

ANNUAL REPORT 2006

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Monex Beans Holdings, Inc.

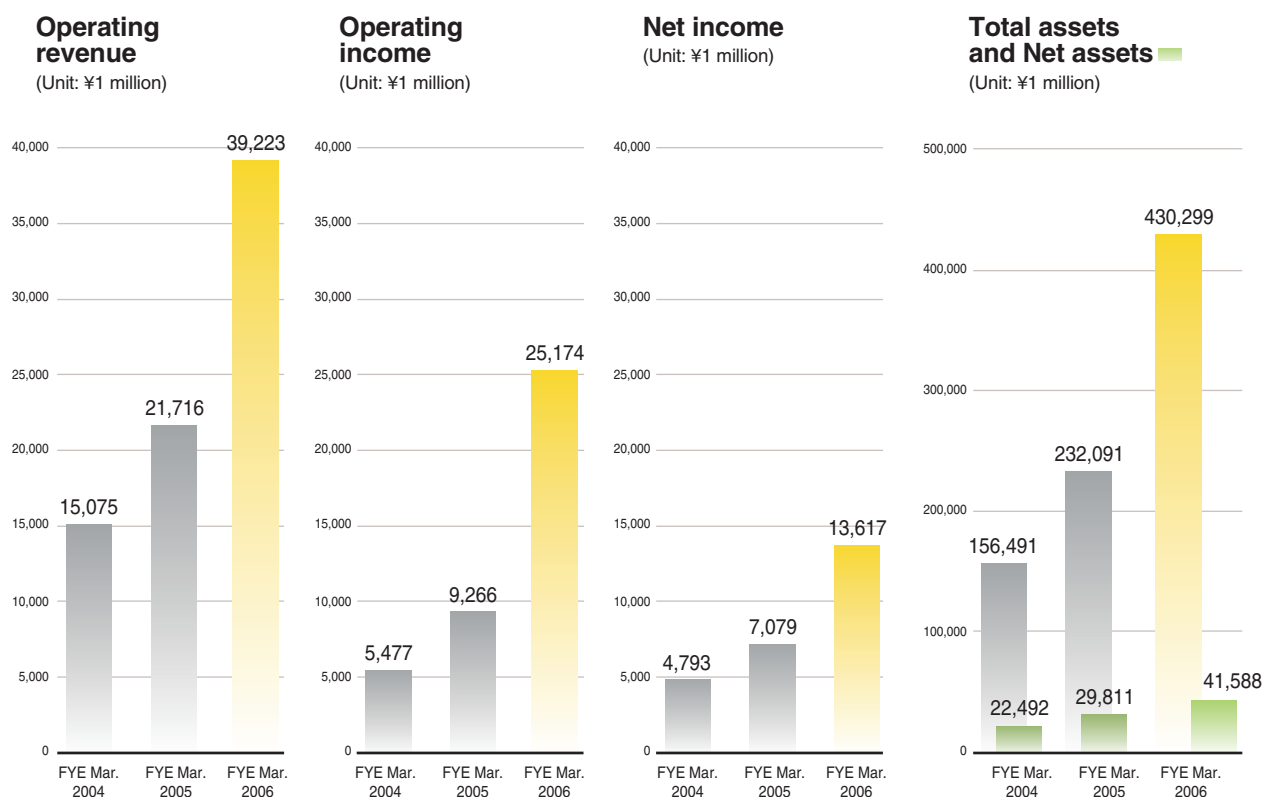
## Business Outlook

# Promoting a Next Generation Business Model Specializing in Retail Markets under Solid Results

<Performance in Fiscal Year Ending March 2006>

- vs. FYE March 2005: Operating revenues rose by 80.6%, Operating income rose by 171.7%  
Ordinary profit rose by 171.7%, and Net income rose by 92.3%
- Acquired the first lead manager mandate as an online brokerage firm and  
Achieved No.1 underwriting performance in terms of amount among online brokerage firms.
- Introduced “Asia Focus,” the first of a series of original alternative investment products.
- Growing trend of FX business (Foreign Exchange Trading)  
Approximately 37, 600 accounts and outstanding balance of 21 billion yen as of March 31, 2006.

## Financial Highlights



● Figures after FYE Mar. 2005 are the consolidated figures for Monex Beans Holdings, Inc. Figures concerning earlier fiscal years are simple sums of those for Monex, Inc. and Nikko Beans, Inc.  
On all subsequent pages in this report, unless otherwise specified, all figures stated for periods prior to the fiscal year ended March 2005, are a simple sum of the Monex and Nikko Beans figures from the fiscal year indicated.



## A Message from Oki Matsumoto, President and Chief Executive Officer

### Pursuing New Financial Services in a Borderless Age

Driven by stock trading of individual and foreign investors under the strong economic recovery trend, the stock market in 2005 was a very favorable market for our business.

Under this environment we expanded our products and services, acquired new accounts, and promoted new businesses. We achieved the highest level of profits from various businesses in addition to our main stock brokerage business.

Japanese society faces future uncertainty such as recent slowdown of economic growth rates, rapid aging of the population, and decline in population. Individuals are pressed to be more independent and to manage their financial assets themselves based on future life planning. On the other hand, as deregulation of Japanese financial industries among banks, securities firms, and insurance companies has been promoted, we ensure that moves toward democratization of Japanese capital markets are realized. Adequately responding to these changes in Japanese social conditions, the Monex Group is focusing on developing new products and upgrading current products and services in order for individual investors to have more options for their asset management.

In September 2005 Monex Beans Holding's shares were listed on the first section of the Tokyo Stock Exchange, changed from the TSE Mothers Market. We believe that this change has enormous significance in recruiting talented people, fund-raising, business alliances and so on.

The Monex Group will continue to heighten its corporate value by realizing stable management through providing integrated financial services to benefit individuals' property accumulation and diversifying revenue sources.

- August 2004 President and Chief Executive Officer, Monex Beans Holdings, Inc.
- April 1999 to Present Chief Executive Officer, Monex, Inc.
- November 1994 General Partner and Managing Director of The Goldman Sachs Group, L.P.
- April 1990 Joined Goldman Sachs (Japan) Ltd.
- April 1987 Joined Salomon Brothers Asia, Ltd.

#### Others

- Member of Standing Committee, Japan Securities Dealers Association
- Member of Advisory Committee on Market Operation, Tokyo Stock Exchange (TSE)

A handwritten signature in grey ink, appearing to read 'Oki Matsumoto', is written across the bottom left of the page.

# Supporting Individuals' Property Accumulation by Providing Integrated Financial Services.

Strategic deployment of our group subsidiaries by taking advantage of our holding company structure allows us to flexibly respond to changes in the financial industry.

## ● Monex, Inc.

A brokerage firm that offers various financial products and services to meet asset management needs of individual investors.

## ● Monex Alternative Investments, Inc.

An investment advisory company specializing in alternative investment products; Jointly established with Asuka Asset Management Limited.

## ● Monex University, Inc.

An investment education company targeting individual investors; jointly established with Toyota Financial Services Corporation, Kodansha Ltd. and NetLearning, Inc.

## ● Monex Business Incubation, Inc.

A venture capital company that finds and incubates start-up ventures related to financial services.

## ● WR Hambrecht & Co Japan, Inc.

A research company that studies the feasibility of conducting OpenIPO<sup>®\*</sup> business in Japan; jointly established with ZenShin Capital Partners and WR Hambrecht.

\*OpenIPO<sup>®</sup>: The world's first Dutch auction IPO method pioneered by WR Hambrecht, used for IPOs of companies such as Google, Inc. and Morningstar, Inc. OpenIPO<sup>®</sup> is aimed to improve the transparency and fairness of the IPO pricing and distribution processes for investors, brokerage firms, and issuing entities.

## ● Trade Science Corporation

A preparatory company to provide investment advisory and asset management services utilizing computer program system for stock trading; jointly established with W-it Corporation (Information and technology laboratories founded by Waseda University).



### **MBH's Management Philosophy**

- MBH will dedicate ourselves to the interests of individual customers.
- MBH will provide supreme financial services to all individual customers with various needs.
- MBH aims to become the most credible financial institution for all individuals.

### **Stock Brokerage & Underwriting Business**

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### **Mutual Funds & Alternative Investments Business**

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### **Fixed Income & FX Business**

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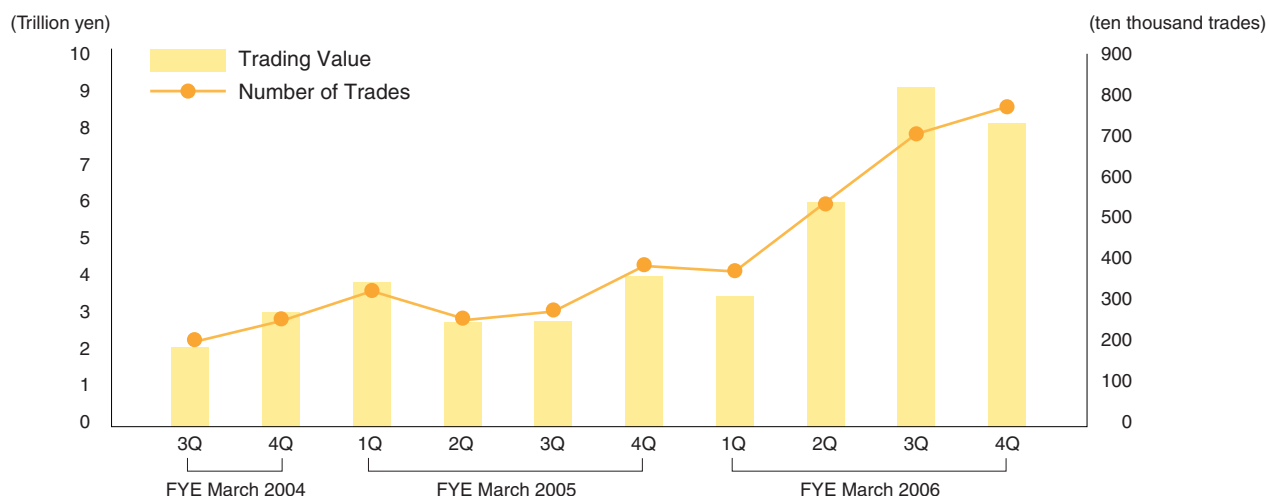
# Stock Brokerage & Underwriting Business

## Monex Continues to Grow at a Steady Pace, Supported by a Wide Range of Customers

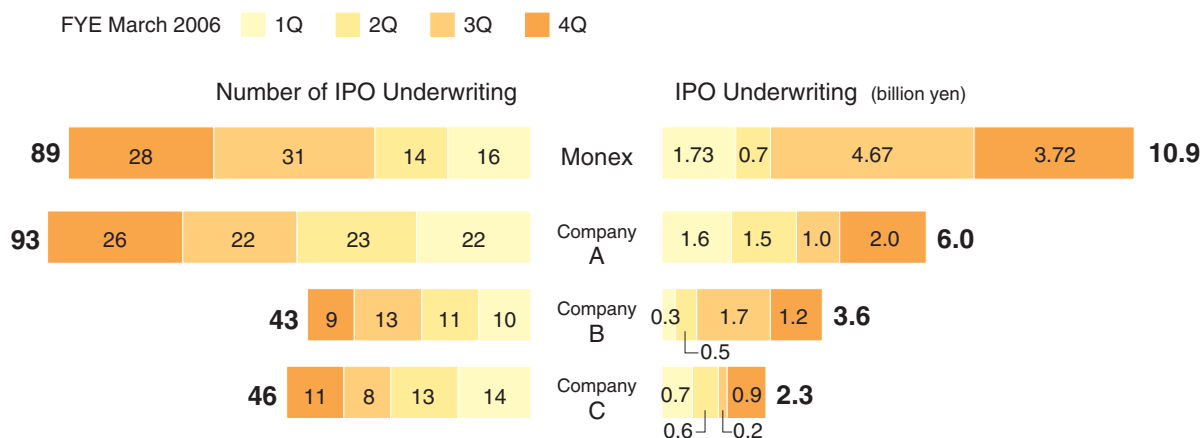
In the stock brokerage business, Monex offers a vast array of services that satisfy customers ranging from general to active investors such as an attractive commission structure, a variety of investment information tools, "Small Unit Stock Trading" service whereby investors can start investing with a small amount of money, "Monex Nighter" service offering convenient night-time trading, and stock lending service. Monex enjoys a top league position among securities brokerage firms in terms of its market share of trading volume by individual investors. Also, in underwriting of IPOs that are highly popular among customers, Monex became the first online brokerage firm in Japan to win a sole lead manager mandate, showing top performance as a front-runner.

