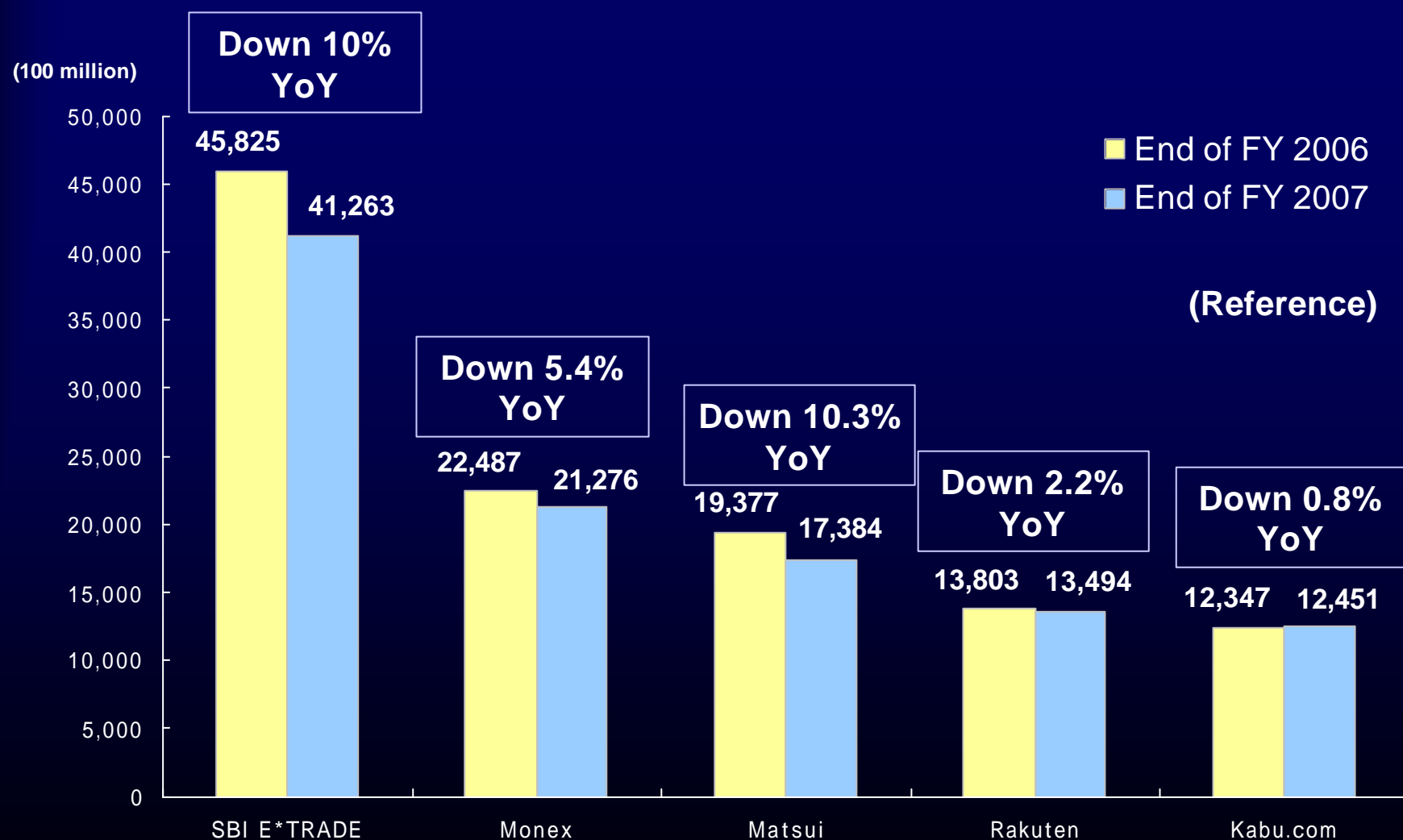


Source: Compiled by SBI E\*TRADE SECURITIES based on company materials and monthly announcements  
Cumulative figures for years from April to March; brokerage commissions use non-consolidated kessan tanshin and monthly announcement data



# (1) Brokerage commissions

## (Reference) Assets in Customer Accounts

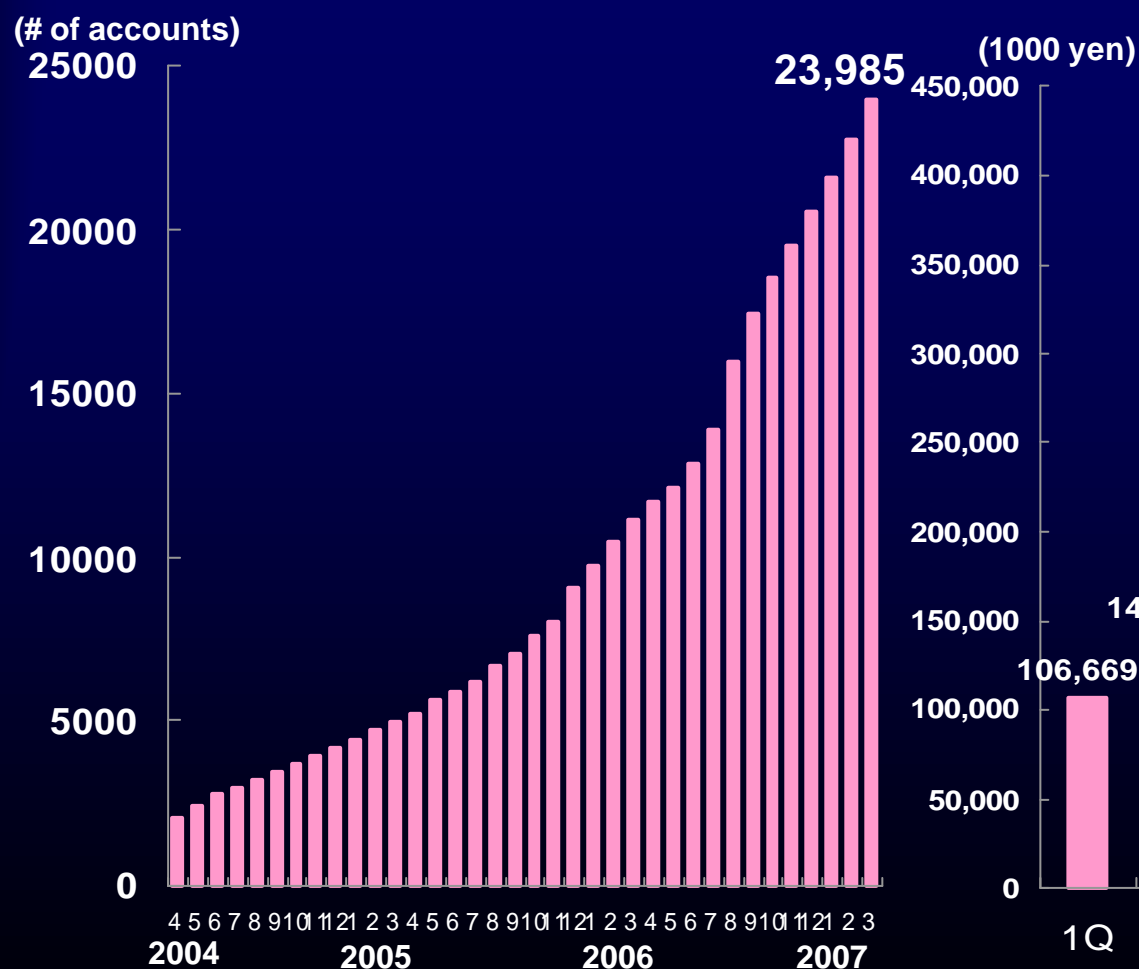


# **(1) Brokerage commissions**

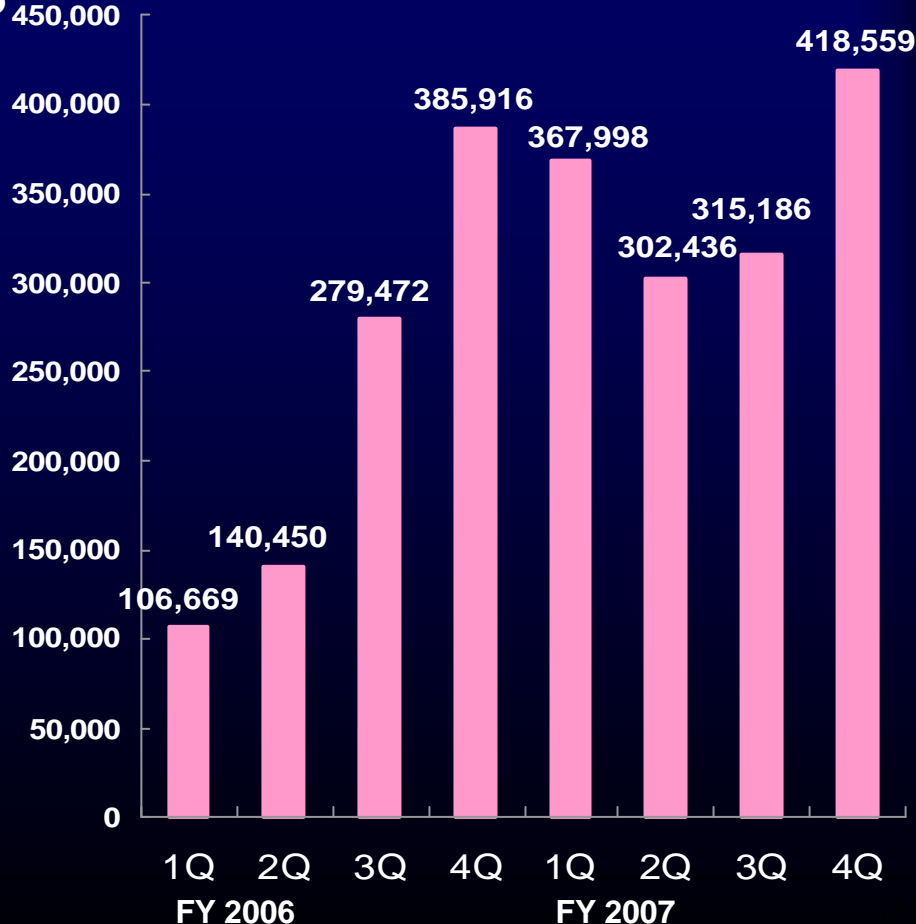
Growth in futures and options transactions

Record revenues in fourth quarter

## Growth in futures and options accounts

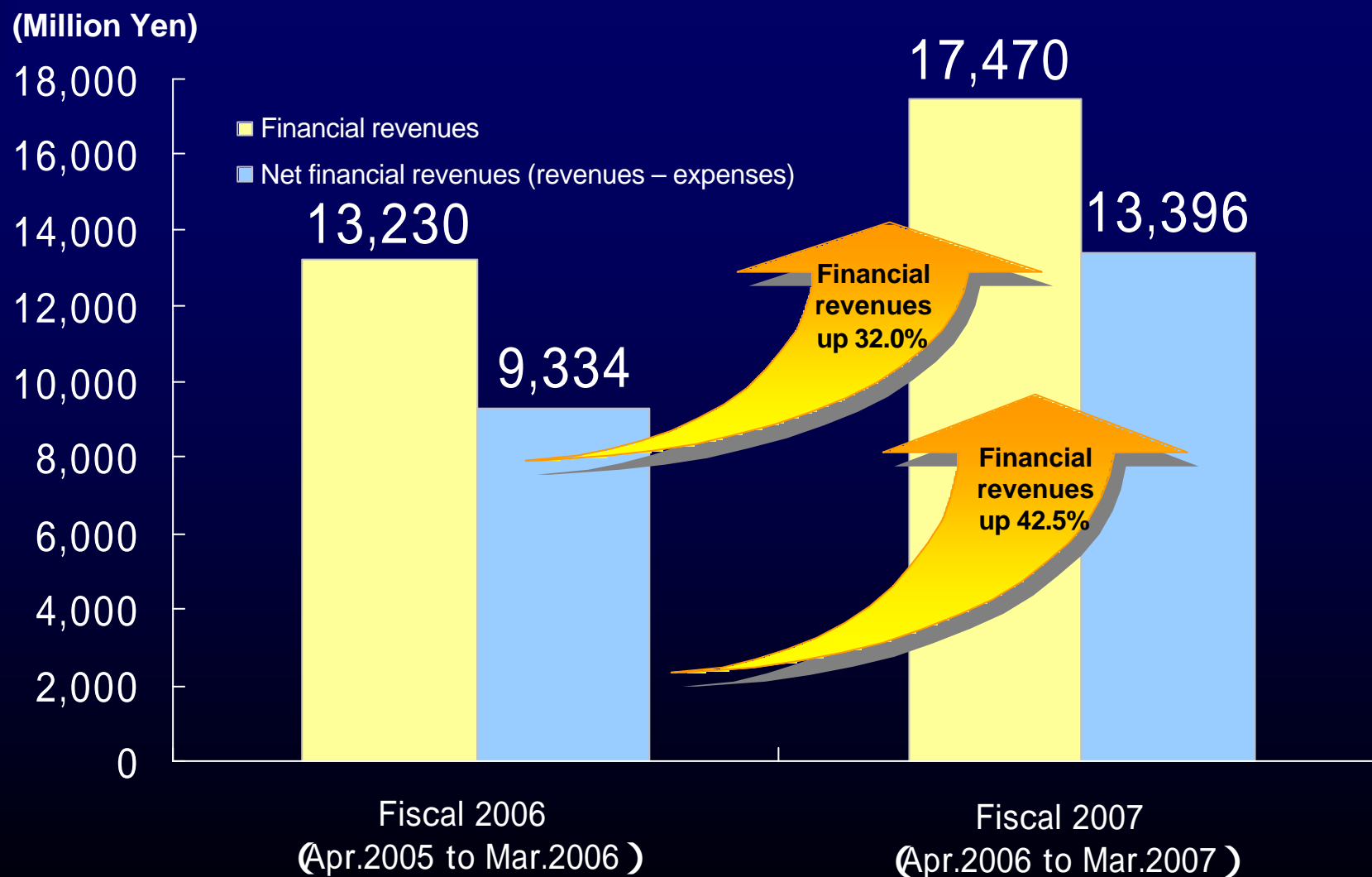


## Growth in futures and options commissions



## FY07 Highlights

## (2) Consolidated Financial Revenues



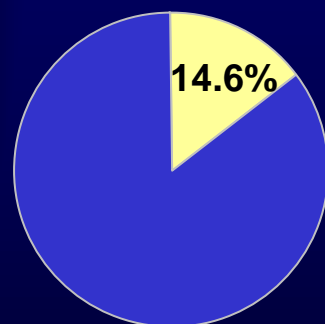
## (2) Financial revenues

### Big increase in net financial revenues

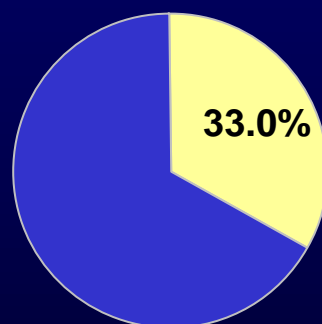
Lower financial costs due to rising pct. of self-financing due to diversification of procurement channels

