

## Brokerage & Investment Banking Business

We are maintaining our overwhelmingly dominant position in the online securities business as we continue to offer the industry's lowest brokerage commission levels.

### Principal Companies in the Brokerage & Investment Banking Business

#### SBI E\*TRADE SECURITIES Co., Ltd.

Comprehensive online securities business listed on JASDAQ (code: 8701)

#### SBI Securities Co., Ltd.

Face-to-face type securities business

#### SBI Futures Co., Ltd.

Online commodity futures brokerage listed on Hercules Market of Osaka Securities Exchange (code: 8735)

#### E\*Trade Korea Co., Ltd.

Online securities business in Korea

### Positioning in the Online Securities Industry

Consistently offering the industry's lowest brokerage commission levels, SBI E\*TRADE SECURITIES is firmly positioned as the top company in the online securities industry. In January 2006, SBI E\*TRADE SECURITIES attained a noteworthy milestone when it became the first online securities company to surpass one million customer securities accounts. At the end of September 2006, the total number of customer securities accounts stood at 1,311,004 accounts (compared with 777,455 accounts a year earlier), while the number of customer margin accounts totaled 135,163 accounts (compared with 81,195 accounts at the end of the previous September), with total client assets amounting to ¥3,828.4 billion (up from ¥2,963.1 billion at the end of September 2005). Not only do these figures rank as the highest among all online securities companies in Japan, but SBI E\*TRADE SECURITIES continues to expand its share of this industry.

### Comparisons of Brokerage Trading Value

Since overtaking Nomura Securities in the January-March quarter of 2005, SBI E\*TRADE SECURITIES has further widened its lead over the second-ranked and other securities companies to establish a solid position as the No. 1 securities company among all companies in terms of the brokerage trading value (figures include institutional and foreign investors). The average daily brokerage trading value\* by SBI E\*TRADE SECURITIES in June 2006 amounted to ¥325,955 million, a sharp increase from ¥179,926 million in June 2005.

\*Figures not include institutional and foreign investors.

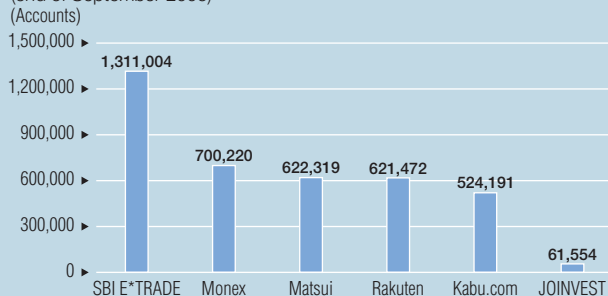
### SBI E\*TRADE SECURITIES' IPO Underwriting Performance

In the fiscal year ending March 2006, SBI E\*TRADE SECURITIES underwrote the IPO issues of 94 companies, raising its cumulative total to 330 companies. From April to June 2006, SBI E\*TRADE SECURITIES underwrote IPOs for 34 of the 49 companies making IPOs, thereby realizing an IPO participation rate of 69.4% and ranking SBI E\*TRADE SECURITIES as the top company among all securities companies. Since commencing the lead management of IPO issues in September 2005, we have lead managed IPO issues of two companies as of August 2006. Utilizing ties with the SBI Group's venture capital operations, SBI E\*TRADE SECURITIES will continue to compile further achievements in underwriting IPOs.

### Securing an Overwhelmingly Strong Customer Base

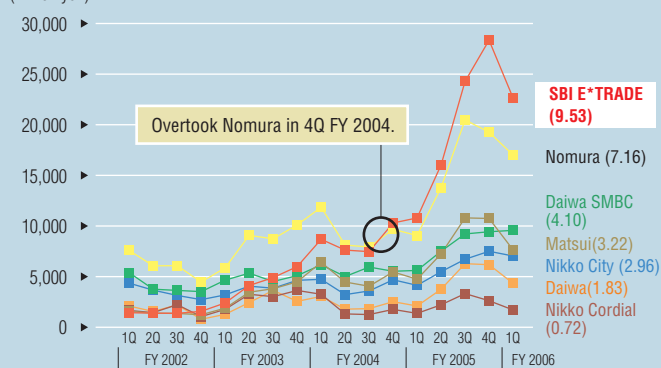
Number of accounts of main online securities companies

(end of September 2006)



### Brokerage Trading Value Comparison for Major Securities Companies

(Billion yen) (%: Share of commissions for the 1Q FY 2006)



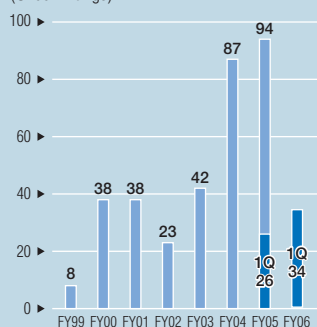
(Figures in parentheses indicate each brokerage trading value share as a percentage of total turnover in the three markets.)

Source: Figures are based on public documents from each securities company and the Tokyo Stock Exchange. (Figures for SBI E\*TRADE include orders from overseas investors.)

### IPO Underwriting Steadily Achieving Good Performance

#### SBI E\*TRADE SECURITIES

IPO stock underwriting performance (Underwritings)



Note: Listing date base. Figures do not include agency transaction and real estate investment trusts.