### Data

#### Trading Value / Number of Trades



#### IPO Track Records



Source: Monex, Inc., Underwriting date basis

Assuming every individual as our customer, the Monex Group will offer a broad range of products and services that are suited to each customers' needs.

## Products & Services Only Monex Can Provide

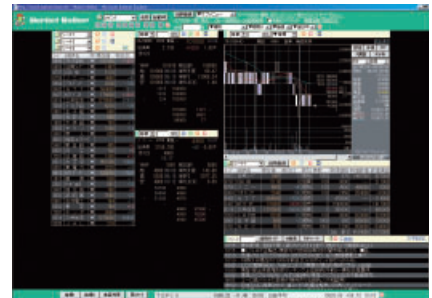
### Advanced Trading Tools >>>

Providing a trading environment that satisfies active investors

- Automated trading tools
- A wide variety of trading tools
- World's first real-time mobile service to automatically update stock price information free of charge



"Kabusoku Pocket"



Trading tool "Market Walker"

### Expanding Names of IPO Shares >>>

For further expansion of the stock brokerage business, we recognize that it is important to enhance the number of names of IPO shares. We have concentrated heavily on the IPO underwriting business and achieved a sole lead manager mandate first among online brokerage firms and No.1 performance in terms of underwriting amount among online brokerage firms.

- Distribution Policy for IPO shares
  - Creating many healthy individual investors by distributing IPO shares fairly to customers
    - "Advanced Payment" Book Building
    - "Lottery" Allocation
- New Developments
  - Establishment of the Corporate Finance Department  
Meticulously following up various needs of listed companies after IPO
  - Establishment of the China Capital Markets Desk  
Underwriting and research on IPOs for unlisted Chinese companies aiming for listing in the Japanese stock markets.
  - Establishment of a preparatory company aiming to realize OpenIPO  
Pursuing transparent and fair pricing and allocation of IPO shares

#### IPO Underwriting League Table

FYE March 2006		
Ranking		Number of IPOs
1	Mitsubishi UFJ	114
2	Nikko Citigroup	98
3	Shinko	97
4	E*TRADE	93
5	Daiwa SMBC	92
6	Monex	89
6	Nomura	89
8	Okasan	60
9	Mizuho Investors	55
10	Takagi	53

(Mitsubishi UFJ's records are counted by deducting duplication between former Mitsubishi Securities and former UFJ Tsubasa Securities in FYE March 2006.)

### Steady winning of lead manager mandates extends Monex's track record in the underwriting business.

The Investment Banking Division covers a full spectrum of the IPO process: finding companies with IPO potential aiming for listing on emerging markets, underwriting and offering shares, supporting IR activity, and building a shareholder base after the IPO. We are supporting companies that raise funds in stock markets for the first time, which is definitely one of their critical corporate events. Accordingly, I always have a sense of mission as a professional engaging in one of the most fundamental aspects of capitalism.

At the same time, it is also our important responsibility to

carefully evaluate whether the company qualifies as an eligible investment for individual investors. Through this evaluation process, we are aiming to develop a base where individual investors feel comfortable in participating in capital markets.

We will continue our efforts to focus on discovering good companies and will continue to acquire lead manager mandates in IPOs.



Masahiro Shimomura  
General Manager,  
Corporate Finance  
Department, Investment  
Banking Division,  
Monex, Inc.

## ■ Providing Rich Investment Information >>>

**Timely provision of original investment information essential to results in investments.**

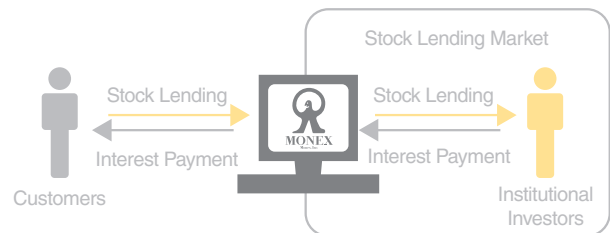
- Financial Mail Magazine “Monex Mail” ...Approximately 420,000 subscribers (One of the most popular mail magazines in the industry)  
...Issuing everyday (Except Sunday)
- “Monex Market Mail” ...Approximately 55,000 subscribers  
...Providing timely information 4 times a day
- Top Class Investment Information ...Real-time stock prices, Market Board for professionals, Stock related rankings,  
Stock market information



## ■ Stock Lending Service >>>

**Through this service, customers can receive interest rates by lending their stocks to Monex. This is Monex’s original service aspired to realize new profit opportunities for our customers.**

- Almost all listed stocks available
- Lent stocks can be sold anytime
- Service also available for “special accounts”
- Issuance of Stock Lending Passbooks to check interests and dividend equivalent amount received



### Constant communication with institutional investors is the key to success.

Stock lending transactions are effected only when potential borrowers’ needs match the conditions offered by potential lenders. In this context, stock lending plays an important role in stock markets because it helps improve share liquidity and therefore contributes to greater activities. Up until recently, the stock lending market has been a closed one among institutional investors.

In January 2003, we started our proprietary stock lending service for individual investors, leveraging our edge of capability of grasping stock lending market trends through close communication with institutional investors. Although it took some time until institutional

investors came to appreciate our stock lending service, we were eager to provide our individual customers with this new profit earning opportunity, which had previously been enjoyed only by institutional investors. Currently, customers’ accounts for the service exceed 10,000, with over 60 billion yen in outstanding balance. We would like as many long-term investors as possible to enjoy benefits as market participants through our stock lending services, an epoch-making service unprecedented even in global terms.



Yoshifumi Matsumoto  
Treasury Department,  
Monex, Inc.

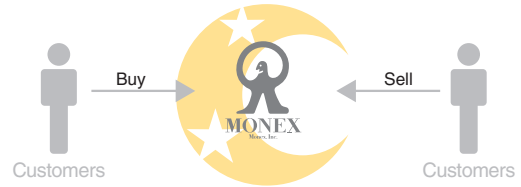


## Monex Nighter >>>

### Monex Night Time Trading System

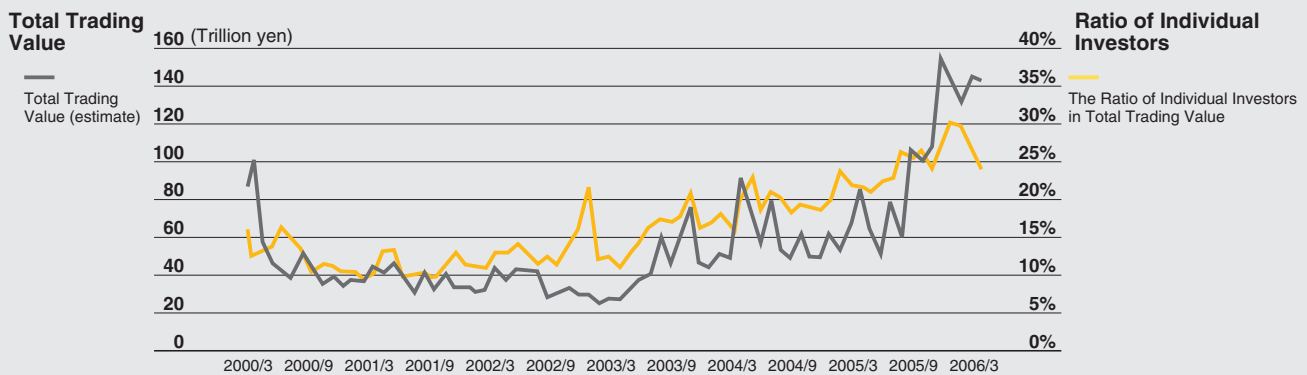
Since January 21, 2001, Monex has been providing this original proprietary trading system service to provide investment opportunities during night hours (17:30-23:59). The trading value in March 2006 reached 10 billion yen.

- Only 500 yen per trade (regardless of the number of stocks traded)
- Introduction of "Chance Stocks" that customers could purchase with a discount of up to 7%
- Over 3,000 names available



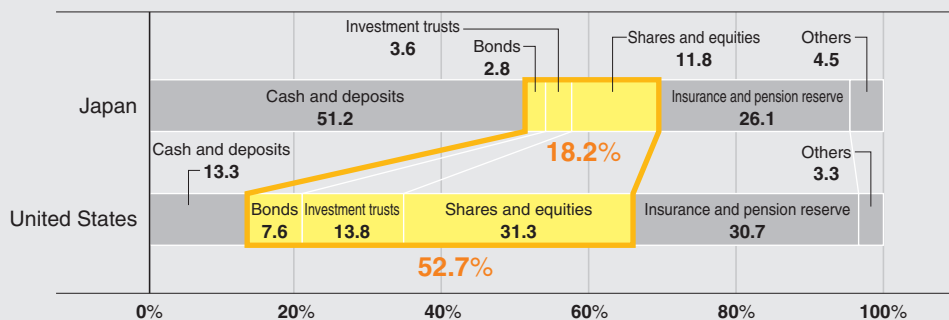
## Online trading in stocks is a major trading method for individuals

—The Trend of Individual Investors in Japan—



Source: Tokyo Stock Exchange, Inc. Monthly Trading Value By Investor Type: Tokyo, Osaka & Nagoya  
Jasdaq Securities Exchange, Inc. Monthly Report of Trading by Investor Type

### Financial Assets Held by Households (End of Dec. 2005)



Source: Research and Statistics Department, Bank of Japan

In conjunction with the recent recovery of the Japanese economy, the trading value of stocks increased and the proportion of individual investors in the total trading value of stocks has also steadily increased, reaching approximately 30% in December 2005. Supported by the development of the Internet society, the proportion of Internet trading by individual

investors has exceeded 80%.

On the contrary, the proportion of cash and deposits in the financial assets held by households in Japan is still high compared to that in the United States. It is expected that the financial assets held by Japanese individuals will flow into the securities market with growing interest in investment.

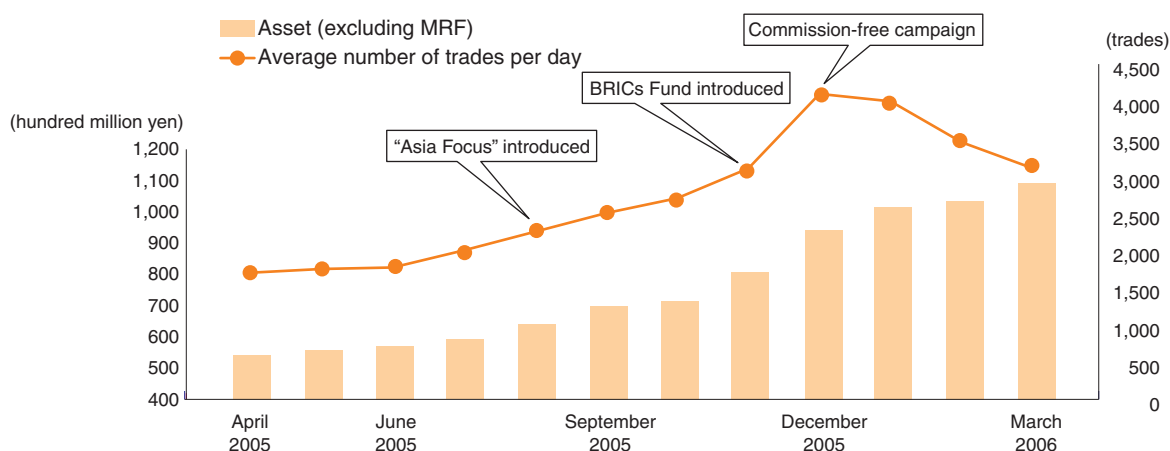
# Mutual Funds & Alternative Investments Business

**As a Front-runner of Online Integrated Financial Services Firm, MBH is Actively Promoting New Asset Management Type Business.**

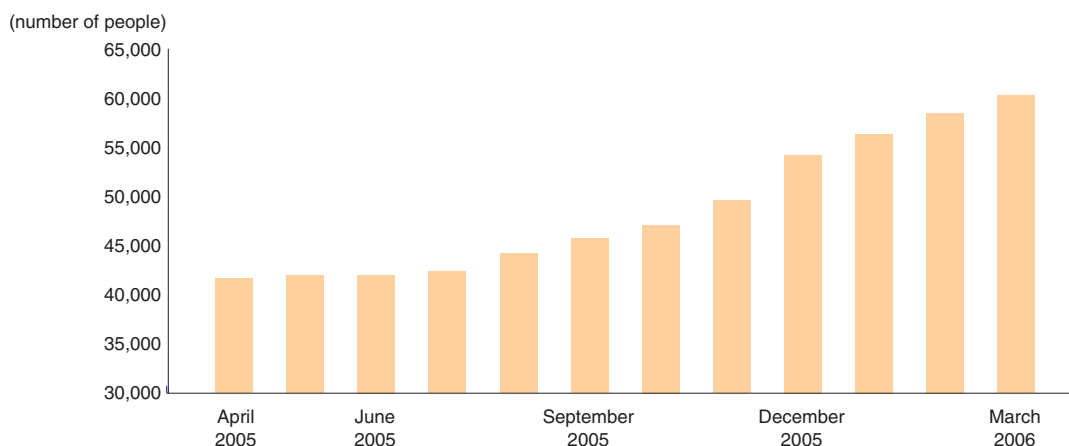
In light of growing property accumulation needs among individuals, we have carefully selected our products and services. Also, we have provided strategic products in a timely manner, such as active funds investing in the BRICs countries and "Asia Focus," our first alternative investment product. Our mutual funds business has grown to become a sustainable and stable revenue source less effected by market fluctuations, posting healthy growth both in terms of number of contracts and sales value.