#### Diversified funding sources for margin trading loans

##### Self-financing pct. for margin trading balance



(Apr.2005 to Mar.2006 )

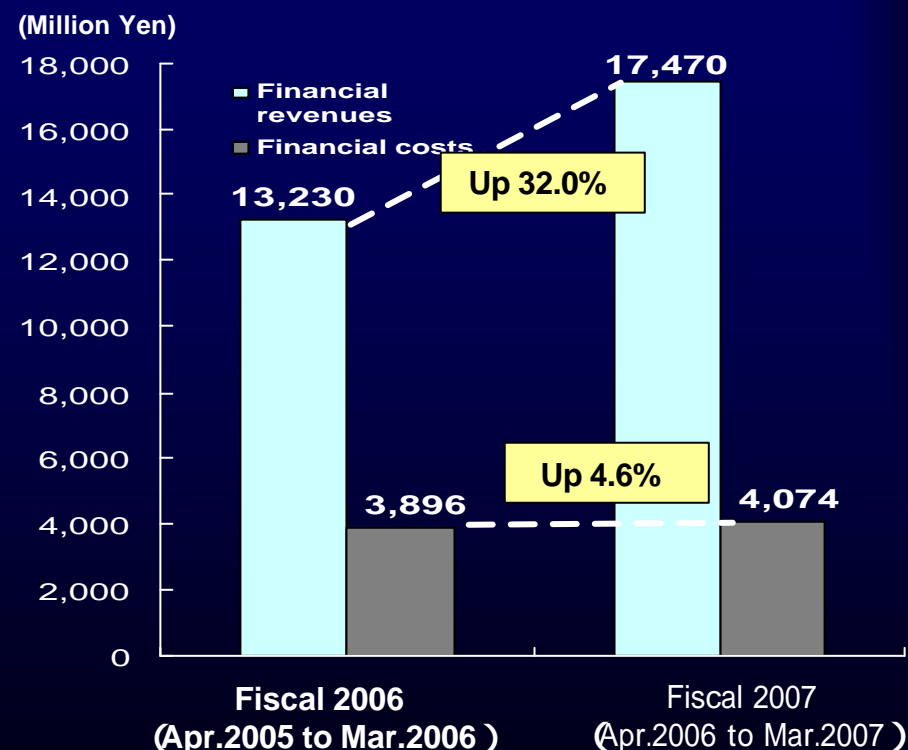


(Apr.2006 to Mar.2007 )

\*Average using balance at end of each month  
Non-consolidated data for SBI E\*TRADE SECURITIES

- More productive use of capital is raising self-financing
- Strong performance at stock lending operations by using collateral stock financing from the broker's own capital
- Plan to further strengthen operations to achieve more growth

#### Consolidated financial revenues and costs

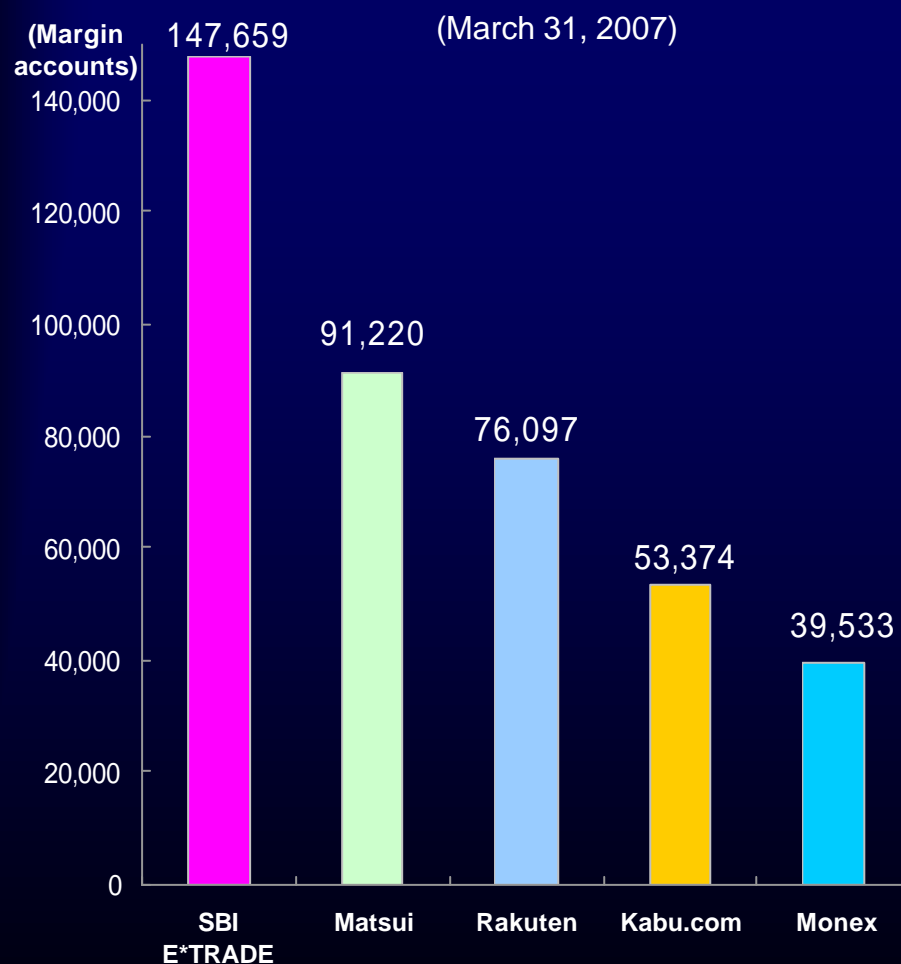


**Big increase in net financial revenues due to better cash management**

**(2) Financial revenues**

**Margin accounts at major Online securities companies**

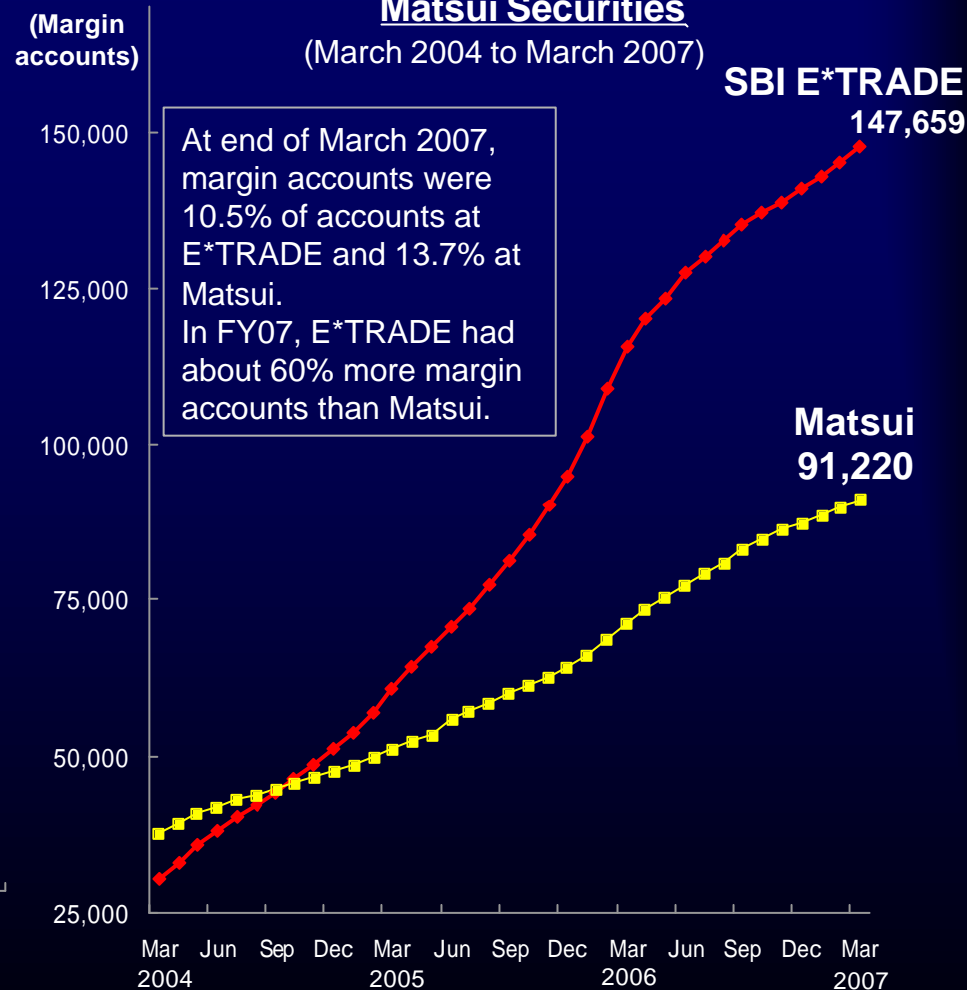
**Margin accounts at big five Online securities**



**Comparison with margin account growth at**

**Matsui Securities**

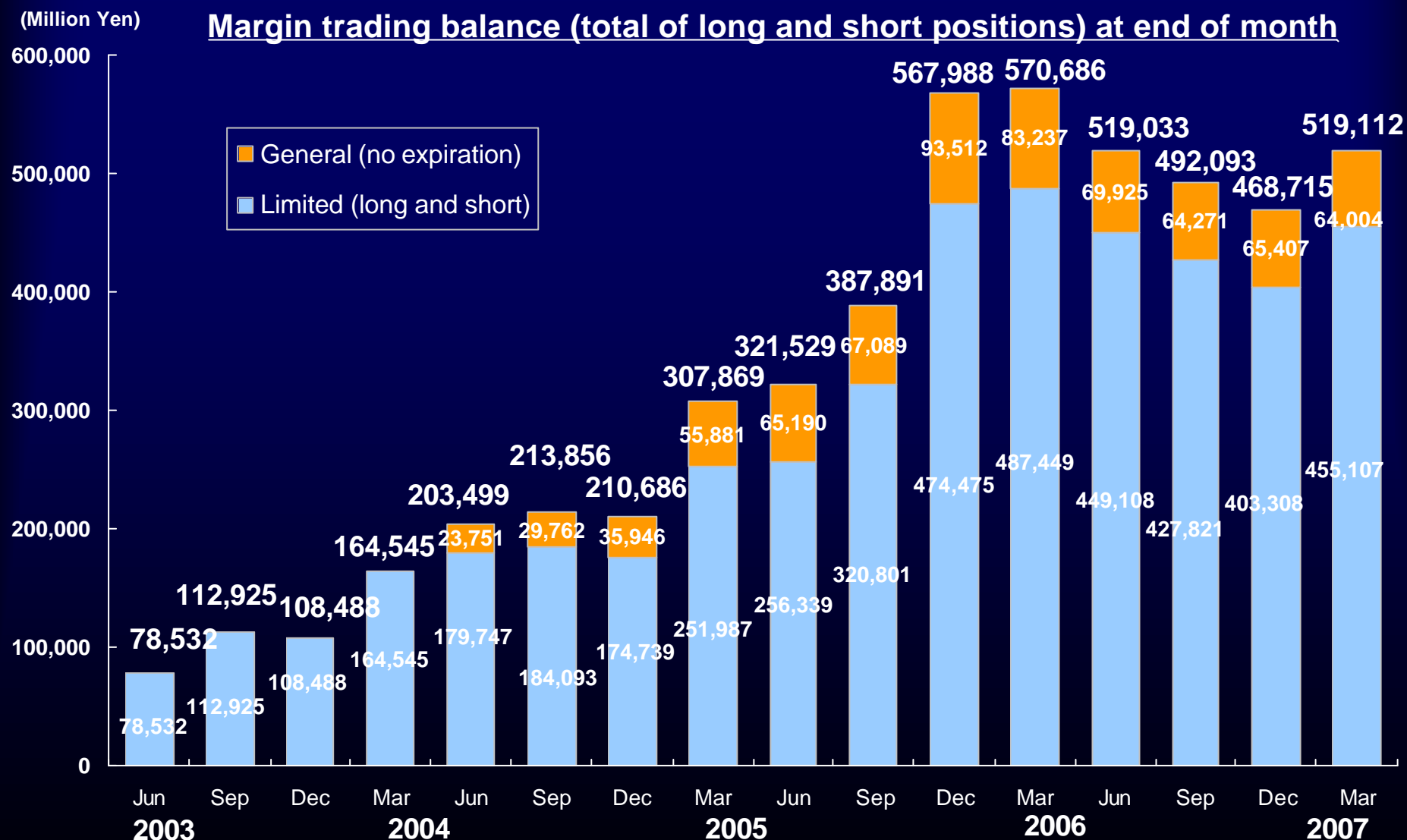
(March 2004 to March 2007)



Source: Compiled by SBI E\*TRADE SECURITIES based on Web sites and other public information for each company

## (2) Financial revenues

### Margin trading balance



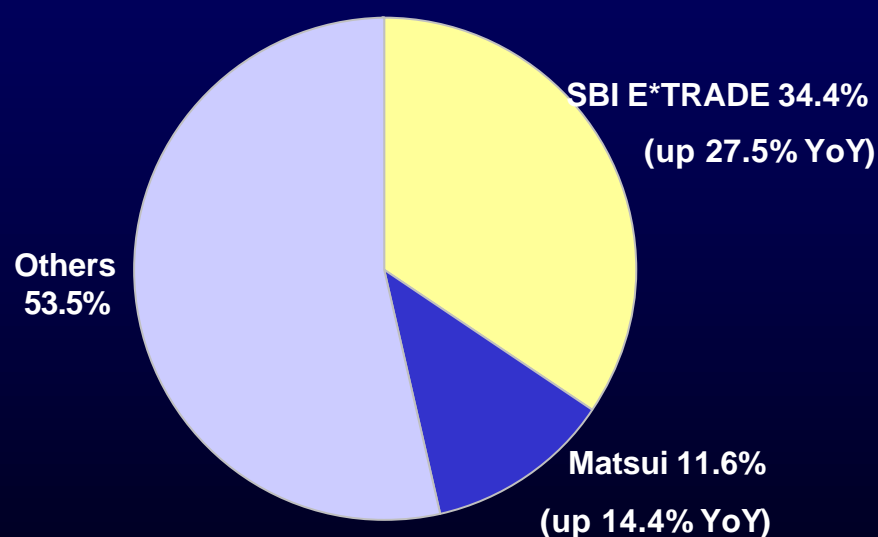
Note: Data based on trade closing dates, non-consolidated figures for SBI E\*TRADE SECURITIES