#### IPO underwriting ranking

(2006/4 to 2006/6)

#### Top among all securities firms

Rank	Name	(Underwritings)	Participation ratio (%)
1	SBI E*TRADE SECURITIES	34	69.4
2	Mitsubishi UFJ Securities	32	65.3
3	Shinko Securities	26	53.1
4	Monex Securities	26	53.1
5	Daiwa Shoken SMBC	23	46.9
6	Nomura Securities	22	44.9
7	Nikko City Group	21	42.9

Note: The data was obtained, to the extent possible, from public documents by SBI. Data was collected from 2006/4 until 2006/6 for domestic underwriting of 49 companies (listing date base) undergoing an IPO, not including secondary offerings.

### Strategies Derived from the “Long-Tail Theory”

Owing to the characteristics of the Internet, SBI E\*TRADE SECURITIES’ 1.31 million customer accounts represent a wide customer base that ranges from novice investors to active traders and from young investors to persons in their 60s and 70s. In covering this diverse customer base, which is shaped like a long tail, SBI E\*TRADE SECURITIES is working toward realizing what it calls “long-tail” earnings. In contrast to face-to-face type securities businesses that mainly target high net worth individuals, SBI E\*TRADE SECURITIES also targets lesser-lot customers with lesser amounts of financial assets. SBI E\*TRADE SECURITIES has cultivated numerous individual customers, which includes securing an overwhelmingly large number of lesser-lot customers, who to the present could not be served profitably through high-cost, face-to-face operations. This approach has enabled SBI E\*TRADE SECURITIES to successfully attain “long-tail” earnings.

As a strategy for further advancing its “long-tail theory,” SBI E\*TRADE SECURITIES is focusing on “securing new customers” and “increasing trading frequency,” which will enable a further lengthening and broadening of its “long-tail” customer base.

#### Strategy for Lengthening the “Long-Tail”: Securing New Customers

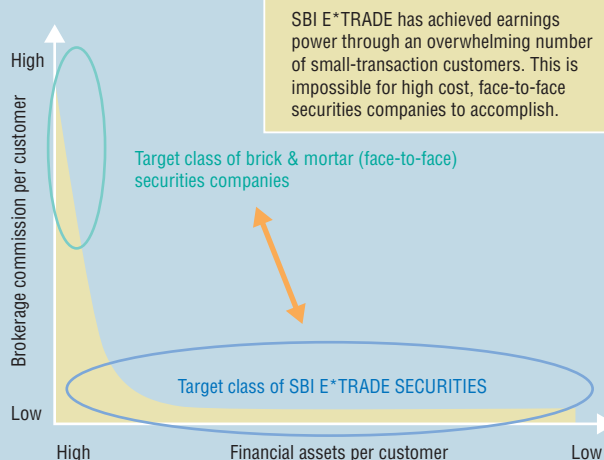
In the fiscal year ended March 2006, novice stock investors accounted for 64.5% of all new accounts opened at SBI E\*TRADE SECURITIES. In line with efforts to secure additional novice investors, SBI E\*TRADE SECURITIES is establishing an Internet site for these customers.

#### Strategy for Widening the “Long-Tail”: Increase Trading Frequency

SBI E\*TRADE SECURITIES will endeavor to increase trading frequency by customers through such means as offering HYPER E\*TRADE, a real-time trading tool, as well as HYPER MOBILE, a mobile version, which feature enhanced trading functions to support active trading. SBI E\*TRADE SECURITIES has also begun issuing ATM cards (cash card/ E\*TRADE JCB card).

In December 2005, we strengthened and expanded our trading system to enable the handling of 1.5 million accounts, compared with 1 million accounts previously. We further expanded this system to handle 1.75 million accounts in May 2006 and to handle 2 million accounts in July 2006. Recognizing that trading systems are the lifeblood of the operations of online securities companies, we plan to

### From Early-on, SBI E\*TRADE Has Achieved a “Long-Tail” Earnings Curve



Together by offering greater convenience and functionality, HYPER E\*TRADE is the online securities industry's first trading tool that enables the placement of orders using only mouse operations.

flexibly expand and fortify such systems in the future, thereby offering stress-free trading environments for individual investors.

In this manner, SBI E\*TRADE SECURITIES will continue to offer the industry's lowest brokerage commission levels, while striving to raise customer convenience. This will allow it to continue both lengthening and widening the “long-tail,” which represents a broad range of customers, and facilitate further business expansion.

### Harmonizing Internet and Brick-and-Mortar Operations in the Securities Business

Customers under age 40 account for approximately 52% of the customers of online securities company SBI E\*TRADE SECURITIES. In contrast, customers aged 60 and above account for 53.6% of the customers of brick-and-mortar (face-to-face) securities company SBI Securities.

The SBI Group's “customer-centric” principle places emphasis on providing all types of products and services to customers in every age bracket regardless of whether or not these customers use the Internet. In keeping with this principle, we must offer a sufficient range of services to customers in age groups characterized by low Internet usage. For products requiring detailed explanations or for high-risk products, persons in charge of sales must answer all questions to ensure that customers have a solid understanding of these products when investing. Given the nature of these transactions, brick-and-mortar channels are more appropriate for sales of these products while conversely sales via the Internet can be problematic for certain segments. Accordingly, to ensure thorough adherence to the “customer-centric” principle, we believe that both Internet and brick-and-mortar channels are essential and will thus work to build an investment environment capable of addressing the broad-ranging needs of all customers.

### Harmonizing Internet and Brick-and-Mortar Customer Bases

Complement mutual customer base by age bracket

(At the end of March 2006)