## Data

### Mutual Funds/Asset Volume and Number of Trades (per business day)



### Number of Mutual Funds Owners Increased Dramatically



In order to offer a broad range of services and products, Monex Group believes we must be highly professional in the financial services industry.

## Growth Strategy of the Mutual Funds Business

Our outstanding balance of mutual funds excluding MRF has doubled in one year to over 100 billion yen as of March 31, 2006. Monex is a top class online distributor in terms of online mutual fund sales amount among all financial institutions in Japan.

### ■ No-Load Funds >>> Distributing no-load funds since foundation

Promoting various types of mutual funds free of sales commission. Popular “Monex’s Selection Funds” were also sales commission free during the campaign period.

### ■ Monthly Purchase Plan >>> Steady increase in subscription with rising needs of stable property accumulation

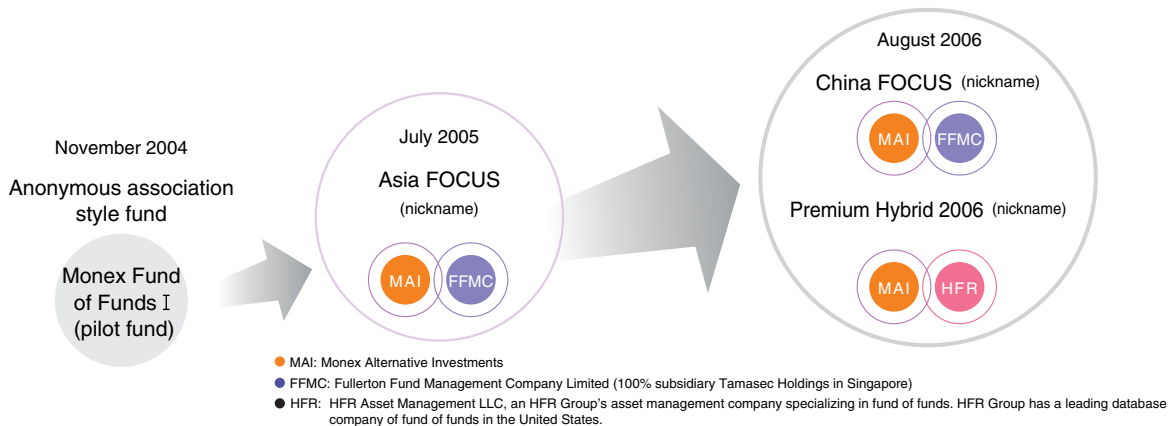
Monthly purchase plans available from 10,000 yen with various payment methods such as direct debit from the Monex account, bank account, and credit card.

### ■ Timely Provision of Products >>> Strategic introduction of BRICs funds such as China, India and Brazil.

Actively holding seminars for customers for better understanding of new investment opportunities.

## Sales of Our Original Mutual Funds, “Alternative Investment Funds,” Gains Momentum

Alternative investment is a different type of investment compared to conventional investments such as stocks and bonds, and is less vulnerable to market fluctuations. They have been exclusive to institutional investors and wealthy individuals to diversify their portfolio. At Monex, we have lowered the minimum investment amount in the form of mutual funds for individual investors.



Katsuki Mandai  
General Manager,  
Strategic Planning  
Department, Monex,  
Inc.

### Providing individual investors with investment opportunities in alternative investment funds.

Monex, Inc. has focused on developing alternative investment products as a product to reflect customers' comments such as: "I want a product less vulnerable to stock market fluctuations" and "I don't know when I should invest." Since alternative investment is generally an investing method aimed at positive return rates, I think it is a good product to meet such needs. One of the advantages for customers to invest in alternative

investment products is investment diversification from the point of portfolio management. Another advantage is that customers can expand investment options such as targeting medium risk and return between stocks and bonds from the point of product selection. I think it is Monex's advantage that we can access to funds of high quality by leveraging our own network.

Going forward, we will continue to make all efforts to provide investment opportunities in funds of high quality to individual investors.

# Fixed Income & FX Business

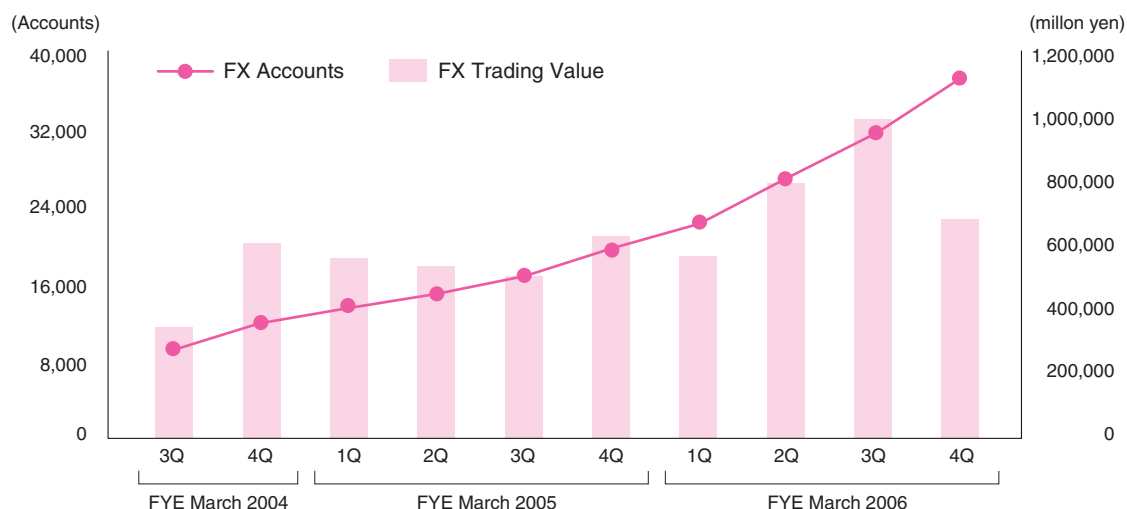
## Fixed Income and FOREX Products — Adding Variety to Investment Diversification

Individual investors' interests in asset management are shifting from savings and deposits to investments that reflect their lifestyle and values. Our fixed income and FOREX products, alternatives to savings and deposits, are attracting attention as one of the options that can be used to broaden the range of investment diversification.

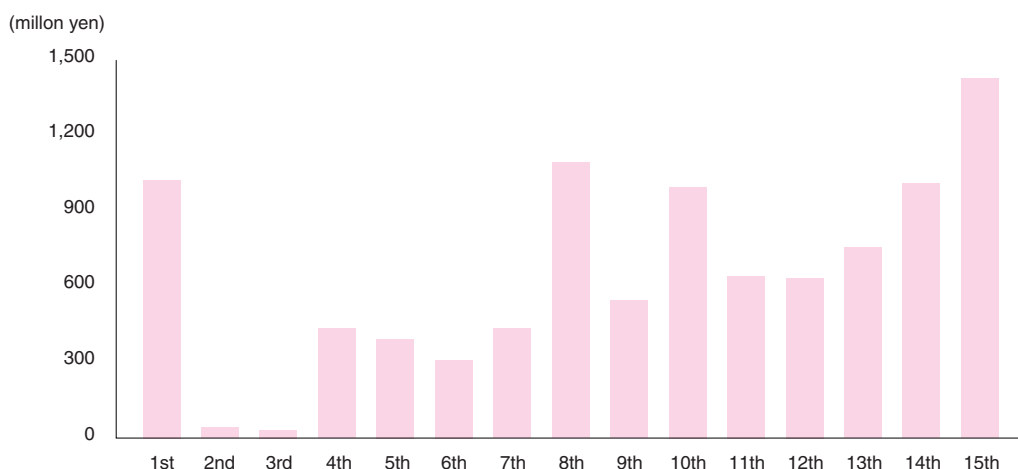
We have been providing attractive fixed income products for investment beginners such as JGBs for individuals and 100 currency denominated World Bank Notes.

### Data

#### FX Accounts and Trading Value



#### Sales of JBG for Individuals



The Monex Group believes that, regardless of fluctuations in the stock markets, we should propose products and services to meet customers' needs to increase financial assets.

## Foreign Exchange Trading “Monex FX”

With growing interest in international situations and increasing recognition of importance in global asset allocation, the need for foreign currency investment is now higher than ever. Under these circumstances the number of accounts and the outstanding balance of Monex FX has increased steadily with further understanding of product characteristics such as lower spreads and commission and use of leverage. Monex is now a top class foreign exchange broker for retail customers in Japan.

- Minimum margin amount of 5,000 yen
- 8 currency pair trading available: USD/JPY, EUR/JPY, GBP/JPY, AUD/JPY, CHF/JPY, CAD/JPY, NZD/JPY, EUR/USD

## Fixed Income Business is Becoming Monex’s Flagship Following Stock Brokerage Business and Mutual Funds Business.

Amid signs of rising interest rates, we believe that fixed income investment will become even more attractive. We are focusing on investment education and building of an investment platform to make fixed income products more familiar to our customers.

### ■ JGB for Individuals >>>

- Steady sales of JGBs starting since the first issue
- 5 year fixed-rate bonds and 10 year floating-rate bonds available

### ■ 100 Currency Denominated World Bank Notes >>>

- Monex made it available to purchase World Bank Notes from 100 currency units (normally available only from 1,000 currency units)
- More than 60% of purchasers are first-time purchasers of World Bank Notes

Comparison of World Bank Notes issued in April 2006.

	Currency	Term	Interest rate
MONEX	AUD	3 yrs	5.28%
A -Securities	AUD	approx 3 yrs	5.05%

### ■ “Monex World Bank Notes Market” >>>

- Monex’s original purchase order system of World Bank Notes. Customers can choose their desired currency and terms at set interest rates. The notes may be issued at a favorable rate if interest rates rise during the application period.



Yuko Takenaka  
Manager, Strategic  
Planning Department,  
Monex, Inc.

### Making fixed income investment closer to our customers

At Monex, Inc., we provide financial products to allow customers to diversify their investment portfolio. We started offering foreign currency denominated fixed income notes from an early date and we continue to offer World Bank

Notes with the highest rating as our main fixed income product. One of the attractive aspects of the fixed income product is that customers can plan and invest to match the events in their life cycle such as

home acquisition and education of their children. We are focusing on enhancing the lineup of our fixed income products to meet the diversified needs of our customers. As a part of this effort, we started offering the World Bank Notes, denominated in 100 currency units to enable a broader range of customers to buy the notes. With Japan's ultra-low interest rate policy coming to an end, we are planning to provide yen denominated notes and we will continue to structure investment products that reflect the needs of our customers.