## (2) Financial revenues

### Margin trading comparison with Matsui Securities

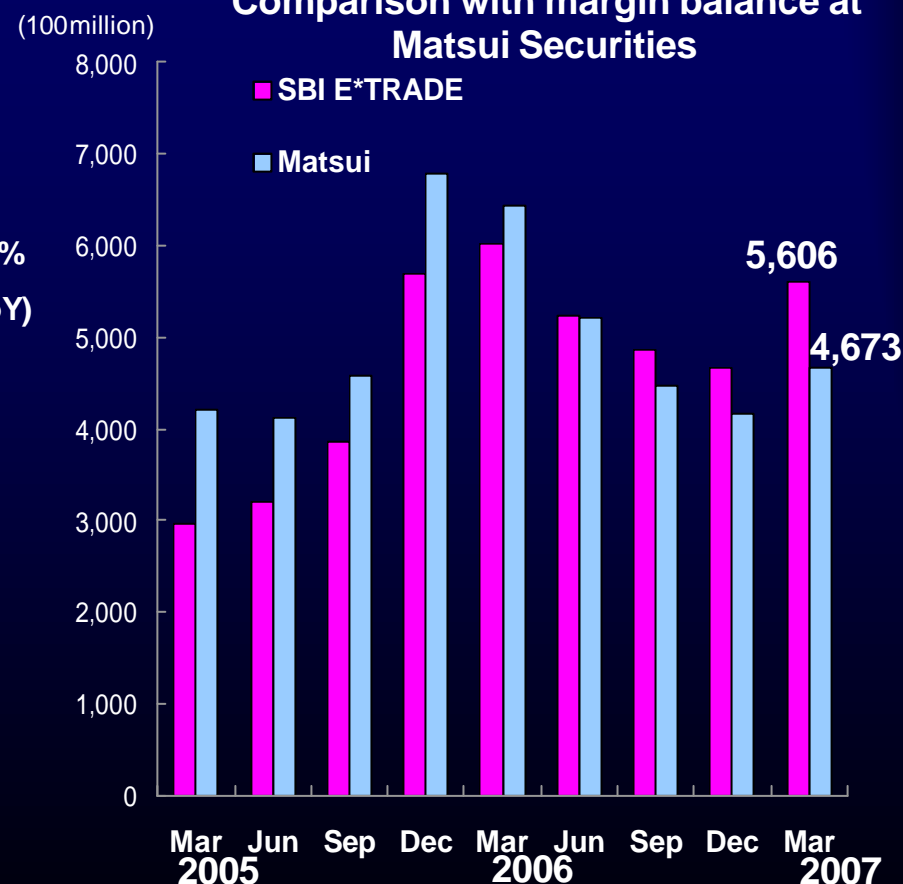
**FY07 share of individual margin trading value up 7.6 points YoY to 34.4% of all margin trades Even higher than 33.9% in first half of FY07**

**Share of retail margin brokerage volume**  
(Apr.2005 to Mar.2006 )



Source: Compiled by SBI E\*TRADE SECURITIES based on Tokyo Stock Exchange and JASDAQ materials and Web sites and other public information for each company  
 \*Individual margin trading value is for 1st and 2nd Sections of Tokyo, Nagoya and Osaka exchanges and JASDAQ.

**Comparison with margin balance at Matsui Securities**

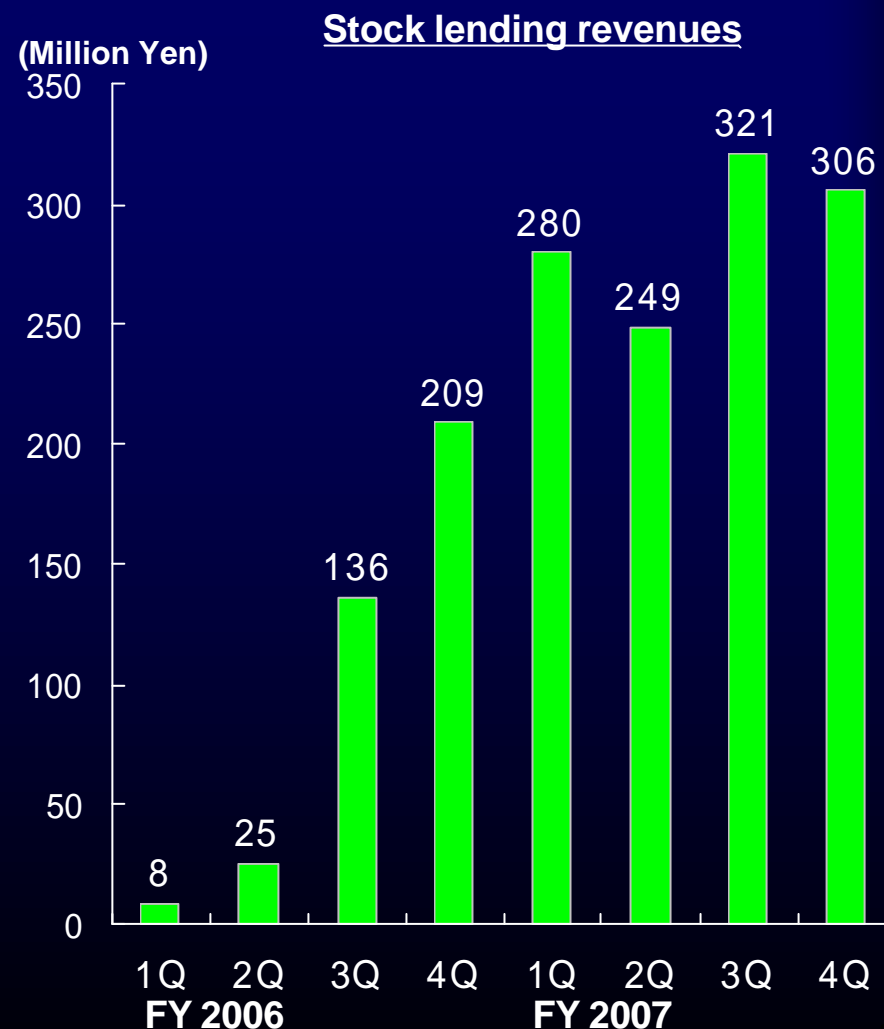
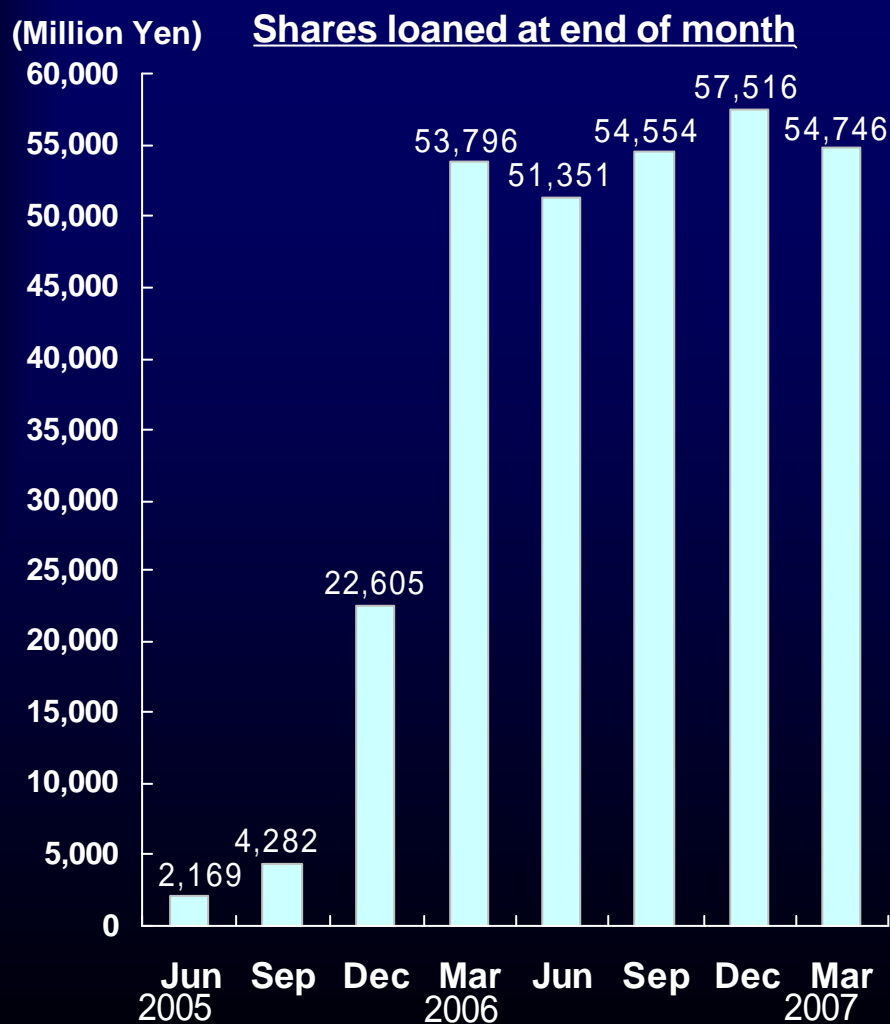


Source: Compiled by SBI E\*TRADE SECURITIES based on Web sites and other public information for each company. Based on trade dates.

## (2) Financial revenues

### Growth in revenues from stock lending operations

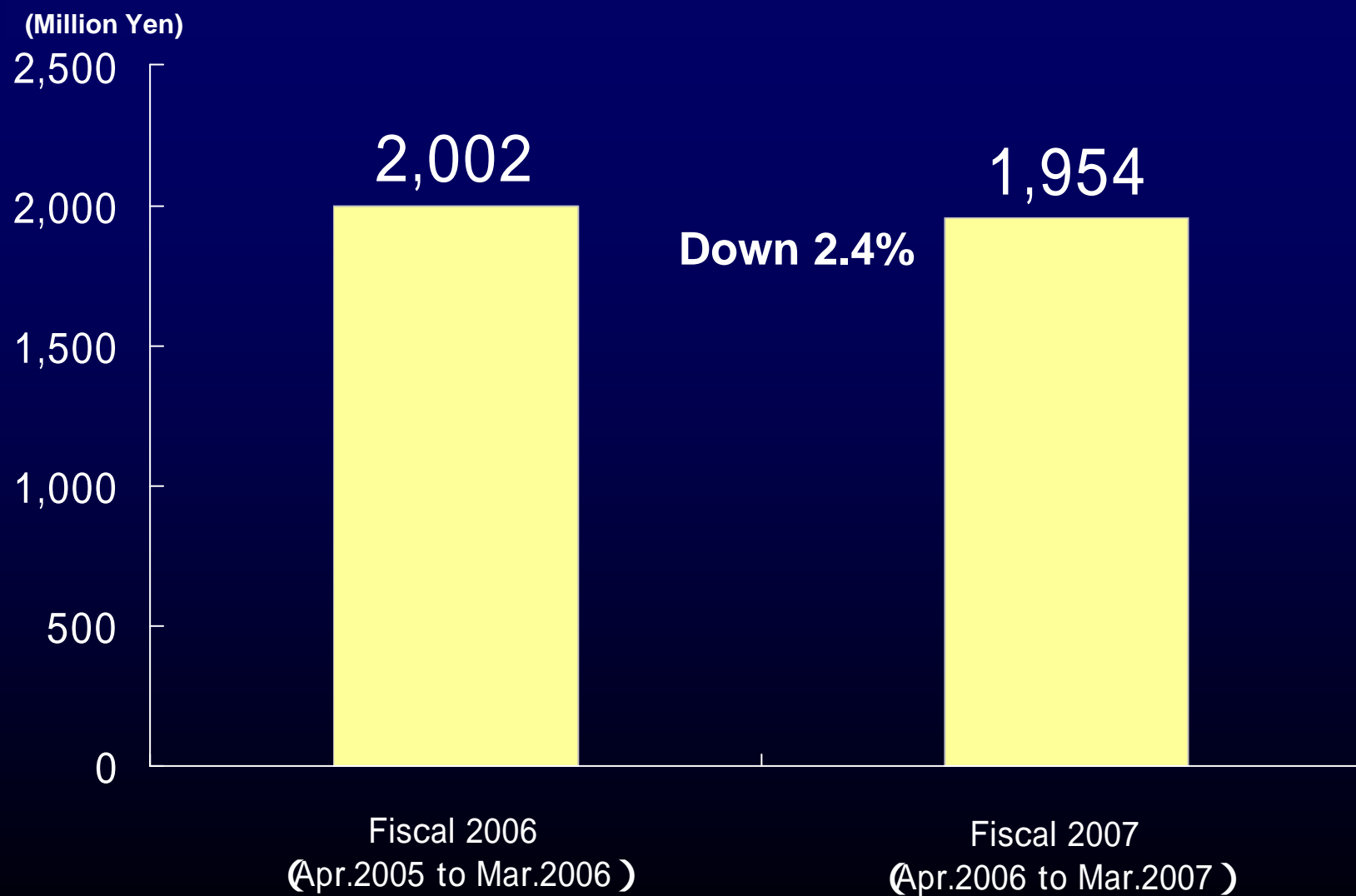
Plan to expand stock lending organization by increasing workforce, etc. to further increase revenues





