

**Monex Group, Inc.**





# We Will Continue to Provide Global-Class Financial Services as a Comprehensive Online Financial Institution

The Monex Group has viewed its mission as creating a comprehensive global online financial institution, unlike anything that exists in the conventional financial world, in order to provide global-class financial services to individual investors. This belief permeates the entire Group as a part of our unchanging DNA, and the distinctive Monex approach of pursuing innovation and undertaking challenges has been passed down to the present day. Moving forward, the Monex Group will continue to employ its flexible thinking and exceptional foresight to pioneer new forms of financial business.

## Business Principles

“MONEX” stands for the future of finance, one step advanced from “MONEY.” The Monex Group is aspiring to empower traders and investors worldwide with best of breed technology, education, service, and financial professionalism to provide access to top financial markets globally.

## Code of Conduct

- Celebrating the diversity of each and every one of our customers and employees
- Driving the future of technology and first class financial professionalism that empowers traders and investors
- Creating new value to contribute to all stakeholders

## CONTENTS

1	Consolidated Financial Highlights
2	Letter to Shareholders and Investors
6	Growth Strategy & Achievements
8	Corporate Social Responsibility at Monex
10	Corporate Governance
12	Directors, Auditors & Advisory Board
14	Financial Section
38	Monex History
39	Stock Information
40	Introduction of Group Companies
41	Corporate Profile / Group Company Profile

This is an English translation of Annual Report 2011 of Monex Group, Inc. (“the Company”). The descriptions herein concerning the products, services, etc. that are handled by the Company's group companies (“the Group Companies”), are made only for disclosure purposes and are given to describe matters that are required for providing specific explanations concerning the Company. Therefore, this material is not intended to recommend, or conduct solicitation for, any of such products, services, etc.

Any party who wishes to actually purchase products, services, etc., handled by the Group Companies may be required to take necessary advance procedures designated by the relevant group company including opening of an account, and to pay fees and/or expenses as designated by the relevant group company. Each of the traded products may suffer a loss in the invested principal due to fluctuation of price and other factors. In addition, the investors may be required to pledge a designated amount of margin deposits upon conducting margin trading, futures and option transactions, foreign exchange margin trading or exchange equity index margin contracts. There is a risk that the investor may suffer losses exceeding the amount of margin deposits (initial investment) provided for such trading.

For more details concerning important matters such as the products and services offered by the Group Companies and the fees or risks associated with each product, please refer to the website of the relevant group company.

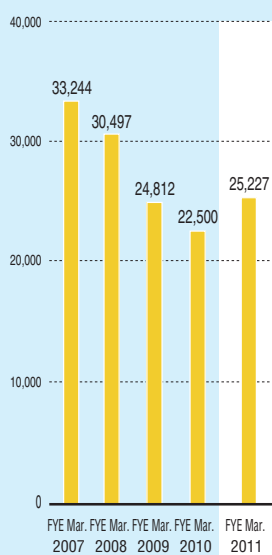
(Millions of Yen)

	FYE March 2007	FYE March 2008	FYE March 2009	FYE March 2010	FYE March 2011
Operating revenues	¥ 33,244	¥ 30,497	¥ 24,812	¥ 22,500	¥ 25,227
Operating income	16,559	13,016	5,269	4,462	4,741
Net income (loss)	9,534	7,206	(2,144)	3,776	1,993
Total assets	379,988	335,016	235,694	374,689	365,731
Net assets	47,562	45,554	40,066	66,310	71,026
EBITDA*	16,454	12,892	6,668	5,428	5,336
Net assets per share (yen)	20,253	19,665	17,235	22,140	22,154
Net income (loss) per share (yen)	4,066	3,081	(929)	1,527	648
Cash dividends per share (yen)	2,900	1,550	400	700	500

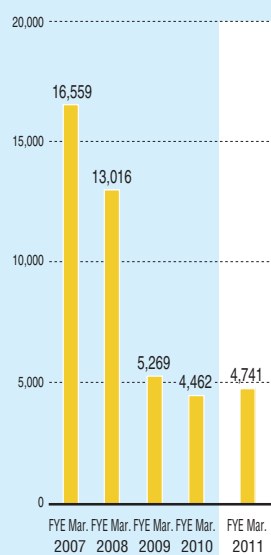
\*Net income + interest cost (excluding financial expenses caused by margin trading) + income taxes + depreciation and amortization + devaluation loss of investment securities + disposal loss of fixed assets