## Customer Satisfaction

# Customer satisfaction is the key to our growth.

### Promotion of communication contributes to the penetration of the “Monex” brand.

Since 1999 when we started as a pure-online brokerage firm, we have aimed to offer a vast lineup of products and services that would benefit individual investors' asset management. Our plans to become an integrated financial services company started to take shape in 2004 when MBH was established through the merger of Monex, Inc. and Nikko Beans, Inc. The business model we envisaged was to offer products and services, such as stocks, mutual funds, alternative investment products, fixed income products, and FX products, that are suitable for individual investors' asset management needs, to ordinary individual customers at appropriate terms and conditions.

Customer satisfaction in our products and services is the important key for success of this business model. It is desirable that customers fully understand descriptions of our products and transaction rules disclosed on our website before purchasing our products and services online. As we currently have approximately 630,000 accounts of a variety of customers, we are fully aware that our business should start by making each customer fully understand rules regarding our products and services.

For this purpose, we provide various means of communication other than our website, such as a call center, Monex Lounge @ Ginza, and investment seminars and lectures held at various locations by Monex University. In particular, we have doubled the capacity of the call center in response to growing inquiries from customers. We offer a “Direct Call Service for Beginners,” a dedicated telephone line through which highly experienced operators provide first-time investors with guidance on our products and services while at the same time accepting their comments and requests.

Comments and requests from customers received through the call center and Monex Lounge @ Ginza are centrally managed

by our Customer Satisfaction Department and utilized for service improvement, creation of new products and services as well as other marketing activities.

We believe that high eventual returns of customers will lead to improvement in customer satisfaction. To achieve this, it is essential to offer a wide range of products and services catering to individual customer needs, and to provide support to improve our customers' financial literacy. However, we think that there is still room for improvement in showing good results and convincing customers that we offer quality services. For fiscal 2006, we are strengthening our product structuring capability while focusing on improvement in customer recognition of our products and services as well as enhancement of multi-dimensional investment education.

With Japan's population having started to decline and economic growth slowing, there are signs of changes in social lives and individual values, prompted by further development of broadband connection. We predict that people will change their asset management style as well: investors will move from a conventional asset management method depending on bank deposits to a balanced investment method in which they structure asset portfolios in line with their life designs. We believe that, if our ongoing efforts of offering integrated financial services to individual investors lead to customer satisfaction, we will be able to enhance our corporate value through sustainable growth that is less affected by economic trends.



**Kyoko Kudo**  
Deputy President and  
Representative Director



### Call Center - The face of Monex

Telephone operators at our call center play an important role as “the face of Monex.” As the number of accounts and trading value have drastically increased, we have increased the number of our operators. In March 2006, we expanded and renovated our call center. We also set a dedicated telephone line in order to meticulously respond to various customers' needs.

- “Direct Call Service for Beginners” —A dedicated telephone line through which experienced telephone operators offer full support to first-time investors.
- “PC Support Dial” —Customer friendly, support for investors to solve their PC related problems.



### “Monex Lounge @ Ginza” - an audio-visual library offering investment-related services

Responding to customers' comments that they felt a little uncomfortable using a financial services firm that does not operate a physical branch, Monex opened Monex Lounge @ Ginza on the fourth floor of Sony Building in Ginza, Tokyo, in July 2005. At the Lounge, customers can open accounts and have explanations on our products and services from a customer service representative directly. The Lounge also functions as a library for investment education, where customers can browse books and DVDs on investment and participate in small group seminars. Serving as an antenna-shop where customers can become familiar with Monex in an “off-line” environment, Monex Lounge @ Ginza is open on weekends as well.

We believe that MBH should work for clear disclosure as well as listening to various opinion from customers who are our center of value judgment in order to realize MBH's basic philosophy

## Our New Companies



### Establishment of our Investor Education Company, Monex University, Inc.



Representative Director,  
President  
**Shinobu Naito**  
Monex University, Inc.

**The key to democratization of the capital markets is the spread of basic knowledge about finance.**

**Q Monex University, Inc., is the first company dedicated to investor education in Japan. Why was it established?**

**A** Thanks to the popularization of online trading in stocks, among other factors, the number of individual investors is increasing. To expand the democratization of the capital markets even further, we want more individual investors to realize solid returns on their investments. That requires education in investment, and improvement of their knowledge on basics of finance. Educating investors is also important in building the Monex brand, by preventing loss of customers who might leave us because they are not receiving the desired return on their investments.

From the asset formation point of view, it is important to set up an appropriate investment plan based on clarifying what the investment objectives are. Knowledge of a variety of products and services is required to do so. Monex University will provide educational programs to meet those needs of individual investors.

**Utilizing intellectual assets online and offline**

**Q What is the business outlook?**

**A** We plan to expand operations by maximizing use of our intellectual assets, including Monex's investor education contents. For the time being, our focus will be on providing information online through Monex Mail, a service of Monex, Inc., contents and instructors for investors at seminars and study sessions off line, etc. Monex University was jointly capitalized by Toyota Financial Services Corporation, Kodansha Ltd., and NetLearning, Inc., and is collaborating with these companies in e-learning, publishing, and company's in-house training in asset management such as the Japanese version of 401K plans. In the near future, it should be possible to expand our contents and know-how in the area of investor education to other companies apart from Monex, Inc.

## Two Future-oriented Companies

**"Kaburobo," a robot with artificial intelligence (AI) to be in charge of asset management in the future.**

In April 2006, MBH and W-it Corporation jointly established Trade Science Corporation to provide investment advisory and asset management services through an investment management method using a computer program system ("Systems Trading Investment"). W-it Corporation hosts a "Kaburobo Programming Contest" to research and develop Systems Trading Investment. Trade Science is currently developing "Kaburobo," a new generation tool that adopts AI concepts for the purpose of providing investment advisory and asset management services employing algorithmic management. In the foreseeable future, we can envisage a time when "Kaburobo" will handle asset management services.



**Establishment of WR Hambrecht & Co Japan, Inc. aiming to realize OpenIPO®**

In September 2005, MBH jointly established WR Hambrecht & Co Japan, Inc. ("WRHJ") with WR Hambrecht that pioneered the use of IPO auctions in the U.S. with the introduction of OpenIPO®, an Internet-based Dutch auction system method, and ZenShin Capital Partners, a California based venture capital firm offering support to corporations active in global businesses. Founded as a firm for researching and studying feasibility of OpenIPO® in Japan, WRHJ will seek ways to improve transparency of the IPO pricing and distribution processes through introduction of the Dutch auction system for IPOs held in Japan.

# Financial Review

## Results of Operations

(from April 1, 2005 to March 31, 2006)

During the fiscal year, Japanese stock markets were solid as the Nikkei 225 Stock Average, which started the fiscal year at around ¥11,000, rose to the levels over ¥17,000 at the end of the period. The trading value of the first section of the Tokyo Stock Exchange grew steadily, driven by domestic individual investors and foreign investors, and the average trading value per business day by retail investors rose to levels over ¥1,500 billion in December 2005 and January 2006. Under these circumstances, stock brokerage commissions, Monex Beans Holdings, Inc.'s (the "Company") core revenue source, and sales of mutual funds and the number of IPOs the Company managed maintained high levels. Customer accounts at the end of the year totaled 631,548, increasing 192,034 from the end of the previous fiscal year and customers' assets in custody were ¥2,248.7 billion, increasing ¥743.7 billion.

### (Commission Revenues)

Commission revenues totaled ¥32,168 million (an increase of 79.4% year-on-year) in the fiscal year under review.

#### 1. Brokerage Commissions

Brokerage commissions were ¥27,307 million (an increase of 77.8% year-on-year), owing to favorable stock market conditions in Japan.

#### 2. Underwriting and Distribution Commissions

The Monex Group was involved in the underwriting of 89 initial public offerings, of which 3 deals were lead manager status. Distribution commissions worth ¥807 million (an increase of 210.4% year-on-year).

#### 3. Subscription and Distribution Commissions

Because commissions from distribution of BRICs funds were steady, subscription and distribution commissions totaled ¥762 million (an increase of 159.0% year-on-year).

#### 4. Other Commission Revenues

Other commission revenues came to ¥3,292 million (an increase of 63.4% year-on-year), including ¥2,235 (an increase of 58.4% year-on-year) million in commissions from margin forex trades and ¥363 million (an increase of 77.4% year-on-year) in agency commissions related to mutual funds.

### (Trading Profit and Loss)

Net gain on trading came to ¥84 million (a decrease of 45.0% year-on-year); primarily foreign exchange gains stemming from sales of foreign mutual funds and foreign currency-denominated bonds and margin foreign trades.

### (Financial Income)

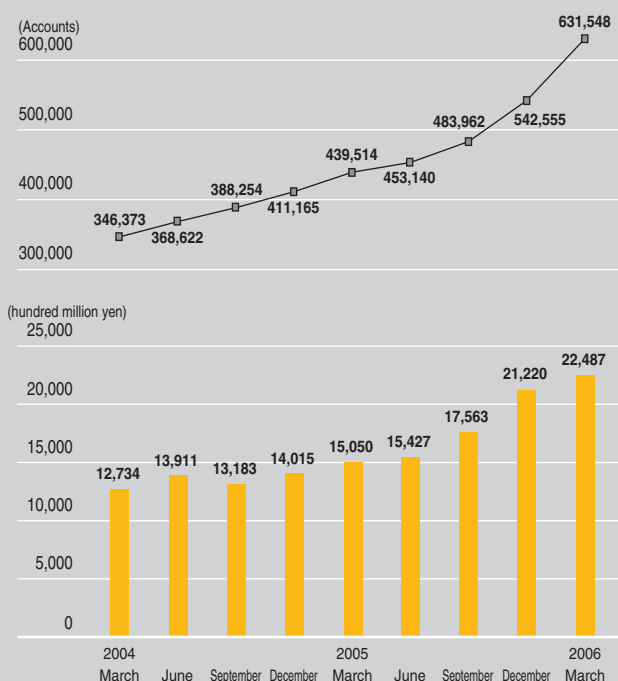
Financial income totaled ¥6,743 million (an increase of 95.0% year-on-year), of which ¥5,933 million (an increase of 89.2% year-on-year) was generated from margin accounts. After financial expenses are deducted, net financial income came to ¥5,331 million (an increase of 119.2% year-on-year).

As a result, operating revenues totaled ¥39,223 million (an increase of 80.6% year-on-year), and net operating revenues, excluding financial expenses, came to ¥37,811 million (an increase of 82.7% year-on-year).

### (Selling, General and Administrative Expenses)

As transactions grew, commission paid and exchange and association dues increased 50.6% to ¥1,993 million, while outsourcing expenses related to computer systems and back office operations decreased 6.1% to ¥3,304 million partly because of the merger of two securities subsidiaries. Also, advertising expenses increased 143.4% to ¥1,217

### Accounts/Asset



### Commission Revenues

	FYE March 2005				Total
	Equity securities	Bonds	Investment trusts	Others	
Brokerage	15,276	-	44	43	15,363
Underwriting and distribution	260	-	-	-	260
Subscription and distribution	32	15	247	-	294
Other Commissions	253	-	223	1,538	2,014
<b>Total</b>	<b>15,821</b>	<b>15</b>	<b>514</b>	<b>1,581</b>	<b>17,931</b>

	FYE March 2006				Total
	Equity securities	Bonds	Investment trusts	Others	
Brokerage	27,173	-	93	41	27,307
Underwriting and distribution	807	-	-	-	807
Subscription and distribution	25	15	722	-	762
Other Commissions	403	-	387	2,502	3,292
<b>Total</b>	<b>28,408</b>	<b>15</b>	<b>1,202</b>	<b>2,543</b>	<b>32,168</b>



million as a result of aggressive marketing activities. Total amount of selling, general and administrative expenses increased 10.6% to ¥12,637 million.

Taken together, operating income amounted to ¥25,174 million (an increase of 171.7% year-on-year) for the fiscal year under review.

#### (Other)

Other expenses, net, totaling ¥1,478 million include ¥744 million (an increase of 63.5% year-on-year) in provision for securities transactions.

All told, net income before income taxes and minority interests totaled ¥23,696 million (an increase of 174.4% year-on-year) and net income ¥13,618 (an increase of 92.3% year-on-year) million for the fiscal year under review.

## Financial Conditions

The Company spent ¥51,758 million in operating activities and ¥3,022 million in investing activities during the fiscal year, while generating ¥75,835 million in financing activities. As a result, cash and cash equivalents at the end of the year was ¥47,060 million, up ¥21,055 million compared with the beginning of the year.