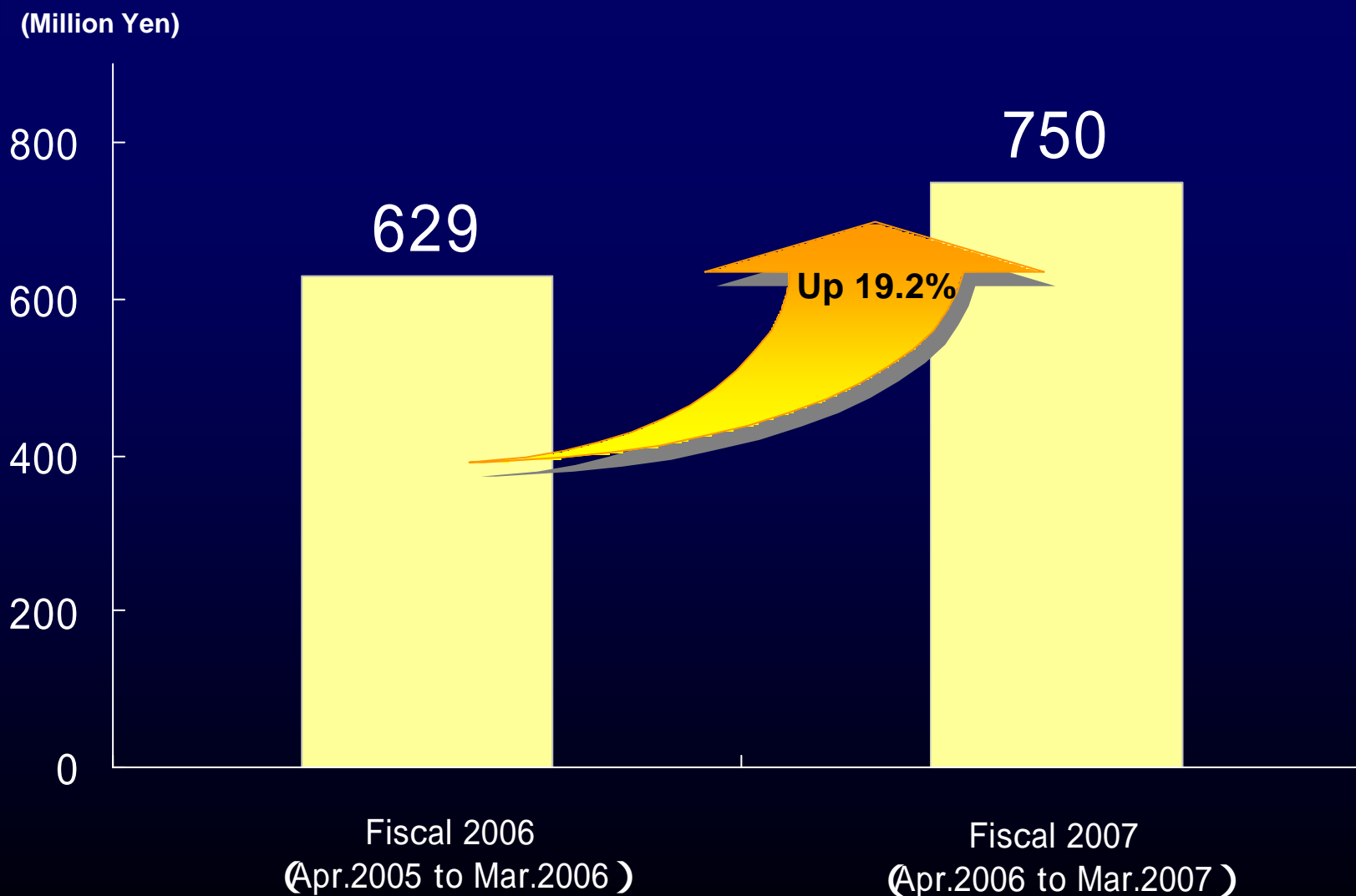
## FY07 Highlights

## (3) Consolidated underwriting, offering and selling commissions



### (3) Underwriting, offering and selling commissions

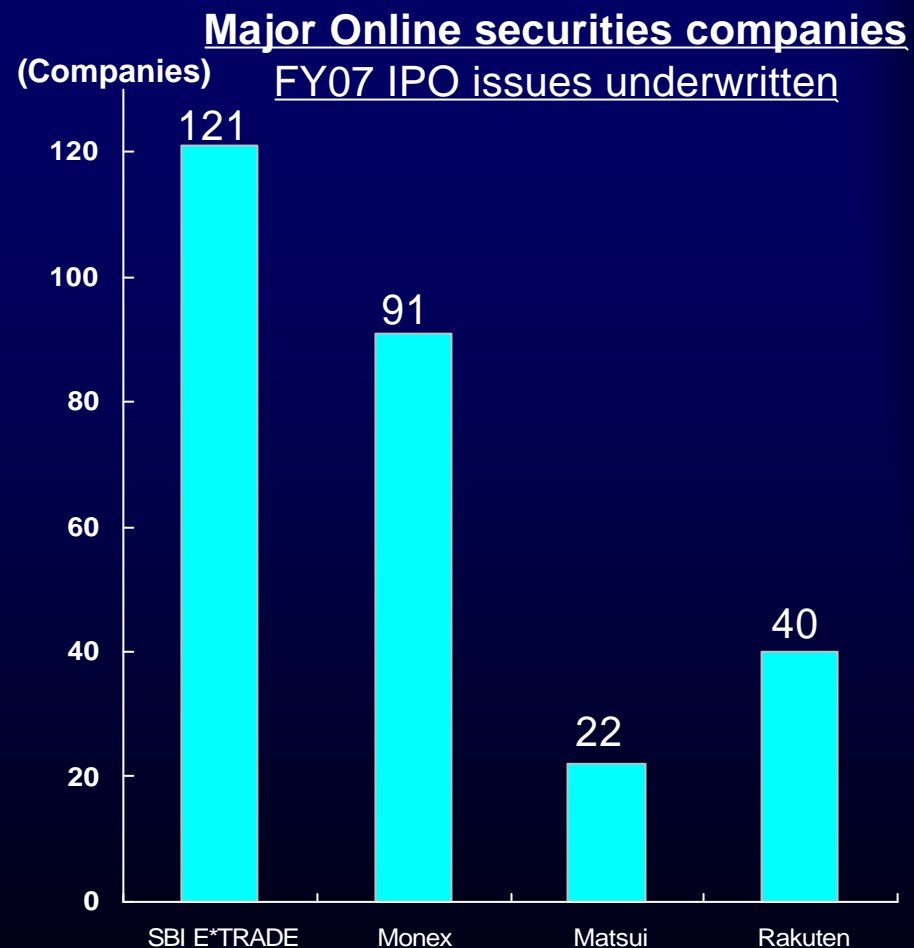
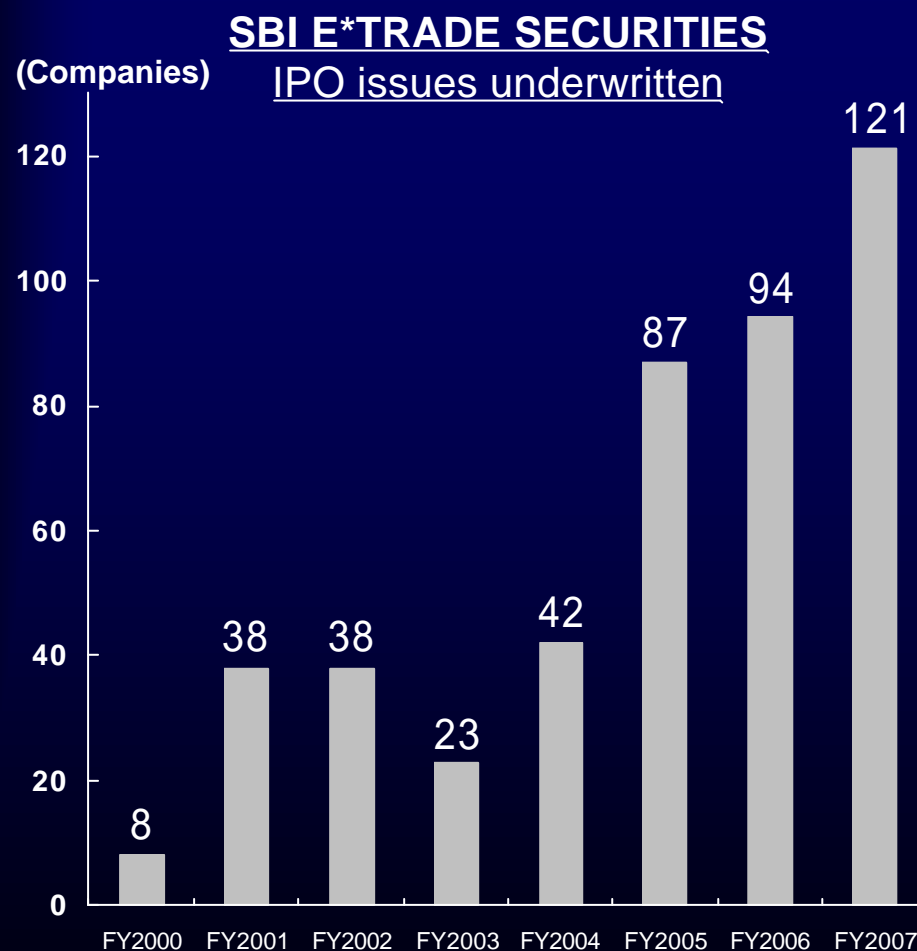
## Non-consolidated IPO and PO underwriting commissions



\* Underwriting, offering and selling commissions excluding bond and investment trust commissions

### (3) Underwriting, offering and selling commissions

#### IPO underwriting (1)



\*Includes over-allotments. Based on listing date. Excludes brokerage sales and real estate investment trusts.

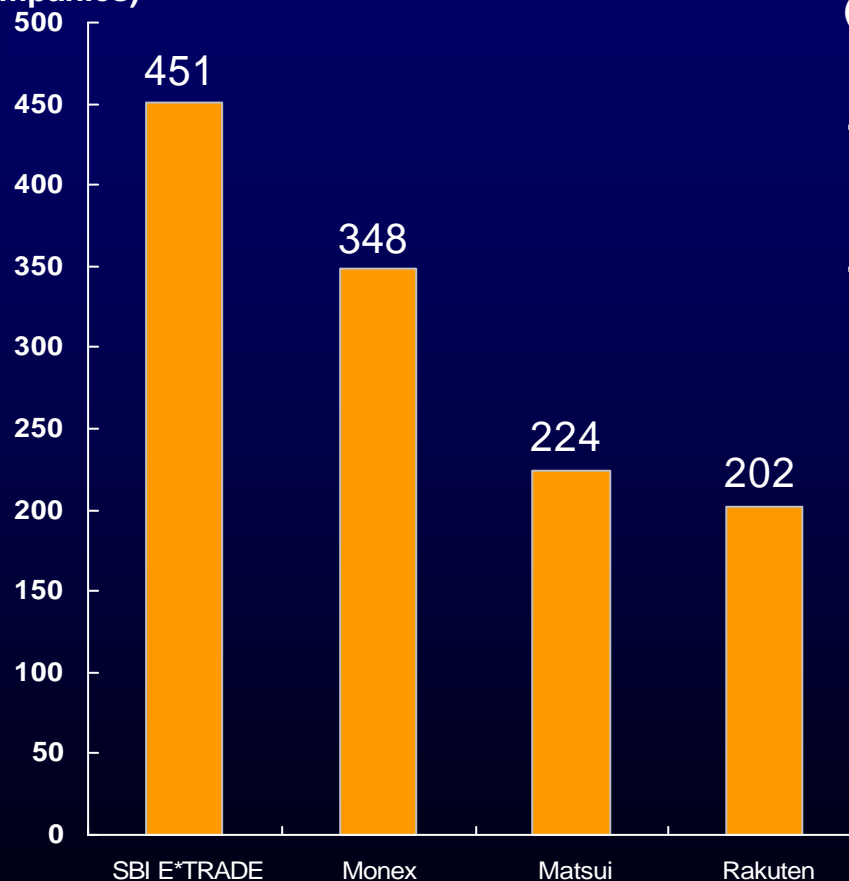
### (3) Underwriting, offering and selling commissions

## IPO underwriting (2)

### Big four Online securities companies

#### Cumulative IPO issues underwritten

(Companies)



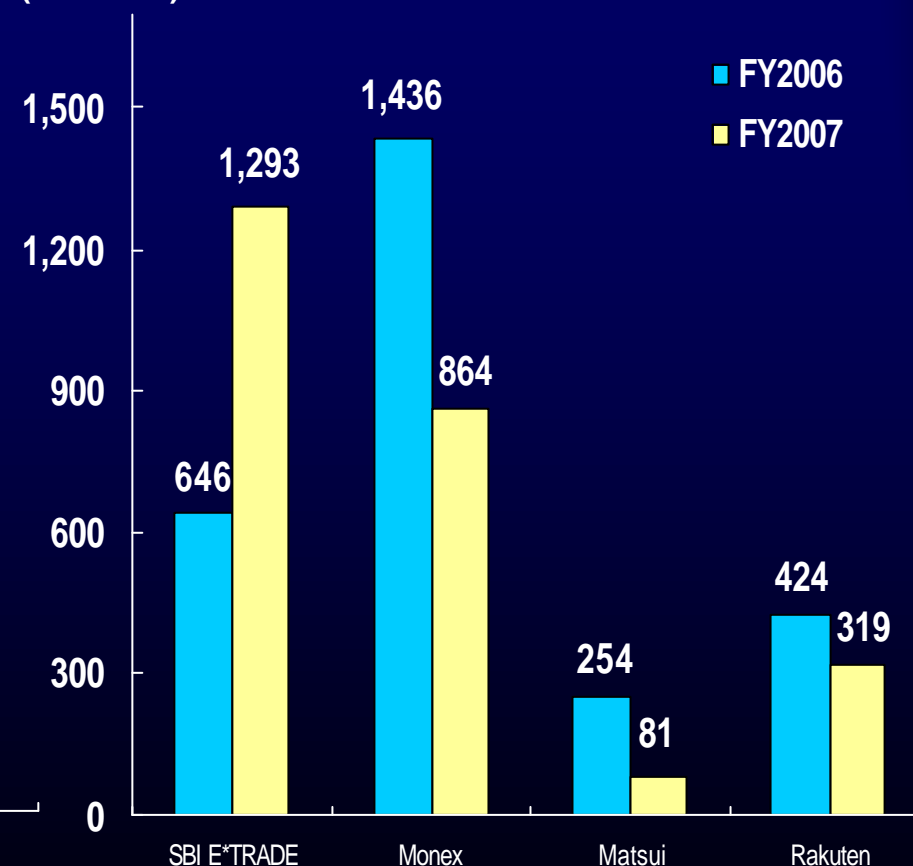
Source: Compiled by SBI E\*TRADE SECURITIES based on public information. Covers period from establishment of each company to March 2007 (based on listing date). Excludes brokerage sales and real estate investment trusts.

### Big four Online securities companies

#### IPO underwriting

(Offering price x Shares underwritten)

(10million)



\*Includes over-allotments but not wholesale brokerage.

Source: Compiled by SBI E\*TRADE SECURITIES based on public information. Covers period from to March 2007 (based on listing date). Excludes brokerage sales and real estate investment

### (3) Underwriting, offering and selling commissions

## (Reference) Off-market distributions

### TSE, OSE and JASDAQ off-market distributions

Fiscal 2007 (Apr.2006 to Mar.2007)

Number of companies: 106 (173 in FY06)

Off-market distributions: About ¥31.9 billion  
(about ¥71.0 billion in FY06)

E\*TRADE subscriptions: About ¥31.5 billion  
(about ¥145.4 billion in FY06)

Third-party portion of subscriptions: About ¥7.3 billion  
(about ¥14.7 billion in FY06)

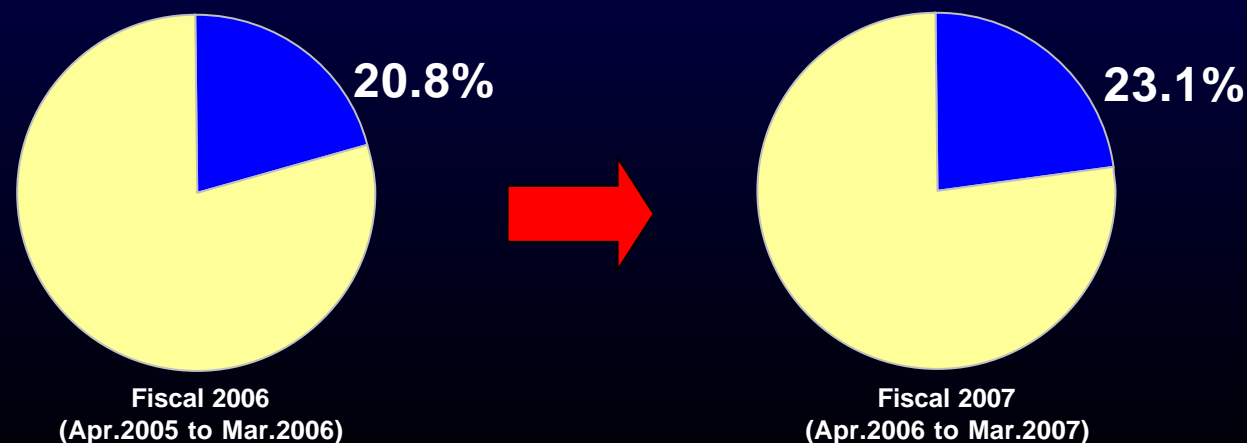
E\*TRADE share: About **23.1%** (about 20.8% in FY06)

### E\*TRADE off-market sales (FY07)

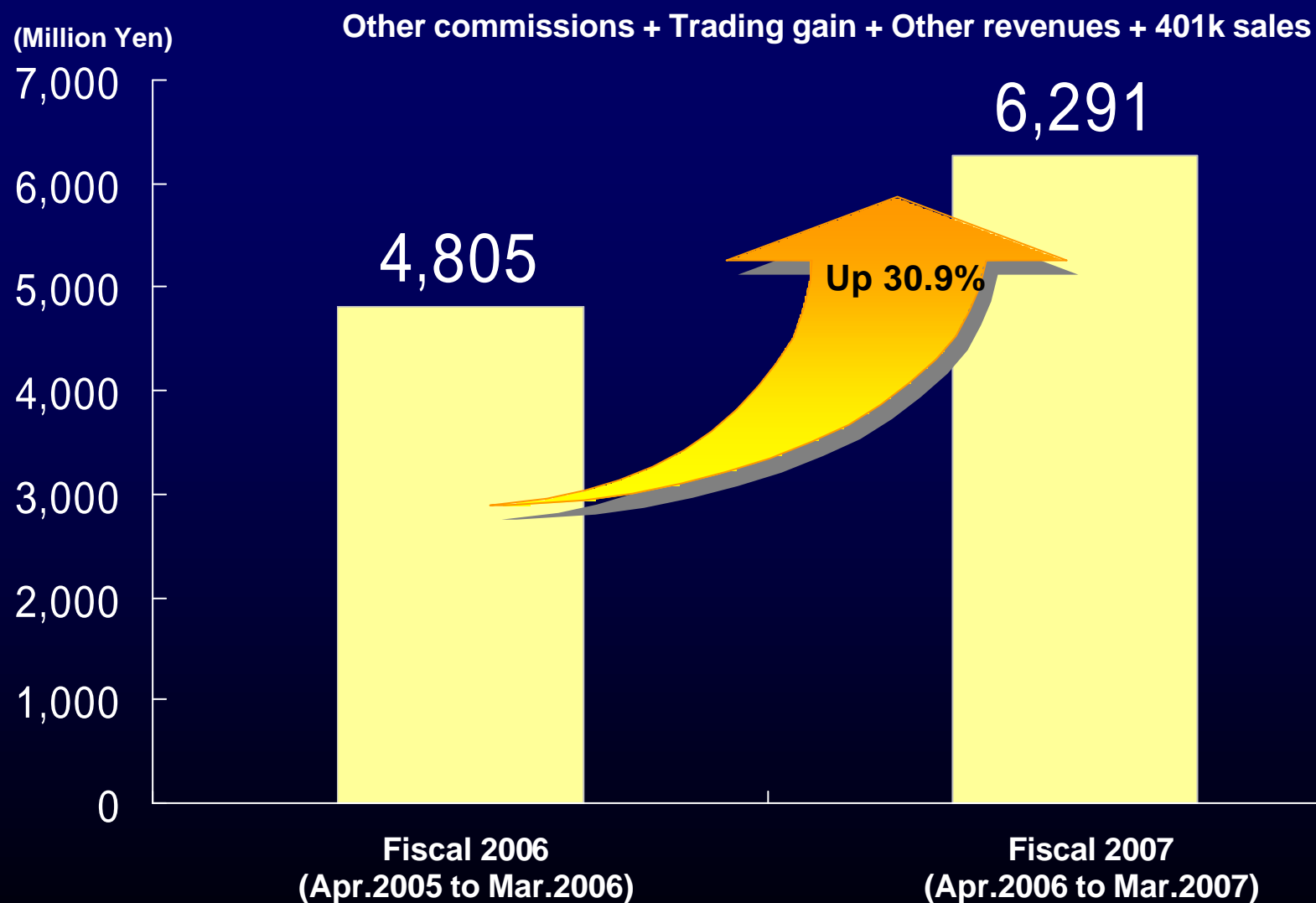
Date	Company	Market
2006/5/12	GAGA communications, Inc.	HC
2006/6/29	GEO Corporation	TSE 1
2006/8/1	MET'S CORPORATION	Mothers
2006/8/23	Eighting Co., Ltd.	Mothers
2006/11/17	Kyoritsu Printing Co., Ltd.	TSE 1
2006/12/11	Forval Telecom INC.	Mothers

\*Off market selling commissions are included in brokerage commissions

### SBI E\*TRADE SECURITIES share of off-market distributions



## FY07 Highlights

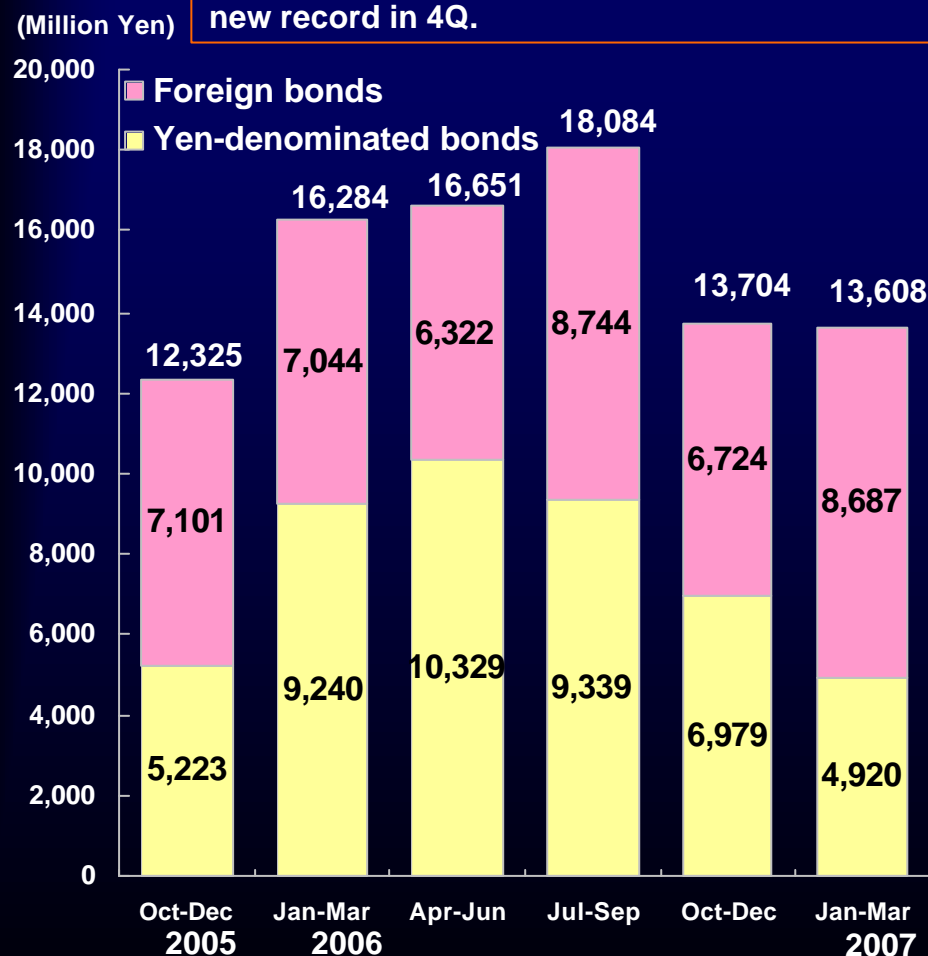
**(4) Consolidated trading gain and other revenues**

## (4) Trading gain and other revenues

### Bonds and investment trusts

#### Government, corporate and foreign bond sales

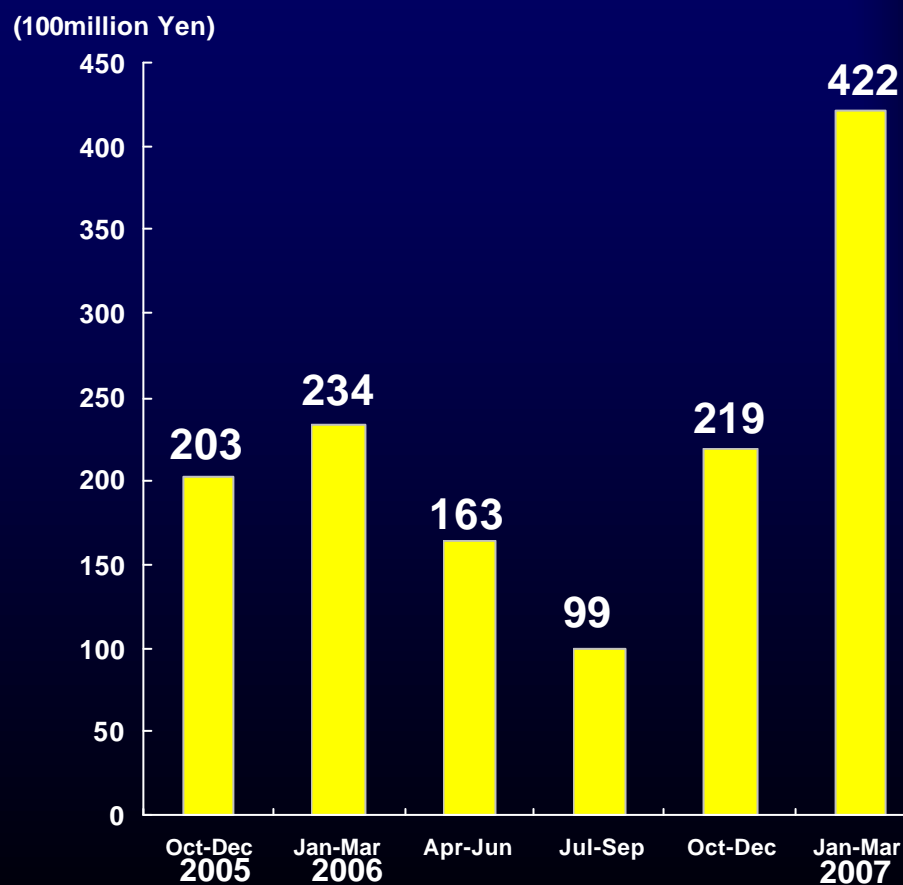
Bond sales weakened in 2H FY07 but were up 32.7% in FY07. Foreign bond sales almost set a new record in 4Q.



\*Retail JGB revenues includes underwriting and selling commissions. Above figures include brokerage sales.

#### Investment trust sales

Plan to further increase the investment trust lineup, including addition of no-load funds.



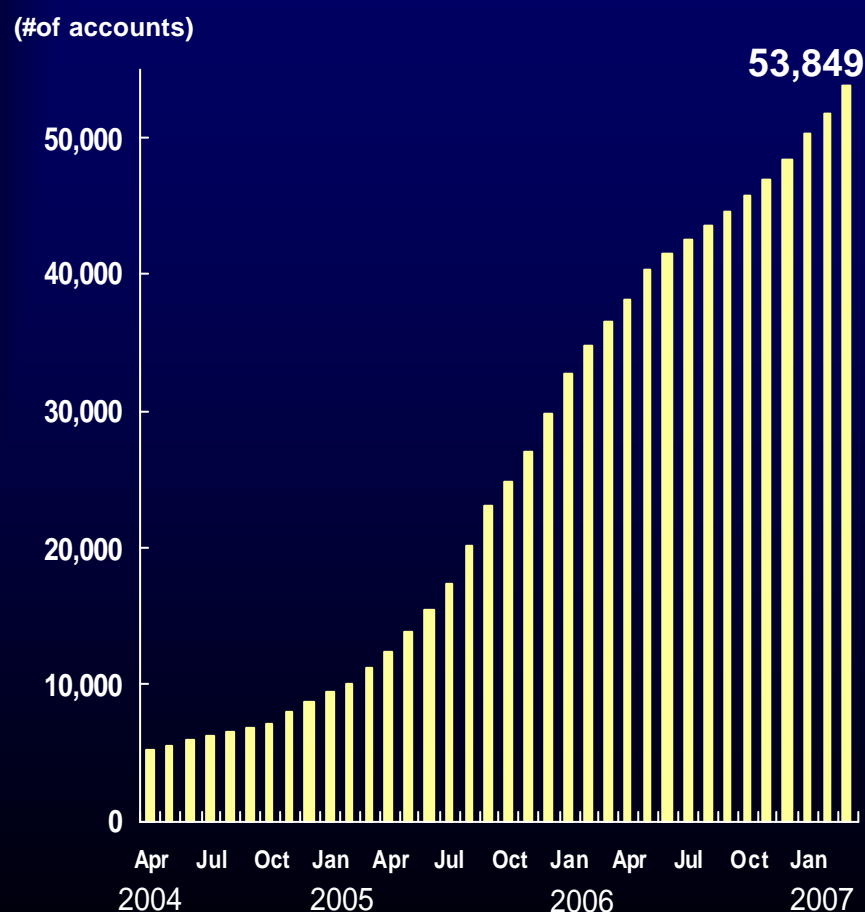
\*Investment trust sales commissions include offering commissions.