### The following is a breakdown of cash flow for the fiscal year under review:

#### (Net Cash Used in Operating Activities)

Cash flow used in operating activities came to ¥51,758 million.

Income before income taxes and minority interests totaled ¥23,696 million, guarantee money received increased by ¥28,035 million, deposits received increased by ¥35,663 million, and a net cash increase of ¥38,980 million resulted from loans receivable secured by securities and loans payable secured by securities. Conversely, major items of cash used in operating activities were ¥91,183 million in margin transaction assets and liabilities, an increase of ¥47,947 million in cash segregated for customers and others.

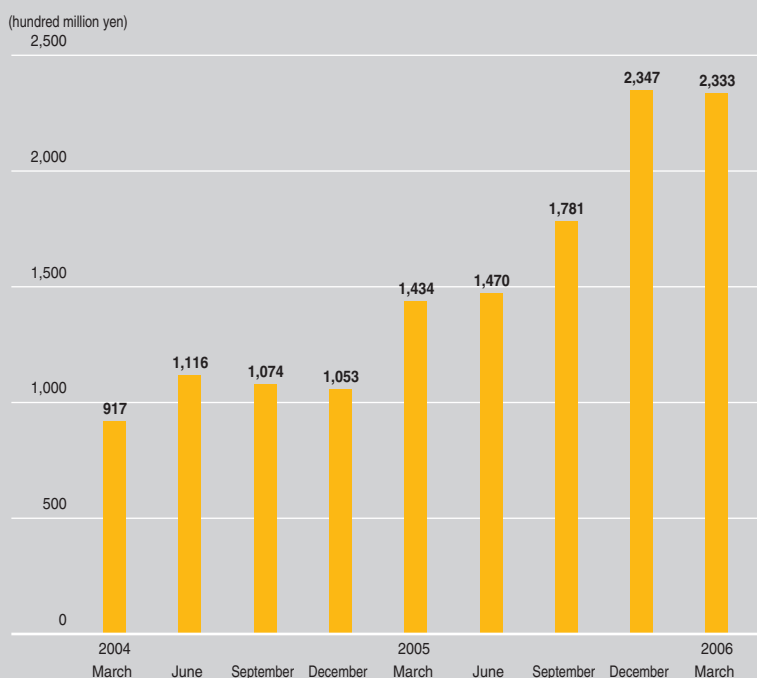
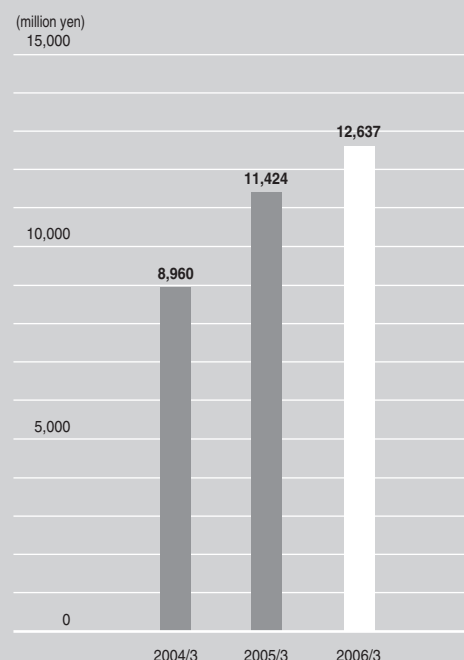
#### (Net Cash Used in Investing Activities)

Cash flow used in investing activities totaled ¥3,022 million. A total of ¥2,513 million was used for purchases of investment securities.

#### (Net Cash Provided by Financing Activities)

Net cash provided by financing activities amounted to ¥75,835 million. Major item of cash provided by financing activities were ¥32,500 million from short-term borrowings, ¥2,500 million from commercial paper and ¥42,000 million from long-term borrowings.

### ■ Selling, General and Administrative Expenses ■ Margin Balance



# Financial Statements

## Consolidated Balance Sheets

As of March 31, 2006 and 2005

Assets	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
<b>Current assets:</b>			
Cash and deposits	¥ 69,081	¥ 26,005	\$ 588,074
Cash segregated for customers and others	109,766	61,888	934,417
Trading assets (Notes 6 and 8)	520	246	4,427
Margin transaction assets (Note 3)	219,091	130,817	1,865,080
Payments on securities subscribed	1,192	292	10,147
Short-term guarantee money deposited	5,843	7,994	49,740
Accrued revenues	2,147	1,092	18,277
Deferred tax assets (Note 10)	1,151	497	9,798
Short-term loans receivable	11,037	16	93,956
Other	5,825	2,049	49,588
Allowance for doubtful receivables	(4)	(178)	(34)
	425,649	230,718	3,623,470
<b>Property and equipment, at cost:</b>			
Buildings	157	92	1,336
Furniture and fixtures	37	280	315
Accumulated depreciation	(29)	(273)	(247)
	165	99	1,404
<b>Intangible assets, net of amortization:</b>			
Goodwill	61	82	519
Software	99	46	843
Other	10	10	85
	170	138	1,447
<b>Investment and others:</b>			
Investment securities (Notes 4, 5 and 7)	3,788	766	32,247
Long-term guarantee deposits	419	326	3,567
Deferred tax assets (Note 10)	5	43	43
Other	498	37	4,239
Allowance for doubtful receivables	(395)	(35)	(3,363)
	4,315	1,137	36,733
	¥ 430,299	¥ 232,092	\$ 3,663,054

The accompanying notes are an integral part of the financial statements.

Liabilities and Shareholders' Equity	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Current liabilities:			
Trading liabilities (Notes 6 and 8)	¥ 182	¥ 126	\$ 1,549
Margin transaction liabilities (Note 3)	83,312	86,221	709,219
Loans payable secured by securities	45,563	6,585	387,869
Deposits received	63,188	27,525	537,908
Guarantee money received	78,000	49,966	663,999
Short-term borrowings (Note 12)	61,000	26,000	519,281
Income taxes payable (Note 10)	9,405	2,214	80,063
Accrued employees' bonuses	206	159	1,754
Allowance for point services	591	388	5,031
Other	3,402	2,004	28,962
	344,849	201,188	2,935,635
Non-current liabilities:			
Long-term debts (Note 12)	42,000	—	357,538
	42,000	—	357,538
Statutory reserves (Note 13):			
Reserve for securities transactions	1,810	1,066	15,408
Reserve for commodities transactions	22	7	187
	1,832	1,073	15,595
Commitments (Note 14):			
Minority interests	30	19	255
Shareholders' equity (Note 15):			
Common stock:	8,800	8,800	74,913
Authorized - 8,800,000 shares			
Issued - 2,344,687 shares			
Capital surplus	15,155	15,155	129,012
Retained earnings	17,598	5,804	149,808
Net unrealized holding gains on securities, net of taxes	35	53	298
	41,588	29,812	354,031
	¥ 430,299	¥ 232,092	\$ 3,663,054

## Consolidated Statements of Income

For the fiscal years ended March 31, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Operating revenues:			
Commission revenues (Note 18)	¥ 32,168	¥ 17,931	\$ 273,840
Net gain on trading account	84	153	715
Financial income (Note 18)	6,743	3,458	57,402
Other operating revenues	228	174	1,941
	39,223	21,716	333,898
Financial expenses (Note 19)	1,412	1,026	12,020
Net operating revenues	37,811	20,690	321,878
Selling, general and administrative expenses (Note 20)	12,637	11,424	107,576
Operating income	25,174	9,266	214,302
Other incomes (expenses):			
Gain on sales of investment securities	99	—	841
Gain on sales of intangible assets	50	—	426
Merger costs of subsidiaries	(467)	—	(3,975)
Cost of listing	(248)	—	(2,115)
Loss on outsourcing contract cancellation	(69)	—	(589)
Loss on disposal of fixed assets	(96)	(11)	(817)
Provision for securities transactions (Note 13)	(744)	(455)	(6,334)
Provision for commodities transactions (Note 13)	(15)	(7)	(128)
Organization costs	—	(87)	—
Director's retirement benefits	—	(73)	—
Other, net	12	1	109
	(1,478)	(632)	(12,582)
Income before income taxes and minority interests	23,696	8,634	201,720
Income taxes (Note 10):			
Current	10,269	2,131	87,418
Deferred	(191)	(576)	(1,617)
	10,078	1,555	85,801
Minority interests	—	—	(8)
Net income	¥ 13,618	¥ 7,079	\$ 115,927

Per share amounts	Yen		U.S. dollars
	2006	2005	2006
Net income	¥ 5,677.31	¥ 3,001.49	\$ 48.33
Cash dividends per share applicable to the year	1,500.00	500.00	12.77

The accompanying notes are an integral part of the financial statements.

## Consolidated Statements of Shareholders' Equity

For the fiscal years ended March 31, 2006 and 2005

	Millions of Yen			
	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Holding Gains on Securities, net of taxes
Balance at April 1, 2004	¥ 13,697	¥ 10,012	¥ (1,215)	¥ —
Increase (Decrease) due to the share transfer	(5,020)	5,020	—	—
Stock option exercised	123	123	—	—
Net income	—	—	7,079	—
Increase in net unrealized holding gains on securities	—	—	—	53
Bonuses paid to directors	—	—	(60)	—
Balance at March 31, 2005	8,800	15,155	5,804	53
Net income	—	—	13,618	—
Cash dividends paid	—	—	(1,173)	—
Bonuses paid to directors	—	—	(47)	—
Decrease due to the merger of subsidiaries	—	—	(604)	—
Decrease in net unrealized holding gains on securities	—	—	—	(18)
Balance at March 31, 2006	¥ 8,800	¥ 15,155	¥ 17,598	¥ 35

	Thousands of U.S. Dollars			
	Common Stock	Capital Surplus	Retained Earnings	Net Unrealized Holding Gains on Securities, net of taxes
Balance at April 1, 2004	\$ 116,600	\$ 85,231	\$ (10,343)	\$ —
Increase (Decrease) due to the share transfer	(42,734)	42,734	—	—
Stock option exercised	1,047	1,047	—	—
Net income	—	—	60,262	—
Increase in net unrealized holding gains on securities	—	—	—	451
Bonuses paid to directors	—	—	(511)	—
Balance at March 31, 2005	74,913	129,012	49,408	451
Net income	—	—	115,927	—
Cash dividends paid	—	—	(9,985)	—
Bonuses paid to directors	—	—	(400)	—
Decrease due to the merger of subsidiaries	—	—	(5,142)	—
Decrease in net unrealized holding gains on securities	—	—	—	(153)
Balance at March 31, 2006	\$ 74,913	\$ 129,012	\$ 149,808	\$ 298

The accompanying notes are an integral part of the financial statements.

## Consolidated Statements of Cash Flows

For the fiscal year ended March 31, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥ 23,696	¥ 8,634	\$ 201,720
Depreciation	77	141	656
Provision for allowance for doubtful receivables	185	177	1,575
Provision for allowance for point services	202	287	1,720
Gain on sales of investment securities	(99)	—	(843)
Increase (decrease) in accrued employees' bonuses	46	(154)	392
Decrease in severance and retirement benefits for employees	(79)	(13)	(673)
Interest income and dividend income	(6,756)	(3,468)	(57,513)
Interest expense	1,412	1,027	12,020
Increase in cash segregated for customers and others	(47,947)	(17,811)	(408,164)
Increase in segregated cash included in cash and deposits	(22,021)	—	(187,461)
Increase in trading assets	(152)	(32)	(1,294)
Increase in margin transaction assets, net of increase in margin transaction liabilities	(91,183)	(34,610)	(776,224)
Decrease in loans receivable secured by securities and in loans payable secured by securities	38,980	1,458	331,829
Increase in short-term loans	(11,021)	—	(93,820)
(Increase) decrease in short-term guarantee money deposits	2,151	(4,428)	18,311
Increase in deposits received	35,663	12,476	303,592
Increase in guarantee money received	28,035	17,334	238,657
Increase (decrease) in consumption taxes payable	395	(50)	3,363
Payment for directors' bonuses	(47)	(60)	(400)
Other, net	(4,638)	917	(39,482)
Sub total	(53,101)	(18,175)	(452,039)
Interest and dividend received	6,241	3,264	53,129
Interest paid	(1,407)	(1,052)	(11,978)
Income taxes paid	(3,491)	(24)	(29,718)
Net cash used in operating activities	(51,758)	(15,987)	(440,606)
<b>Cash flows from investing activities:</b>			
Purchases of property and equipment	(19)	(36)	(162)
Purchases of intangible assets	(81)	(104)	(690)
Proceeds from sales of intangible assets	50	—	426
Purchases of investment securities	(2,513)	(80)	(21,401)
Proceeds from sales of investment securities	149	—	1,268
Payment for purchase of investments in affiliates	(590)	—	(5,023)
Proceeds from sales of investments in affiliates	12	20	102
Payments for long-term guarantee deposits	(124)	(145)	(1,056)
Proceeds from long-term guarantee deposits	100	95	851
Other, net	(6)	12	(41)
Net cash used in investing activities	(3,022)	(238)	(25,726)
<b>Cash flows from financing activities:</b>			
Increase in short-term borrowings	32,500	26,000	276,666
Increase in commercial paper	2,500	—	21,282
Increase in long-term debts	42,000	—	357,538
Dividends paid	(1,165)	—	(9,917)
Proceeds from common stock issuance	—	245	—
Net cash provided by financing activities	75,835	26,245	645,569
Net increase in cash and cash equivalents	21,055	10,020	179,237
Cash and cash equivalents at beginning of year	26,005	15,985	221,376
Cash and cash equivalents at end of year	¥ 47,060	¥ 26,005	\$ 400,613

The accompanying notes are an integral part of the financial statements.

# Notes to Consolidated Financial Statements

## 1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Monex Beans Holdings, Inc. (the “Company”) have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different from International Financial Reporting Standards with respect to certain application and disclosure requirements.

On August 2, 2004, Monex, Inc. (“Monex”) and Nikko Beans, Inc. (“Nikko Beans”) established the Company as a holding company by means of a statutory share exchange and became wholly owned subsidiaries of the Company. This transaction was accounted for using the pooling-of-interests method. The combination of both companies (Monex and Nikko Beans) into one entity is deemed to correspond to a combination of interests, considering the nature of the businesses, financial conditions and earnings records of both companies and because both companies jointly bear the parent company’s risks and provide the parent company benefit.

Monex and Nikko Beans merged as of May 1, 2005 and adopted the name Monex Beans, Inc. for the merged entity. Monex Beans, Inc. changed its name to Monex, Inc. on December 3, 2005.

The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of consolidated statement of shareholders’ equity) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law of Japan. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2006, which was ¥117.47 to U.S. \$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

## 2. Summary of Significant Accounting Policies

### (1) Principles of Consolidation

The consolidated financial statements are required to include the accounts of the Company and significant companies that are controlled by the Company through substantial ownership of more than 50% of the voting rights or through ownership of a high percentage of the voting rights, even if it is equal to or less than 50%, and existence of certain conditions evidencing control by the Company of decision-making bodies of such companies.

The accompanying consolidated financial statements include the accounts of the Company and three of its subsidiaries for the year ended March 31, 2005 and four of its subsidiaries for the year ended March 31, 2006. The Company’s major consolidated subsidiaries as of March 31 2006 are Monex, Inc. and Monex Alternative Investments, Inc.

Monex Capital Partners I, Inc. (“MCPI”) was not consolidated. The business combination of Monex and Nikko Beans has been accounted for using the pooling-of-interest method. Accordingly, all of the assets and liabilities of Monex and Nikko Beans as of April 1, 2004 and their operating results from April 1, 2004 have been included in the consolidated financial statements for the year ended March 31, 2004, regardless of the date of the establishment of the Company.

### (2) Application of equity method

Investments in significant affiliates, of which the Company has ownership of 20% or more but less than or equal to 50%, and of 15% or more and less than 20% and can exercise significant influences over operating financial policies of investees, have been accounted for by the equity method.

Investments in all of significant affiliates, which were two companies for the year ended March 31, 2006, were accounted for by using the equity method.

Investment in an unconsolidated subsidiary, Monex Capital Partners I, Inc. (“MCPI”) is stated at cost. If the MCPI had been consolidated or the equity method of accounting had been applied to MCPI, the effect on the accompanying consolidated financial statements would not be material.

### (3) Trading Account

The Company prescribes “trading” to be the conduct of transactions for the purpose of earning profit by taking advantage of fluctuations in market prices and differentials between markets as well as reducing losses from them, using securities exercised in one’s own account, products which are treated as securities, derivatives trading, money claims, currency trading and other transactions.

a) **Securities in the Trading Account**

Securities classified as the trading account (trading assets) are accounted for based on a trade date basis at market value or fair value.

b) **Derivative Contracts in the Trading Account**

Derivative contracts in the trading account are accounted for based on a trade date basis at market value or fair value. Accordingly, realized gains and losses on foreign-currency transactions are included in "net gain on trading account". Deemed settlement gains and losses on these transactions are recorded in the trading account and "net gain on trading account".

**(4) Accounting for Financial Instruments not Classified in the Trading Account**

a) **Securities**

Based on the intent of the Company and its consolidated subsidiaries, these securities are classified as 1. Debt securities intended to be held to maturity ("held-to-maturity debt securities"), 2. Equity securities issued by unconsolidated subsidiaries and affiliated companies and 3. All other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

**1. Held-to-maturity Debt Securities**

Held-to-maturity debt securities are stated at amortized cost (with discounts and premiums accreted and amortized using the interest method).

**2. Equity Securities issued by Unconsolidated Subsidiaries and Affiliated Companies**

Equity securities issued by unconsolidated subsidiaries and affiliated companies that are not accounted for by equity method are stated at cost.

**3. Available-for-sale Securities**

(Securities with a Readily Ascertainable Market Value)  
Available-for-sale securities with a readily ascertainable market value are stated at fair market value as of balance sheet dates. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity. Realized gains and losses on sale of such securities are computed using the moving-average method.

(Securities without a Readily Ascertainable Market Value)

Available-for-sale securities without a readily ascertainable market value are stated at cost, using

the moving average method.

Investment in limited partnership is recorded at net asset values based on most recent financial statements of partnership corresponding to the Company's share.

b) **Derivatives**

Derivative contracts are stated at fair value.

**(5) Depreciation and Amortization of Non-current Assets**

a) **Property and Equipment**

Depreciation of property and equipment is computed using the declining-balance method over the estimated useful lives.

b) **Intangible Assets**

Goodwill related to the acquisition of the Company's membership on the Tokyo Stock Exchange and Osaka Securities Exchange is recorded at cost and amortized using the straight-line method over a five-year period.

The unamortized amount of certain goodwill of Monex that will be impaired upon the merger with Nikko Beans, has been written off to other expense for the year ended March 31, 2005.

Software for internal use is capitalized and amortized using the straight-line method over the estimated useful life (five years).

**(6) Impairment of Fixed Assets**

Effective April 1, 2005, the Company and its consolidated subsidiaries adopt the new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for the accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No.6 issued by the Accounting Standards Board of Japan on October 31, 2003).

As a result of adopting the new standard, there is no effect on the accompanying consolidated financial statements.

**(7) Organization Costs**

Organization costs are expensed when incurred.

**(8) Basis of Computation of Allowance**

a) **Allowance for Doubtful Receivables**

An allowance for doubtful receivables is provided in an



amount considered to be sufficient to cover estimated losses. Uncollectible amounts are calculated by estimating amounts for certain identified doubtful accounts and applying a percentage based on the rate of actual losses in the past for other accounts.

**b) Accrued Employees' Bonuses**

Accrued employees' bonuses are provided for estimated amounts to be paid in the subsequent period.

**c) Severance and Retirement Benefits for Employees**

The Company and some of its consolidated subsidiaries have defined contribution pension plans.

Nikko Beans abolished the lump-sum severance and retirement payment plans upon merger with Monex on May 1, 2005. Accordingly, Nikko Beans estimated the amounts payable if all employees involuntarily terminated their employment as of March 31, 2005, and recorded such amounts as a current liabilities (See Note 11).

**d) Allowance for Point Services**

An allowance for point services is provided for the future reduction of commission revenues for granted and outstanding incentive points to be used after the end of the current fiscal year, using an estimated usage rate based on records of usage.

**(9) Lease Transactions**

Finance lease transactions, other than those wherein ownership of the lease property is regarded as being transferred to the lessee, are accounted for in the same manner as operating leases.

**(10) Hedge Accounting**

The Company applies hedge accounting to forward foreign exchange contracts for the purpose of reducing risk of foreign exchange fluctuations of foreign currency denominated securities that is classified as available-for-sale securities.

The effectiveness of the hedge is assessed by comparing the cumulative amount of valuations in the forward foreign exchange contracts and the cumulative amount of valuations in the hedged securities.

**(11) Income Taxes**

Deferred income taxes are recorded to reflect the effect of temporary differences between the carrying amounts of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently

enacted tax laws to the temporary differences. A valuation allowance is provided if it is anticipated that some or all of deferred tax assets may not be realized.

**(12) Consumption Taxes**

Consumption taxes are accounted for based on the tax exclusion method.

**(13) Per Share Amounts**

The computation of net income per share is based on the weighted average number of shares of common stock outstanding during the year.

Diluted net income is not presented since securities with dilutive effect have not been issued.

**(14) Cash and Cash Equivalents**

Cash and cash equivalents in the consolidated statement of cash flows consist of cash on hand, demand deposits, and readily marketable short-term investments bearing low risk of price fluctuation with maturities not exceeding three months.

**3. Margin Transactions**

Margin transactions as of March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
<b>Assets :</b>			
Loans receivable from customers	¥ 216,263	¥ 125,265	\$ 1,841,006
Cash deposits as collateral for securities borrowed from securities finance companies:	2,828	5,552	24,074
	¥ 219,091	¥ 130,817	\$ 1,865,080

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
<b>Liabilities:</b>			
Loans from securities finance companies	¥ 66,187	¥ 67,991	\$ 563,437
Proceeds of securities sold for customers' accounts	17,125	18,230	145,782
	¥ 83,312	¥ 86,221	\$ 709,219

**4. Pledged Assets**

Collateral for loan transactions with securities finance companies as of March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Securities in custody for loans receivables from customers	¥ —	¥ 1,667	\$ —
Securities deposited by customers as collateral for margin transactions	¥ 50,634	¥ 24,851	\$ 431,034
	¥ 50,634	¥ 26,518	\$ 431,034

Collateral for borrowings from securities finance companies as of March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Investment securities	¥ —	¥ 314	\$ —

Total fair value of the securities deposited as collateral as of March 31, 2006 and 2005 consisted of the following (excluding securities mentioned above):

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Securities lending for margin transactions	¥ 18,671	¥ 19,330	\$ 158,943
Securities pledged for borrowings from securities financial companies or securities exchange brokers	68,483	66,990	582,983
Securities loaned	47,104	7,025	400,987
	¥ 134,258	¥ 93,345	\$ 1,142,913

Total fair value of the securities received as collateral as of March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Securities in custody for loans receivable from customers	¥ 213,815	¥ 120,555	\$ 1,820,167
Securities borrowed from securities finance companies	2,872	5,301	24,449
Securities borrowed	44,689	28,028	380,429
Securities received as guarantee for margin transactions	234,456	110,590	1,995,880
	¥ 495,832	¥ 264,474	\$ 4,220,925

## 5. Investment in Non-consolidated Subsidiary and Affiliates

Investment in non-consolidated subsidiary and affiliates included in investments securities as of March 31, 2006 and 2005 had carrying amounts of ¥602 million (\$5,124 thousand) and ¥10 million, respectively.