## (4) Trading gain and other revenues

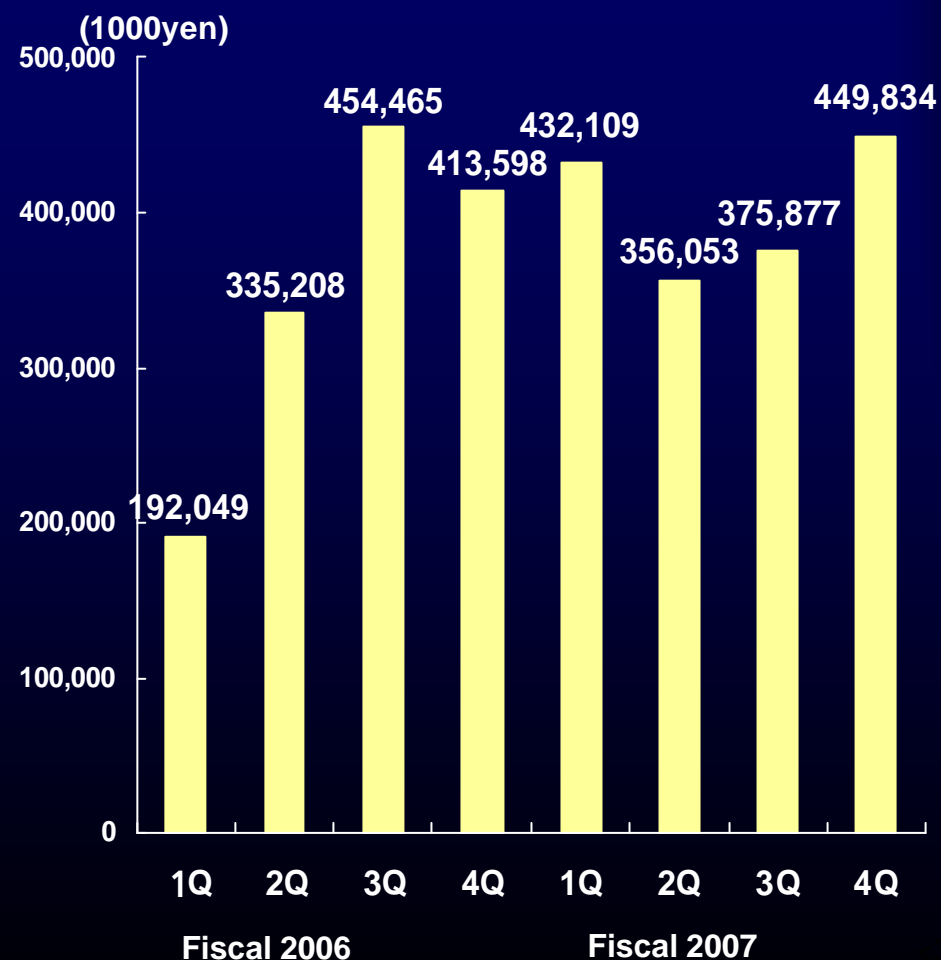
### Growth in foreign exchange margin trading

Planning to expand services to achieve more growth in revenues

Foreign exchange margin trading accounts



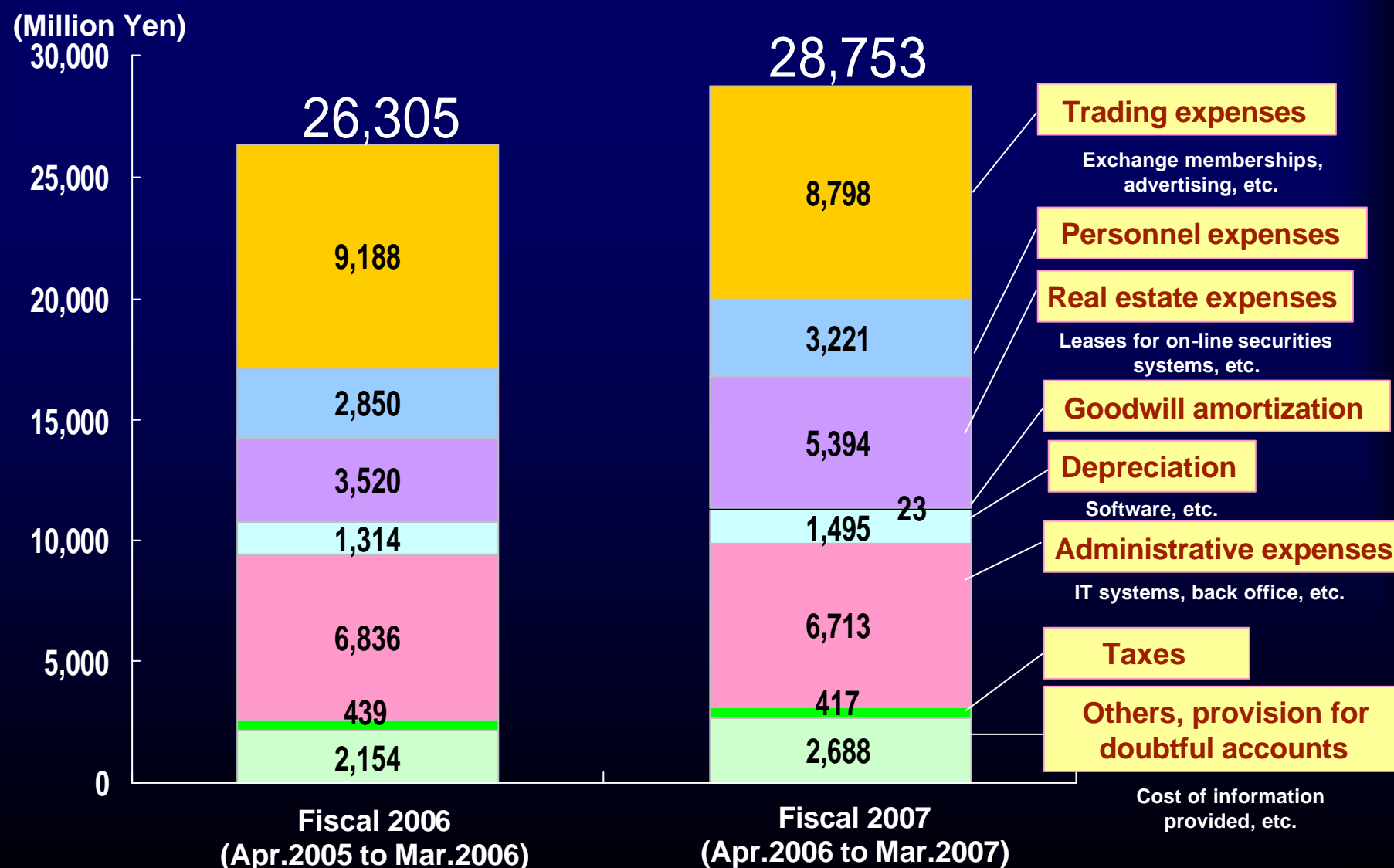
Foreign exchange margin trading revenues





## FY07 Highlights

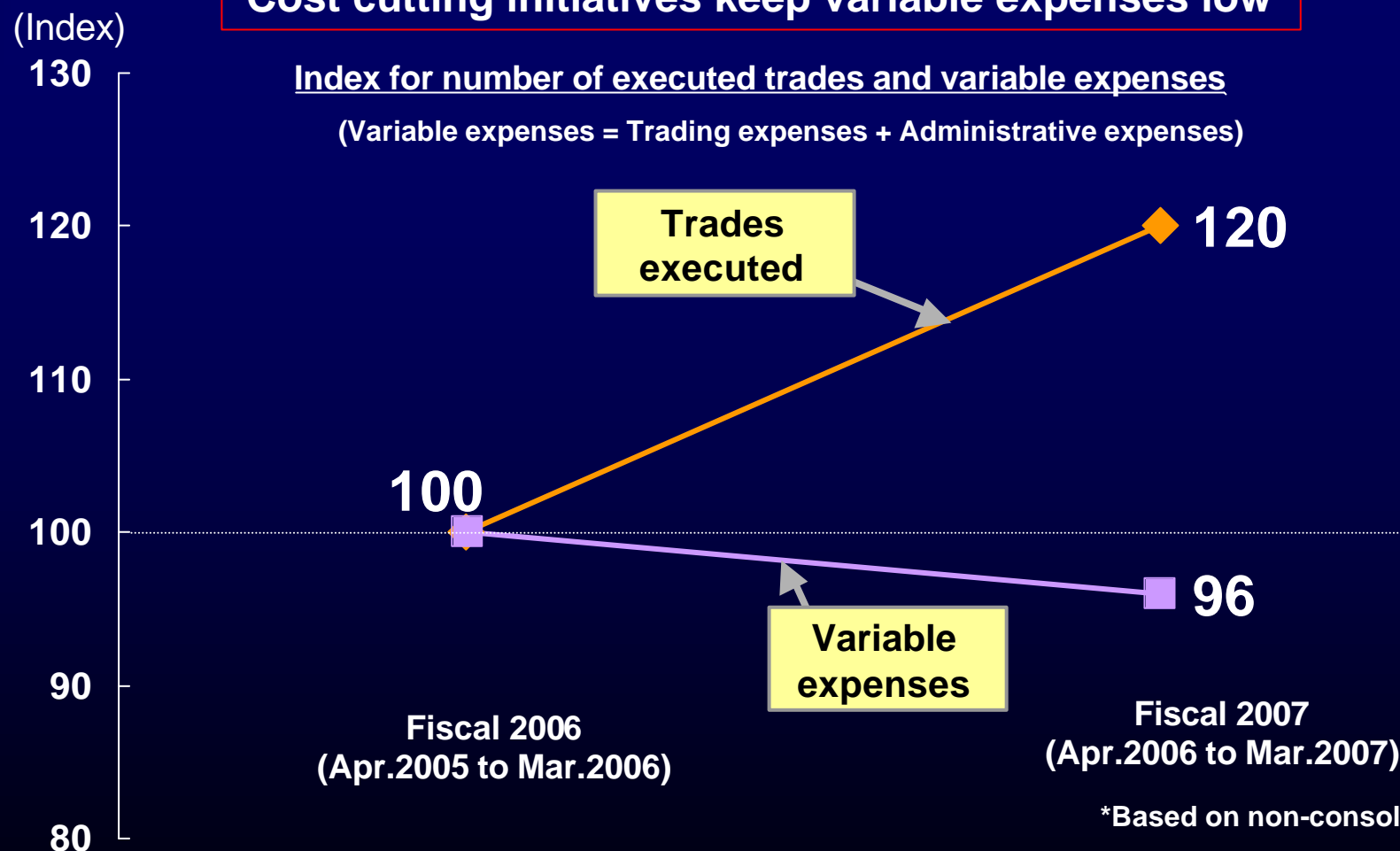
### (5) Consolidated selling, general and administrative expenses



## (5) Selling, general and administrative expenses

### Trades executed and variable expenses

#### Cost cutting initiatives keep variable expenses low



Variable expenses down despite approximate 20% growth in trades executed.  
E\*TRADE's broad-based cost reduction program yielded substantial savings.

## FY07 Highlights

### E\*TRADE Korea Financial Highlights

(Million Yen, %)

	Fiscal 2006 (Apr.2005 to Mar.2006)	Fiscal 2007 (Apr.2006 to Mar.2007)	Change
Operating revenues	5,202	5,780	+11.1
Net operating revenues	4,977	5,446	+9.4
Operating income	1,182	1,474	+24.7
Ordinary income	1,189	1,482	+24.6
Net income	922	1,048	+13.7

(Converted to yen using average monthly exchange rates.)

## (6) E\*TRADE Korea summary

### Summary of E\*TRADE Korea performance



**Higher revenues and earnings due to growth in customer accounts and share of trading volume**

#### Profile (March 31, 2007)

**Capital : 66,195 million won**  
**E\*TRADE ownership : 73.6%**  
**Customer accounts : 135,139**  
**Brokerage transactions : 49,456.1 bil. won (FY07)**

#### Key strengths

- **Lowest trading commissions among Korea's Internet brokers (0.024% for stocks)**
- **Only Korean broker to handle Japanese stocks**

#### New initiatives

- **Provide customers with global access to markets**
- **Plan to begin handling trades on U.S., Chinese and Hong Kong exchanges (first Korean Online securities company to offer this service)**
- **Upgrade sales capabilities by using sophisticated IT systems**

#### IPO and KOSDAQ registration

**IPO date : February 21, 2007**

**Shares sold : 2 million**

**Post-IPO shares issued : 13.2 million**

**Contribution to E\*TRADE FY07 consolidated earnings : Deemed gain on sales of about ¥200 million**

**Unrealized gain on E\*TRADE Korea shares held by E\*TRADE : About ¥15.1 billion (March 31, 2007)**

*\*Using exchange rate as of March 31, 2007*



## **2. Major Initiatives in Fiscal 2007**

## 2. Major initiatives in 4Q of fiscal 2007

### Major initiatives in fiscal 2007

- items are new services.
- items are alliances and other announcements.

Month	Description	performance
Apr	<u>Market guidance business alliance with Sumitomo Trust</u>	Customer accounts top 1.2 million
May	<ul style="list-style-type: none"> <li>•Expanded IT system to handle 1.75 million customer accounts</li> <li>•Started gift service campaign that offers customers bond lottery tickets and gift certificates</li> </ul> <u>Market guidance business alliance with Kanto Tsukuba Bank</u>	
Jun	<ul style="list-style-type: none"> <li>•Reduced stock brokerage commissions for Internet trades (minimum of ¥0 for active plan)</li> <li>•Started stock brokerage commission reduction campaign (for all trades until August 31)</li> <li>•Raised limit on new margin accounts (¥50 million to ¥100 million)</li> <li>•Extended market-making to all publicly owned stocks</li> </ul> <u>Market guidance business alliance with Chuo Mitsui Trust</u>	Monthly retail stock brokerage trading volume market share tops 30%
Jul	<ul style="list-style-type: none"> <li>•Expanded IT system to handle 2 million accounts</li> <li>•Introduced HYPER MOBILE Lite, an application tool for the FOMA700i series and subsequent handsets</li> </ul> <u>E*TRADE and Rakuten Securities agree to collaborate in preparation for start of nighttime trading</u>	
Aug	<ul style="list-style-type: none"> <li>•Lowered commissions for Nikkei 225 futures trading</li> </ul> <u>Increased investment in SBI Benefit Systems, making this company a subsidiary</u>	
Sep	<ul style="list-style-type: none"> <li>•Big reduction in stock brokerage commissions and standard commissions</li> <li>•Started opening accounts for minors</li> <li>•Started golf membership open market service based on alliance with E*GOLF SERVICE</li> <li>•Added “Kabushiki Shimbun Report” (10-minute delay) to the stock news</li> </ul> <u>ORIX Securities and GMO Online securities joined the joint program to prepare for nighttime trading</u>	Customer accounts top 1.3 million

## 2. Major initiatives in 4Q of fiscal 2007

### Major initiatives in fiscal 2007

- items are new services.
- items are alliances and other announcements.

Month	Description	performance
Oct	•Started “Commission 100% Cash-back Campaign”	
Nov	•Started securities intermediary business with OMC Card •Introduced HYPER E*TRADE Ver. 2.0 trading tool •Announced provision of HYPER E*TRADE at no cost starting in January	
Dec	•Started securities intermediary business with So-net M3 <u>Market guidance business alliance with Shonai Bank</u>	
Feb	•Started accepting reverse price orders <u>E*TRADE Korea shares registered on KOSDAQ</u> <u>Market guidance business alliance with Resona Bank</u>	
Mar	•Started HYPER E*TRADE special benefits campaign •Expanded foreign exchange margin trading to 16 currency pairs •Conducted spring no-load fund campaign <u>Started joint sales operations through alliance with Sumitomo Trust</u> <u>Traders Financial Systems becomes an equity-method affiliate</u>	Customer accounts top 1.3 million

## 2. Major initiatives in 4Q of fiscal 2007

### IPO lead manager mandates

Growth in IPO lead manager mandates. Up from one in FY06 to three in FY07.

Mandate no. 2 : Netage Group, Inc.

Listed on TSE Mothers on August 30, 2006

Mandate no. 3 : IREP Co., Ltd.

Listed on OSE Hercules on November 16, 2006

Mandate no. 4 : Diamond Dining Co., Ltd.

Listed on OSE Hercules on March 6, 2007

Mandate in 4Q FY07 raised to four the number of IPOs where E\*TRADE served as a lead manager.

Use IPOs to rapidly  
expand lead manager  
underwriting activity



Pursue improvements  
in quality and quantity  
as a lead manager



Further increase  
wholesale operations  
and train employees

**A total of 24 lead manager mandates (as of April 20, 2007)**



## 2. Major initiatives in 4Q of fiscal 2007

### Started sales agency operations through alliance with Sumitomo Trust

Aiming for multi-faceted growth of wholesale business by attracting chiefly corporate clients

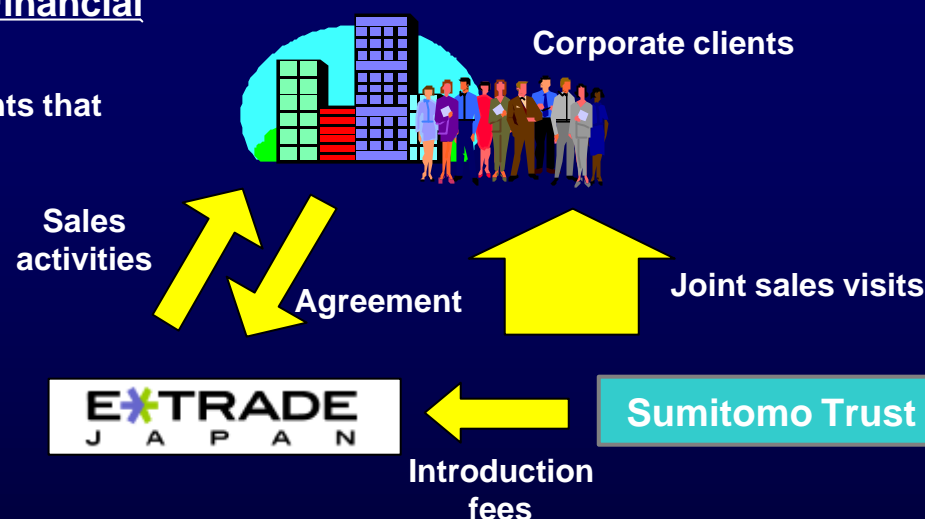
Started March 1, 2007 following approval by Financial Services Agency

Explain Sumitomo Trust services to corporate clients that require these services

Leverage the E\*TRADE IPO underwriting business



Upgrade wholesale business activities and offer various solutions through the provision of many services.



#### <Joint sales activities>

Targeting publicly owned companies and companies planning an IPO

Stock transfer agency operations

Management of shareholder list, registration of new shareholders, shareholder meeting services, etc.

Targeting executives and employees of corporate clients

Will trusts

Advice on preparing wills, storage and announcement of wills, execution of wills, etc.

Estate management business

Assessment of estate assets, list of assets, tax and other advice, division of estate, etc.

## 2. Major initiatives in 4Q of fiscal 2007

### Added reverse price capability to orders for Japanese stocks

Added to Web site and mobile site in Feb. '07 and to HYPER E\*TRADE in April '07

Reduces opportunity losses at customers who cannot submit, revise and cancel orders on a real-time basis



**Standard order :** Sell at or above a specific price  
 Buy at or below a specific price

**Reverse price order :** Sell at or below a specific price  
 Buy at or above a specific price

Customers can submit orders with the opposite timing of a conventional order.

By using this capability in many ways depending on market trends, customers can manage risk and lock in profits.

By offering services that many customers have been asking for, E\*TRADE aims to offer a comprehensive service lineup.



### **3. New Initiatives**

### 3. New initiatives

#### **(1) Aim to become an Internet full-line securities company**

Establish a consistently profitable operating structure

Strength in both elements of Internet full-line securities services: Retail and wholesale

#### **(2) Merger with SBI Securities**

Japan's first "real based on Internet" securities organization

Aiming to establish a higher profile in the entire securities industry

Cost reductions by integrating IT systems

Expand wholesale business by using face-to-face sales skills

Expand business serving high-net-worth individuals

#### **(3) Other goals**

Continue working on preparations for nighttime trading market

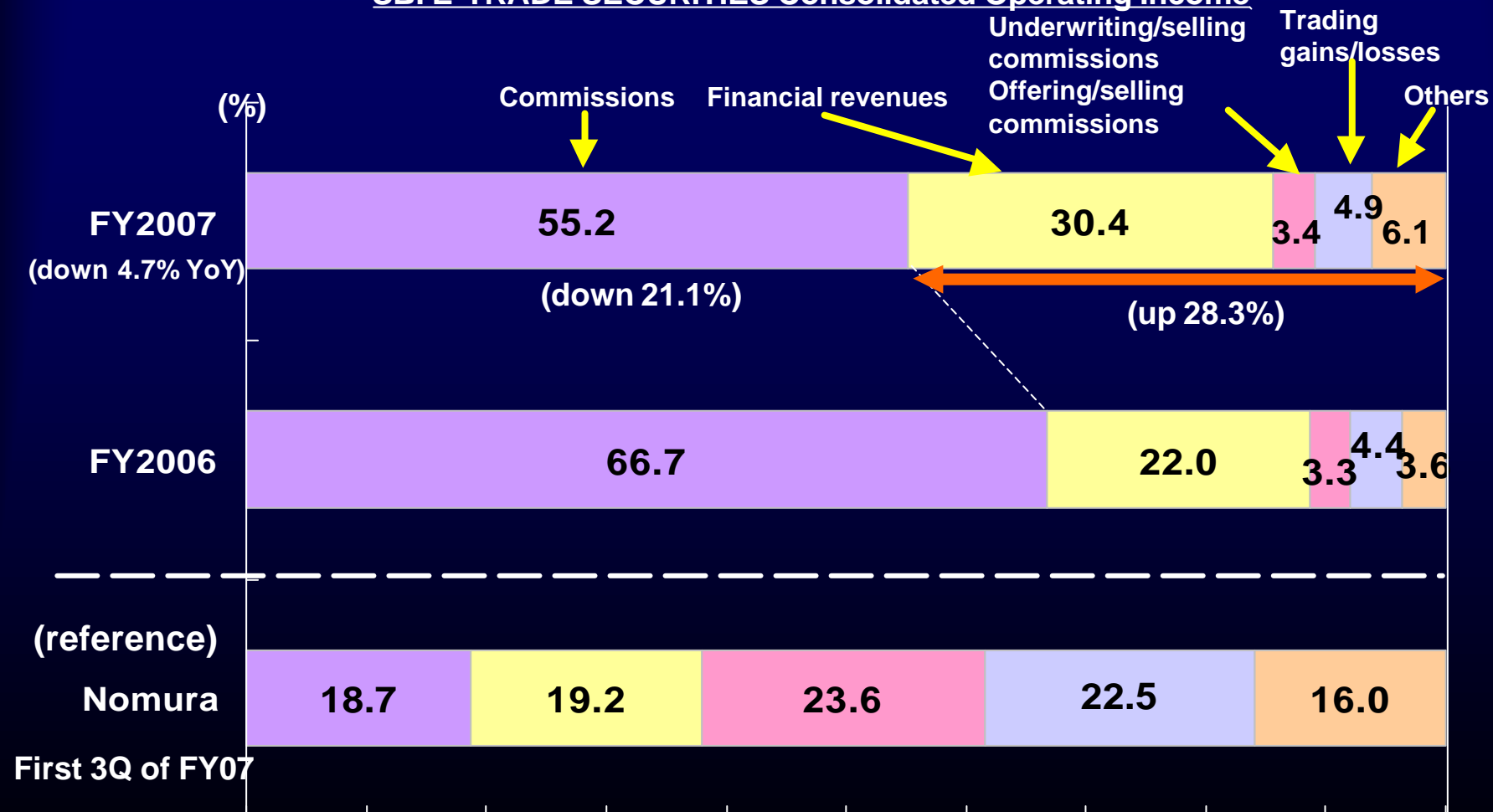
Enlarge selection of financial products

**(1) Aim to become an Internet full-line securities company**

Establish a consistently profitable operating framework

**Build a profit structure that is not vulnerable to market fluctuations**

**SBI E\*TRADE SECURITIES Consolidated Operating Income**



## (1) Aim to become an Internet full-line securities company

The two elements of offering comprehensive services: Retail business and wholesale business

Leverage the retail business operating base to expand the wholesale business with aim of establishing a consistently profitable operating structure

Overwhelming lead in customers served: 1,405,857 customer accounts (March 31, 2007)  
Growing share of retail monetary brokerage volume: 36.3% (March 2007)\*

\*Compiled by SBI E\*TRADE SECURITIES based on public information from TSE, JASDAQ and other sources.



## (2) Merger with SBI Securities

### Summary of merger

#### Plan to merge with SBI Securities on October 1, 2007

#### (1) Objective

To establish Japan's first "real based on Internet" securities organization.

Post-merger company will combine the low cost structure, strong appeal to customers, massive trading volume and other strengths of an Online securities company with the deep regional roots and consulting-based sales activities that distinguish "face-to-face" securities companies.

The new company will aggressively pursue an unprecedented business model that can offer even more sophisticated services. The ultimate goal is becoming a comprehensive securities company that can expanding into business domains outside the realm of Online securities companies.

**(2) Merger method** SBI Securities will be absorbed by SBI E\*TRADE SECURITIES, which will be the surviving company.

#### (3) Timetable

April 26, 2007	Approval of merger agreement by directors Signing of merger agreement
October 1, 2007	Closing date

\*As stipulated by Article 769, Paragraph 3 of the Company Law, the merger agreement does not require approval of SBI E\*TRADE SECURITIES shareholders.

#### (4) Merger ratio

SBI E*TRADE SECURITIES	SBI Securities
1	0.255

## (2) Merger with SBI Securities

### Profiles of SBI E\*TRADE SECURITIES and SBI Securities

Aiming to grow by using Japan's first comprehensive securities business model based on an Online securities company

	<b>SBI E*TRADE SECURITIES</b>	<b>SBI Securities</b>
<b>Customers</b>	A broad range of individuals, extending from people building wealth (mainly salaried workers in their 30s and 40s) to wealthy individuals	Mainly corporate clients and wealthy individuals throughout Japan
<b>Sales method</b>	Internet and call centers	Consulting-based sales using personal contact by a sales team of about 250 based at 27 offices throughout Japan
<b>Capital (March 31, 2007)</b>	¥47,864 million	¥12,118 million
<b>Shares issued</b>	3,188,493	1,018,563.87
<b>Employees (March 31, 2007)</b>	140	370



## (2) Merger with SBI Securities

# Japan's first "real based on Internet" securities organization

Grow by using Internet sales base to leverage the advantages of face-to-face sales

	SBI E*TRADE SECURITIES (Intenet)	SBI Securities ("Real")
Strengths	<ul style="list-style-type: none"> <li>✓ Low cost</li> <li>✓ Ability to attract large numbers of retail customers</li> <li>✓ Large brokerage trading volume</li> </ul>	<ul style="list-style-type: none"> <li>✓ Deep local roots</li> <li>✓ Face-to-face ("push" sales) sales skills</li> <li>✓ Ability to differentiate customers</li> </ul>
Weaknesses	<ul style="list-style-type: none"> <li>• High reliance on brokerage operations</li> <li>• Inability to provide personalized services</li> </ul>	<ul style="list-style-type: none"> <li>• High cost (personnel, offices, etc.)</li> <li>• Cannot attract large numbers of customers</li> <li>• Small brokerage trading volume</li> </ul>



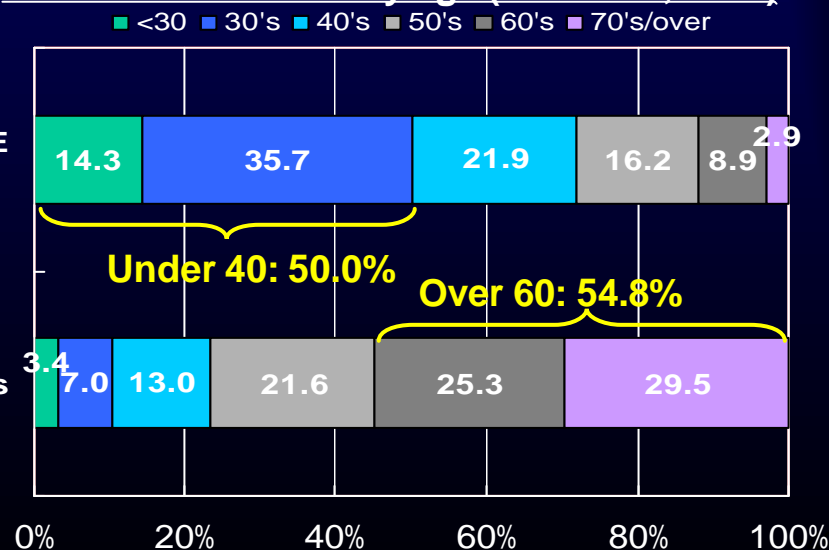
Offset each other's weaknesses and differentiate services from those of competitors

Difficult to use the Internet to sell investment trusts and other financial products that require detailed explanations.



Ability to use advantages offered by face-to-face sales activities

Customer accounts by age (March 31, 2007)



## (2) Merger with SBI Securities

### Establish a higher profile in the securities industry (number of customers)

Ranking by customer accounts (March 31, 2006)

(# of account)

1	Nomura*	3,780,000
2	Daiwa Group	2,695,000
3	Nikko Group	2,176,000
4	E*TRADE + SBI	1,231,273
5	Mitsubishi UFJ*	1,092,000
6	Shinko	1,017,000
7	Monex	631,548
8	Rakuten	552,816
9	Matsui	517,521
10	Kabu.com	475,425

\*Accounts with balances

Source: Compiled by SBI E\*TRADE SECURITIES based on available information

Ranking by customer assets (March 31, 2006)

(Billion Yen)

1	Nomura*	80,480.9
2	Daiwa Group	52,438.1
3	Nikko Group	42,542.9
4	Mitsubishi UFJ	23,723.1
5	Shinko	14,164.5
6	Mizuho Investors	7,478.0
7	E*TRADE + SBI	5,110.4
8	SMBC Friend	4,689.6
9	Tokai-Tokyo	4,606.9
10	Okasan Holdings	4,057.6
11	MBH	2,248.7
12	Marusan	2,111.2
13	Cosmo	2,074.1
14	Ichiyoshi	1,974.0
15	Matsui	1,937.8
16	Toyo	1,399.0
17	Rakuten	1,370.0
18	Kabu.com	1,234.7
19	Mito	1,178.6
20	Aizawa	1,155.3

These rankings are comparisons based on the sum of figures for publicly owned securities companies, Rakuten Securities and the two SBI Group securities companies.