## 6. Trading Assets and Liabilities

Trading assets as of March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Equity securities	¥ 263	¥ 133	\$ 2,239
Investment trusts	—	26	—
Bonds	255	87	2,171
Forward foreign exchange contracts	2	—	17
	¥ 520	¥ 246	\$ 4,427

Trading liabilities as of March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Investment trusts	¥ 180	¥ 126	\$ 1,532
Forward foreign exchange contracts	2	—	17
	¥ 182	¥ 126	\$ 1,549

## 7. Investment Securities

The acquisition cost and book value of available-for-sale securities with a readily ascertainable market value as of March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		
	2006		
	Acquisition Cost	Book value	Difference
Investment trusts	¥ 1,221	¥ 1,270	¥ 49
Total	1,221	1,270	49

	Millions of Yen		
	2005		
	Acquisition Cost	Book value	Difference
Equity securities	¥ 50	¥ 140	¥ 90
Total	50	140	90

	Thousands of U.S. Dollars		
	2006		
	Acquisition Cost	Book value	Difference
Investment trusts	\$ 10,394	\$ 10,811	¥ 417
Total	10,394	10,811	417

The book value of available-for-sale securities without a readily ascertainable market value as of March 31, 2006 and 2005 was as follows:

	Millions of Yen
	2006
Unlisted companies stocks	¥ 1,694
Investment in limited partnership	223
<b>Total</b>	<b>¥ 1,917</b>

	Millions of Yen
	2005
Unlisted companies stocks	¥ 518
Investment in limited partnership	98
<b>Total</b>	<b>¥ 616</b>

	Thousands of U.S. Dollars
	2006
Unlisted company stocks	\$ 14,421
Investment in limited partnership	1,898
<b>Total</b>	<b>\$ 16,319</b>

## 8. Derivatives

### (1) Type of Derivative Transactions Used

The Company and its consolidated subsidiaries use forward foreign exchange contracts.

### (2) Basic Policy for Derivative Transactions

The Company and its consolidated subsidiaries use derivative transactions in order to hedge currency fluctuation or interest rate risk.

### (3) Purpose of Derivative Transactions

The Company and its consolidated subsidiaries use forward foreign exchange contracts to minimize currency fluctuation risks of the foreign currency denominated securities.

### (4) Risks Involved in Derivative Transactions

Forward foreign exchange contracts have risk of foreign exchange fluctuations. The Company and its consolidated subsidiaries have forward foreign exchange contracts only with the financial institutions that are considered of good credit standing.

### (5) Internal Control for Derivative Transactions

Execution and management of derivatives transactions are managed as per internal regulations. The responsible departments calculate the necessary amount of forward foreign exchange contracts, and confirm whether such

transactions are based on actual demands.

In accordance with internal rules on risk management, coefficients for arithmetic risk management are calculated on the basis of the Cabinet Office ordinance regarding the capital adequacy rule for securities companies. The responsible department verifies the coefficients and makes reports to the board of directors.

Derivative contracts for trading purposes of March 31, 2006 and 2005 were as follows:

	Millions of Yen			
	2006			
	Assets		Liabilities	
	Contract Amount	Fair Value	Contract Amount	Fair Value
Forward Currency Contracts	¥ 75	¥ 2	¥ 64	¥ 2

	Millions of Yen			
	2005			
	Assets		Liabilities	
	Contract Amount	Fair Value	Contract Amount	Fair Value
Forward Currency Contracts	¥ 58	¥ —	¥ 30	¥ —

	Thousands of U.S. Dollars			
	2006			
	Assets		Liabilities	
	Contract Amount	Fair Value	Contract Amount	Fair Value
Forward Currency Contracts	\$ 638	\$ 17	\$ 545	\$ 17

Market value information of derivative transactions for non-trading purposes as of March 31, 2006 and 2005 is not disclosed because hedge accounting has been applied to all transactions.

## 9. Leases

Information as to leases and leased property such as pro-forma acquisition costs, accumulated depreciation, obligations under finance leases, depreciation expense and imputed interest expense of finance leases that do not transfer ownership of leased property and were accounted for as operating leases for the fiscal years ended March 31, 2006 and 2005 is as follows:

Acquisition costs and accumulated depreciation:

	Millions of Yen		
	2006		
	Acquisition costs	Accumulated depreciation	Net balance at year end
Furniture and fixtures	¥ 471	¥ 144	¥ 327
Software	200	60	140
Total	¥ 671	¥ 204	¥ 467

	Millions of Yen		
	2005		
	Acquisition costs	Accumulated depreciation	Net balance at year end
Furniture and fixtures	¥ 2,020	¥ 1,562	¥ 458
Software	1,832	1,135	697
Total	¥ 3,852	¥ 2,697	¥ 1,155

	Thousands of U.S. Dollars		
	2006		
	Acquisition costs	Accumulated depreciation	Net balance at year end
Furniture and fixtures	\$ 4,009	\$ 1,225	\$ 2,784
Software	1,703	511	1,192
Total	\$ 5,712	\$ 1,736	\$ 3,976

Future lease payments under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Within one year	¥ 112	¥ 582	\$ 953
Over one year	360	616	3,065
Total	¥ 472	¥ 1,198	\$ 4,018

Lease payments, depreciation and interest expense:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Lease payments	¥ 208	¥ 1,005	\$ 1,771
Depreciation	180	897	1,532
Interest expense	11	53	94

Depreciation of leased properties is calculated using the straight-line method over the estimated useful lives of the respective leased properties with zero residual value. The difference between total lease payments and acquisition cost of leased assets is calculated as interest expense, which is allocated to relevant accounting periods based on the interest method.

## 10. Income Taxes

The normal statutory income tax rate in Japan arising out of the aggregation of corporate, enterprise and inhabitants taxes was approximately 40.7% for 2006 and 2005.

The tax effects of significant temporary differences that result in deferred tax assets and liabilities at March 31, 2006 and 2005 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Deferred tax assets (Current)			
Enterprise tax payable	¥ 739	¥ 194	\$ 6,291
Allowance for point services	240	158	2,043
Accrued employees' bonuses	84	62	715
Other	94	155	800
Sub total	1,157	569	9,849
Valuation allowance	(6)	(72)	(51)
Total	1,151	497	9,798
Deferred tax assets (Non-current )			
Reserve for securities transactions	736	434	6,265
Reserve for commodities transactions	9	3	77
Allowance for doubtful receivables	161	14	1,371
Other	29	79	247
Sub total	935	530	7,960
Valuation allowance	(906)	(451)	(7,713)
Total	29	79	247
Deferred tax liabilities (Non-current )			
Net unrealized holding gains on securities	(24)	(36)	(204)
Total	(24)	(36)	(204)
Net deferred tax assets (Non-current)	5	43	43
Net deferred tax assets	¥ 1,156	¥ 540	\$ 9,841

The following table summarizes the significant differences between the statutory tax rate and the effective tax rate for financial statement purposes for the fiscal year ended March 31, 2005.

	2005
Statutory tax rate	40.7 %
(Adjustments)	
Decrease in the valuation allowance	(22.8)%
Other	0.1 %
Effective tax rate	18.0 %

Information for the year ended March 31, 2006 is not disclosed because the difference between the statutory tax rate and the effective tax rate is less than 5%.

## 11. Severance and Retirement Benefits

The Company and its consolidated subsidiary have defined contribution pension plans. Nikko Beans also had lump-sum severance and retirement plans. However, Nikko Beans abolished the lump-sum severance and retirement plans upon merger with Monex on May 1, 2005.

Severance and retirement benefits for employees included in the current liabilities of the consolidated balance sheet as of March 31, 2005 consisted of the projected benefit obligation related to the Nikko Beans lump-sum severance and retirement plans in the amount of ¥79 million (\$736 thousand).

Severance and retirement benefit expenses included in the consolidated statement of income for the years ended March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Service costs	¥ 11	¥ 34	\$ 94
Others	6	3	51
Severance and retirement benefit expenses	¥ 17	¥ 37	\$ 145

## 12. Short-term Borrowings and Long-term debts

Short-term borrowings at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Short-term borrowings: average interest rate 0.43%	¥ 58,500	¥ 26,000	\$ 497,999
Commercial paper: average interest rate 0.41%	2,500	—	21,282
	¥ 61,000	¥ 26,000	\$ 519,281

Long-term debts at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Borrowings from banks: average interest rate 0.47%	¥ 42,000	¥ —	\$ 375,538

The repayment schedule for the next five years and thereafter for long-term debts as of March 31, 2006 is as follows:

	Millions of Yen	Thousands of U.S. Dollars
2007	¥ —	\$ —
2008	¥ —	\$ —
2009	¥ 42,000	\$ 375,538
2010	¥ —	\$ —
2011 and thereafter	¥ —	\$ —

## 13. Statutory Reserves

Statutory reserves at March 31, 2006 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Reserve for securities transactions	¥ 1,810	¥ 1,066	\$ 15,408
Reserve for commodities transactions	22	7	187

The reserve for securities transactions is recorded in accordance with Article 51 of the Securities and Exchange Law of Japan, which requires a securities company to set aside a reserve in proportion to the volume of its securities transactions and other related trading to cover possible customer losses incurred by default of the securities company on securities transactions.

Reserve for commodities transactions is recorded in accordance with Article 221 of the Commodity Exchange Law, which requires a company to set aside a reserve in proportion to the volume of its commodities transactions and other related trading to cover possible customer losses incurred by default of the company on commodities transactions.

## 14. Commitments

Commitment lines of credit and overdraft for borrowings by the Company and its consolidated subsidiary as of March 31, 2006 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Commitment lines of credit and overdraft	¥ 134,000	¥ 78,000	\$ 1,140,717
Less amount executed	(53,000)	(24,000)	(451,179)
Unused amount	¥ 81,000	¥ 54,000	\$ 689,538

## 15. Shareholders' Equity

Under the Commercial Code of Japan (the "Code"), the entire amount of the issue price of shares is required to be accounted for as capital, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

The Code requires that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal earnings reserve until the total amount of legal earnings reserve and additional paid-in capital equals 25% of common stock. However the total amount of legal earnings reserve and additional paid-in capital of the Company has reached to 25% of common stock and therefore the Company is no longer required to provide legal earnings reserve. The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the shareholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal earnings reserve and additional paid-in capital remains equal to or exceeds 25% of common stock, they are available for distribution by the resolution of shareholders' meeting.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Code.

## 16. Capital Adequacy Requirements

In Japan, a securities company is subject to risk-based capital adequacy rules established and administered by the Financial Services Agency ("FSA"). Monex, Inc. reports its capital adequacy ratio as defined pursuant to these rules.

The capital adequacy rules require a securities company to report to the FSA if the ratio falls to 140% or below, and the securities company must report its capital adequacy ratio to the FSA on a daily basis while its ratio is 120% or below. As of March 31, 2006, capital adequacy ratio of Monex was 431.4% (unaudited).

## 17 Segment Information

### (1) Industry Segment

Industry segment information for the years ended March 31, 2006 and 2005 is not disclosed because operating revenue, operating income and assets related to securities brokerage and securities-related services all account for more than 90% of the Company's consolidated operating revenue, operating income and consolidated assets, respectively.

### (2) Geographic Segment

Geographic segment information for the years ended March 31, 2006 and 2005 is not disclosed because there is no consolidated overseas subsidiary or overseas branch office.

### (3) Overseas Sales

Information for overseas sales for the years ended March 31, 2006 and 2005 is not disclosed because overseas sales are less than 10% of the Company's consolidated operating revenues.

## 18. Commission Revenues

Details of commission revenues for the years ended March 31, 2006 and 2005 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Brokerage:			
Equity securities	¥ 27,173	¥ 15,276	\$ 231,319
Investment trusts	93	44	792
Other	41	43	348
Underwriting and distribution:			
Equity securities	807	260	6,870
Subscription and distribution:			
Equity securities	25	32	213
Bonds	15	15	128
Investment trusts	722	247	6,146
Other commissions:			
Equity securities	403	253	3,431
Investment trusts	387	223	3,294
Other	2,502	1,538	21,299
	¥ 32,168	¥ 17,931	\$ 273,840

## 19. Financial Income and Financial Expenses

Details of financial income for the years ended March 31, 2006 and 2005 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Income from margin transactions	¥ 5,933	¥ 3,136	\$ 50,507
Income from securities lending	540	166	4,597
Dividends received	246	141	2,094
Interest on bonds	6	5	51
Other interest income	18	10	153
	<u>¥ 6,743</u>	<u>¥ 3,458</u>	<u>\$ 57,402</u>

Details of financial expenses for the years ended March 31, 2006 and 2005 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Expenses for margin transactions	¥ 861	¥ 650	\$ 7,330
Expenses for securities lending	189	255	1,609
Interest expenses	362	121	3,081
	<u>¥ 1,412</u>	<u>¥ 1,026</u>	<u>\$ 12,020</u>

## 20. Selling, General and Administrative Expenses

The major components of selling, general and administrative expenses for the years ended March 31, 2006 and 2005 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Commissions paid	¥ 837	¥ 807	\$ 7,125
Exchange and association dues	1,157	517	9,849
Communication, freight and information expenses	1,989	1,707	16,932
Advertising expenses	1,217	500	10,360
Directors' compensation	186	149	1,583
Employees salaries	1,654	1,227	14,080
Provision for accrued employees' bonuses	206	159	1,754
Severance and retirement benefit expenses	17	37	145
Equipment rental and maintenance	451	1,377	3,839
Outsourcing expenses	3,304	3,518	28,126
Provision for allowance for doubtful receivables	185	177	1,575
Amortization and depreciation	77	71	656
Other operating expenses	1,357	1,178	11,552
	<u>¥ 12,637</u>	<u>¥ 11,424</u>	<u>\$ 107,576</u>

## 21. Cash and cash equivalents

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Cash and deposits	¥ 69,081	¥ 26,005	\$ 588,074
Segregated cash included in cash and deposits	(22,021)	—	(187,461)
Cash and cash equivalents	<u>¥ 47,060</u>	<u>¥ 26,005</u>	<u>\$ 400,613</u>

## 22. Subsequent Events

The following appropriation of retained earnings at March 31, 2006 was approved at the annual meeting of shareholders held on June 24, 2006.

	Millions of Yen	Thousands of U.S. Dollars
	Unappropriated retained earnings	¥ 3,783
Appropriations:		
Year-end cash dividends	3,517	29,940
Directors' bonuses	153	1,302
Retained earnings carried forward	<u>¥ 113</u>	<u>\$ 962</u>



## Independent Auditors' Report

### To the Board of Directors of Monex Beans Holdings, Inc.:

We have audited the accompanying consolidated balance sheets of Monex Beans Holdings, Inc. (a Japanese corporation) and consolidated subsidiaries as of March 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Monex Beans Holdings, Inc. and subsidiaries as of March 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2006 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

**KPMG AZSA & Co.**

Tokyo, Japan  
June 24, 2006

KPMG AZSA & Co., an audit corporation incorporated under the Japanese Certified Public Accountants Law, is the Japan member firm of KPMG International, a Swiss cooperative.



# Corporate Governance

The corporate governance system in decision-making, execution, and oversight in the management of the Group

## 1. Basic Concept on Corporate Governance

The Group has put in place a corporate governance system in each Group company; based on that system, each company will implement a full program of corporate governance as a fundamental frame work; further, promotion of disclosure and mechanisms for taking in a wide variety of opinions will function as checks on Group management and lead to balanced decision-making; they are thus regarded as important in making corporate governance function effectively.

## 2. Basic Policy on Internal Control Systems

The Company and Monex, Inc. regards building and implementing appropriate internal control systems as a critical management issue. Thus, acting in advance of enforcement of the Corporation Law in May 2006, both have set their fundamental policies for building a system of internal controls at the regular meetings of their board of directors held in March, 2006. Furthermore, as a system for verifying the status of those internal controls, in addition to checking by the board of directors and board of statutory auditors, both have systems for receiving the advice of outside counsel on internal controls and risk management, as appropriate.

The Company's basic policy on its internal control system is disclosed on its website (<http://www.monexbeans.net/>).

## 3. Board of Directors and Board of Statutory Auditors

The Company has adopted the board of statutory auditors system. As of June 24, 2006, the nine members of its board of directors include three external directors. The board of directors meets at least once a month for effective monitoring of operations. The four members of its board of statutory auditors include two external auditors.

## 4. Proactive Disclosure

The Company regards disclosure as of great importance and works to ensure ongoing disclosure in an easy-to-understand manner. It discloses operating revenues, net operating revenues and operating income monthly.

Monex, Inc., also implements proactive disclosure.

Disclosure is based on the Group disclosure policy, which has been set up to eliminate any arbitrariness, and the disclosure policy itself is disclosed on the Company website.

## 5. Establishing a Corporate Culture of Thorough Compliance

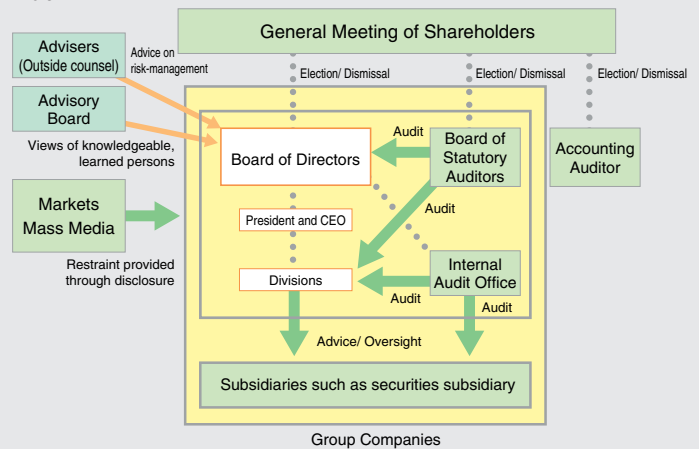
The Company regards awareness and implementation of ethical compliance as important not only for the management team but also for every employee of every company in the Group. It thus discloses the Monex Beans Ethical Compliance Policy on the Company website. Each of the companies in the Group holds regular monthly compliance meetings at which managers of all Group companies interact, and, furthermore, through company-wide meetings and in-house networks works to establish a corporate culture in which compliance underlies the thinking of every officer and employee in the Group.

## 6. Ongoing Disclosure and Declarations of Management's Perceptions and Thoughts on Current Status

The Company confirms the importance, from the point of view of corporate governance, of the ongoing disclosure and declaration of its management's perceptions and thoughts on current status; that disclosure functions as, in effect, a restraint on management from outside the company and from within. The CEO of Monex, Inc. expresses his perceptions and opinions in each issue of Monex Mail, an e-mail magazine that Monex, Inc., publishes every business day without fail since its first issue.

## 7. Advisory Board

This board consisting of intellectuals to secure balanced, neutral, multifaceted views and advice from a broad perspective. The board meets quarterly and provides valuable, broad-ranging advice on the management of the group as a whole.



## Directors & Auditors

As of June 24, 2006

Representative Director, President & CEO	Oki Matsumoto
Representative Director & Deputy President	Kyoko Kudo
Representative Director & Managing Director	Tomoshige Nakamura
Director	Tadasu Kawai
Director	Tsutomu Nakajima
Director	Seiji Kuwashima
Director	Yoshinori Hashitani
Director	Yuko Kawamoto
Director	Jun Makihara
Standing Statutory Auditor	Hisashi Tanaami
Statutory Auditor	Takehiko Moriyama
Statutory Auditor	Masakazu Sasaki
Statutory Auditor	Tetsuo Ozawa

	Monex, Inc.	Nikko Beans, Inc.		
1999	April	Monex, Inc. ("Kabushiki Kaisha Monex") jointly established by Oki Matsumoto and Sony		
	June	Japanese business name was changed to "Monex Shoken Kabushiki Kaisha" (English name was unchanged)		
	August	Became a member of the Japan Securities Dealers Association and started operations as a securities company		
	October	Entered an online brokerage and agency business, offering securities transactions via the Internet and telephone		
	November	Held the first Orientation Committee		
2000	April	Became a member of the Tokyo Stock Exchange		
	August	Shares were listed on the Tokyo Stock Exchange "Mothers" Market		
	December	Entered an alliance with Credit Saison Co., Ltd.		
2001	January	Launched "Monex Nighter," Japan's first proprietary trading system for individual investors		
	April	Exchange of shares resulted in Saison Securities Co., Ltd.'s becoming a wholly owned subsidiary		
	June	Absorbed and merged with Saison Securities Co., Ltd.		
	August	Began issuing the Monex <<Saison>> Card		
	October	Reciprocal use of post office ATMs with Monex <<Saison>> Cards began		
2002	February	Began selling of JGBs for individuals		
	November	Became a member of the Osaka Securities Exchange		
	December	Launched margin trading service		
2003	January	Began Stock Lending Service		
	April	Launched foreign exchange margin trading service		
	June	Launched trading in foreign currency denominated bonds		
	August	Established Monex Beans Holdings, Inc.		
2004		February	Launched commodity futures trading service (Beans CX)	
		March	Reached agreement to merge with Nikko Beans, Inc.	
		April	Became a trading participant on the Tokyo, Osaka, and Nagoya stock exchanges	
		August	Established Monex Beans Holdings, Inc.	
		October	Launched negotiable, open-ended margin trading service	
2005		October	Established Monex Alternative Investments, Inc. Established Monex Capital Partners I, Inc.	
		May	Monex Beans, Inc. is established through merger of Monex, Inc. and Nikko Beans, Inc.	
		May	Began offering Chinese Stocks	
		June	Became first online brokerage to win sole lead manager mandate in an IPO	
		July	Opened Monex Lounge@Ginza, a communication space in the Sony Building, at Ginza, Tokyo Launched first Alternative Investment Product, "Asia Focus"	
		September	Changed listing of stocks to Tokyo Stock Exchange Section One Established WR Hambrecht & Co Japan, Inc.	
		November	Established Monex University, Inc. Established Monex Business Incubation, Inc.	
		December	The name Monex Beans, Inc. was changed to Monex, Inc.	
	2006		April	Established Trade Science Corporation

**Common Stock**

Issued : 2,344,687  
 Number of Shareholders : 48,941

**Major Shareholders**

Name of Shareholder	Number of Shares	Percentage of Shareholdings
Nikko Cordial Corporation	616,419	26.29%
Oki Matsumoto	260,480	11.10%
Sony Corporation	240,400	10.25%
Mizuho Securities Co., Ltd.	70,716	3.01%
Luxembourg Offshore Jasdaq Lending Account	63,512	2.70%
Recruit Co., Ltd.	57,200	2.43%
Japan Trustee Services Bank, Ltd. (Trust Account)	45,296	1.93%

**Outline of Group Companies**

**Monex Beans Holdings, Inc.**

**Founded:** August 2004  
**Representative:** Oki Matsumoto  
**Capital:** 8,800 million yen  
**Head Office:**  
 1-11-1 Marunouchi, Chiyoda-ku, Tokyo, Japan 100-6219  
 URL: <http://www.monexbeans.net/>

**Monex, Inc.**

**Founded:** May 1999  
**Representative:** Oki Matsumoto  
**Capital:** 7,425 million yen  
**Description of Business:**  
 Securities Business, Accompanying Business, Other Services  
**Head Office:**  
 1-11-1 Marunouchi Chiyoda-ku, Tokyo, Japan 100-6219  
 URL: <http://www.monex.co.jp/>

**Monex Alternative Investments, Inc.**

**Founded:** October 2004  
**Representative:** Shigeo Mizuta  
**Capital:** 40 million yen  
**Description of Business:**  
 Asset Management including fund selection advisory  
**Head Office:**  
 1-11-1 Marunouchi, Chiyoda-ku, Tokyo, Japan 100-6219  
 Certificate: Chief of Kanto Regional Financial Bureau No. 1370

**Monex Business Incubation, Inc.**

**Founded:** November, 2005  
**Representative:** Oki Matsumoto  
**Capital:** 100 million yen  
**Description of Business:**  
 Discovery and incubation of new businesses which would contribute to Monex Beans Holdings groups' growth  
**Head Office:**  
 1-11-1 Marunouchi, Chiyoda-ku, Tokyo, Japan 100-6219

**Monex University, Inc.**

**Founded:** November, 2005  
**Representative:** Shinobu Naito  
**Capital:** 40 million yen  
**Description of Business:**  
 Creating investment educational contents  
 Planning and management of investment education related events  
 Planning of investment education related books/DVDs and others  
**Head Office:**  
 1-11-1 Marunouchi, Chiyoda-ku, Tokyo, Japan 100-6219  
 URL: <http://www.monexuniv.co.jp/>

**WR Hambrecht & Co Japan, Inc.**

**Founded:** September, 2005  
**Representative:** Satoshi Hasuo  
**Capital:** 16.5 million yen  
**Description of Business:**  
 Research and Investigation of OpenIPO® Business  
**Head Office:**  
 1-11-1 Marunouchi, Chiyoda-ku, Tokyo, Japan 100-6219

**Trade Science Corporation**

**Founded:** April 2006  
**Representative:** Koichi Kato  
**Capital:** 90 million yen  
**Description of Business:**  
 Research and Investment Advisory Company utilizing system trading  
**Head Office:**  
 513 Waseda Tsurumaki-cho, Shinjuku-ku, Tokyo, Japan 162-0041  
 URL: <http://www.trade-sc.jp/>

## **MBH | Monex Beans Holdings, Inc.**

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