Source: Compiled by SBI E\*TRADE SECURITIES based on information in May 1, 2006 Nikkei Kinyu Shimben

## (2) Merger with SBI Securities

### Establish a higher profile in the securities industry (financial performance)

#### Ranking by operating revenues (FY 2006)

(Million Yen)

1	Nomura*	1,792,840
2	Daiwa Group	845,659
3	Nikko Group	488,513
4	Mitsubishi UFJ	309,621
5	Shinko	152,915
6	Okasan Holdings	88,899
7	Mizuho Investors	84,483
8	E*TRADE + SBI	76,275
9	Tokai-Tokyo	71,776
10	SMBC Friend	68,572
11	Matsui	57,072
12	MBH	39,223
13	Marusan	29,850
14	Ichiyoshi	27,569
15	Cosmo	26,650
16	Aizawa	25,087
17	Toyo	24,199
18	HS	23,650

Source: Compiled by SBI E\*TRADE SECURITIES based on information in May 1, 2006 Nikkei Kinyu Shimbun

#### Ranking by ordinary income (FY 2006)

(Million Yen)

1	Nomura*	545,013
2	Daiwa Group	206,651
3	Nikko Group	167,834
4	Mitsubishi UFJ	96,842
5	Shinko	43,184
6	E*TRADE + SBI	38,256
7	Matsui	37,062
8	Okasan Holdings	35,380
9	Mizuho Investors	32,700
10	SMBC Friend	31,168
11	Tokai-Tokyo	27,191
12	MBH	24,938
13	Marusan	12,996
14	Kabu.com	12,672
15	Ichiyoshi	9,855
16	Mito	9,091
17	Aizawa	8,783
18	Toyo	8,338

Source: Compiled by SBI E\*TRADE SECURITIES based on available information

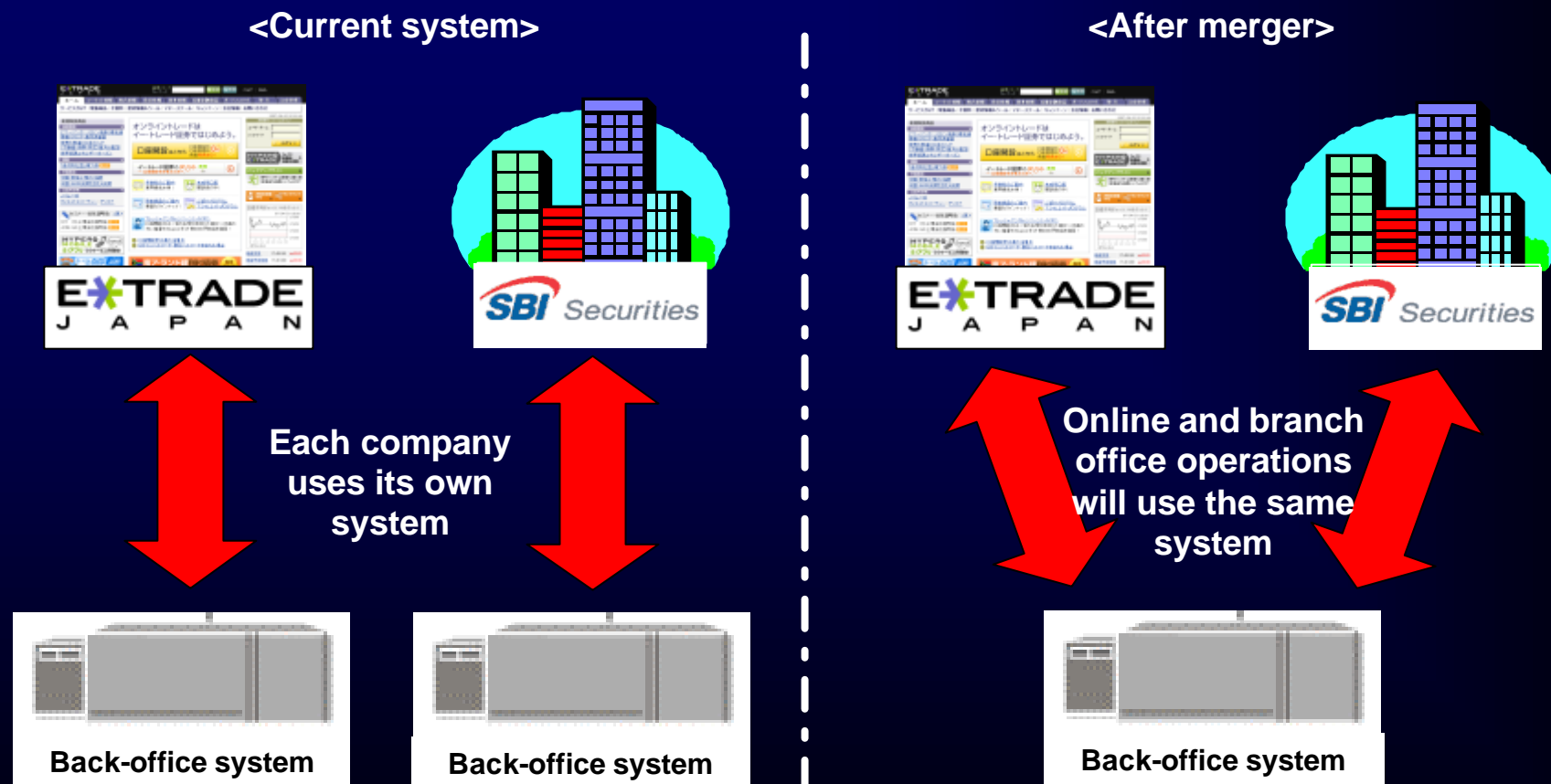
\*Nomura is income before income taxes

These rankings are comparisons based on the sum of figures for publicly owned securities companies and the two SBI Group securities companies.

## (2) Merger with SBI Securities

### IT system cost reductions

**Cut IT system expenses by consolidating securities back-office systems**



**Will use the same vendor as before to consolidate systems with the aim of achieving significant cost savings.**

## (2) Merger with SBI Securities

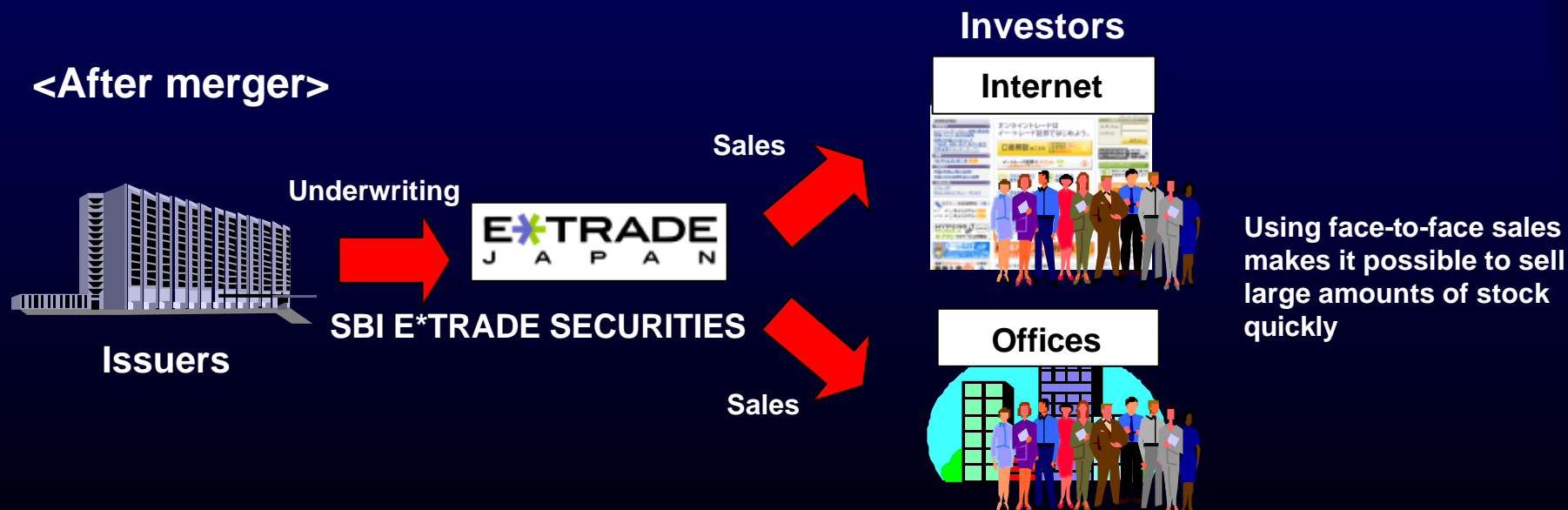
### Expand the wholesale business

Leverage face-to-face sales channels to increase public offering underwriting and other services

#### <Current system>



#### <After merger>



Adding another sales channel opens the way to entering new sectors of the wholesale securities business

## (2) Merger with SBI Securities

### Expand investment banking operations

Identify corporate fund procurement needs to enlarge the entire wholesale business

<Corporate needs>

IPO needs



Business  
expansion needs



Fund procurement  
needs

<Solutions offered by SBI E\*TRADE SECURITIES>

IPO underwriting

IPOs underwritten by  
SBI E\*TRADE  
SECURITIES

**451\***

\*Since start of Internet operations through March 2007



IR support

M&A intermediary  
services  
Financial strategy  
assistance



Public offering  
underwriting

Ability to use Internet to  
attract large numbers of  
customers

Alliance with M&A intermediary firm  
to Gather info Reinforce M&A  
operations Train personnel

Leverage face-to-face sales  
skills of SBI Securities

IPO lead manager mandates: 3 in FY07

M&A intermediary services: 2 deals in FY07

Offer many ideas to companies that want to grow in order to identify  
fund procurement needs and expand underwriting volume.

## (2) Merger with SBI Securities

### Increase business with wealthy individuals

Assist in building wealth for owners and other executives of companies where E\*TRADE/SBI have been an underwriter

IPOs underwritten by SBI  
E\*TRADE SECURITIES

**451\***

\*Since start of Internet  
operations through  
March 2007



Executives and employees



Consulting-based  
sales activities

Face-to-face sales capabilities

- 27 offices nationwide
- Sales team of about 250

Use consulting-based sales, which is difficult to accomplish using the Internet, to sell financial products that assist in building wealth for executives and employees of companies that E\*TRADE/SBI has served.

#### Example: E\*TRADE/SBI underwrote the IPOs of 121 companies in FY07

HUB, JTEC, ASCII Solutions, Golf Do, Raccoon, Cluster Technology, Nepro Japan, Image Information, QOL, System Location, Alconix, SystemD, Honyaku Center, SBI Futures, Stylife, Tear, Yume no Machi Souzou linkai, Keyware Solutions, Fisco, Kobeussan, Pharma Foods International, Tokuden, J-REP, Beauty Kadan, Living Corporation, Atect, OKWave, Modulat, Adways, Japan Third Party, Amita, SecuAvail, Vario Secure Networks, Power Up, Bit-isle, Value Commerce, JIN, Infomart, E-supportlink, Bic Camera, Gomez Consulting, eZuz Japan, Medical Care Service, SPACE ALC, Netage Group, Orvis, Sanei Architecture Planning, Mixi, Media Kobo, Interspace, Pepper Food Service, Miyano, Furuya Metals, Hyper Conception, Star Mica, GCA, Nihon M&A Center, Fractalist, JSC, Novarese, Acrodea, Zetton, JPN Servicer, media5, Optrom, Fund Creation, Sanyodo Books, Members, Takata, IREP, Elecom, Magaseek, KFE Japan, Remix Point, GABA, Japaninvest Group, Celsys, Trust Park, GameOn, Duskin, Properst, Hirata Corporation, Advantage Risk Management, Life Foods, Gigaprize, Intrance, Kyoei Steel, VSN, Sourcnext, Piped Bits, Central General Development, JB Eleven, Tokyo Ichiban Foods, T&C Holdings, Asahi Net, Amagasa, Diva, Fujishoji, Sowa Jisho, Web Do Japan, Will Real Estate Sales, Innex, Chuco, AQ Interactive, Diamond Dining, ODK Solutions, Choushimaru, Golf Partner, eGuarantee, Ecash, Soliton Systems, Jedat, Shubunsha, NextGen, USJ, Yamane Medical, Comture, FreeBit, I-FREEK, Urbanet Corporation

### (3) Other Initiatives

## Progress in preparing for nighttime trading market

Examining this market by prioritizing link to PTS established by SBI Japannext Securities

First step: SBI E\*TRADE SECURITIES receives PTS approval, four companies consider proposal for a link



Today: Five companies are considering offering this service via a link to the PTS of SBI Japannext Securities

#### Reasons

- SBI Japannext Securities has completed registration as a securities company
- Other securities companies may participate, too, further increasing market liquidity

<PTS operating framework>

**SBI Japannext Securities**



Companies will consider making an equity investment once SBI Japannext Securities obtains PTS approval and based on progress toward starting transactions.



### (3) Other Initiatives

## Enlarge selection of financial products

Target many investment needs by extending the product lineup beyond equities

### Plan to begin handling overseas ETF

Overseas ETF: Exchange-traded funds. Listed investment trusts that track an overseas equity index or other index.

**Plan to begin handling overseas ETF, an overseas investment product in which customer interest is very high**

Easier to understand than individual stocks because ETF simply track an index



Easier to establish standards for selecting stocks than when investing in individual stocks



Allows offering a broader range of choices to individual investors with a global perspective

Plan to begin handling ETF as soon as possible

### Offer more investment trust services

#### **Increase lineup of no-load funds**

**Considering an increase from current 46 funds to about 60 funds**

Offer customers more opportunities to invest in low-cost investment trusts by expanding the lineup of popular no-load funds.

**More funds covered by the “investment trust regular purchase service”**

**Considering an increase from the current seven funds to about 30 funds**

Allow customers to use the “investment trust regular purchase service” for a larger number of funds, thus providing more assistance in the long-term accumulation of savings.

Plan to increase the number of applicable funds in stages.

## 4. Dividends

#### 4. Dividends

### Proposal for FY07 year-end dividend

SBI E\*TRADE SECURITIES has announced its intention of paying a FY07 year-end ordinary dividend of ¥1,600 per share and a commemorative dividend of ¥100 per share for the IPO of E\*TRADE Korea. The FY07 dividend will thus be ¥100 higher than in FY06.

	Year ended March 2007	Year ended March 2007
	Per share	Per share
Ordinary dividend	¥1,600	¥1,600
E*TRADE Korea commemorative dividend	¥100	-
<b>Total</b>	<b>¥1,700</b>	<b>¥1,600</b>

**Dividend policy:** Make substantial dividend payments while taking into account the need to retain earnings for future growth and financial soundness and to reflect past dividend payments and the earnings outlook.

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