# Consolidated Financial Highlights

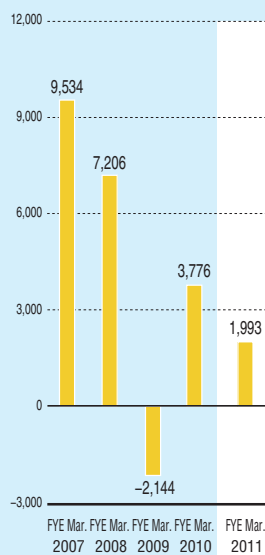
Operating revenues  
(Millions of Yen)



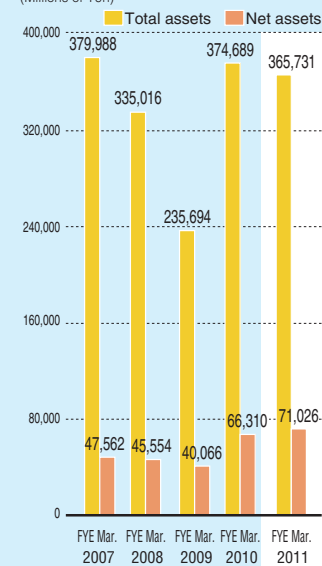
Operating income  
(Millions of Yen)



Net income (loss)  
(Millions of Yen)



Total assets and net assets  
(Millions of Yen)



## The Group is continuing its ongoing evolution toward achievement of its medium- to long-term “Global Vision” growth strategy.



During the fiscal year ended March 2011, the Japanese economy achieved moderate growth driven by high growth in emerging market countries.

The Great East Japan Earthquake on March 11, 2011, however, caused issues in supplying electricity and securing revenues for reconstruction, etc., and uncertainty concerning the future has lingered to the present.

Under these circumstances, the Group is concentrating its management resources on the establishment of foundations for overseas business with the aim of achieving its “Global Vision,” a statement of our medium- to long-term strategy for establishing overwhelming competitiveness.

The Group will continue to provide products and services of the highest quality to customers as a global and comprehensive online financial institution while meeting the expectations of shareholders and investors by continuously raising corporate value.

### Oki Matsumoto

Monex Group, Inc.  
Representative Director, Chairman and CEO

Biography	
1987	Joined Salomon Brothers Asia Limited
1990	Joined Goldman Sachs (Japan) Ltd.
1994	General Partner, the Goldman Sachs Group, L.P.
1999 to present	President & CEO, Monex, Inc.
2004 to present	President & CEO, Monex Beans Holdings, Inc. (Currently Monex Group, Inc.)
2008 to present	External Director of Tokyo Stock Exchange Group, Inc., Tokyo Stock Exchange, Inc. (currently holds positions in both companies) and Shinsei Bank, Limited
2010 to present	External Director of Kakaku.com, Inc.
2011	Representative Director, Chairman and CEO of Monex Group, Inc.

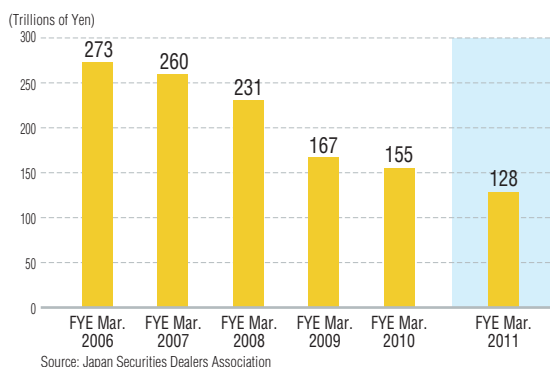
→ The risk tolerance of individual investors remains stable.

The massive earthquake and tsunami that occurred in the Tohoku and Kanto regions on March 11, 2011 and the resulting damage to the Fukushima Daiichi Nuclear Power Plant precipitated an unprecedented crisis in Japan's economy and society. The Group incurred little direct damage, but the crisis renewed our awareness of the need to further develop our business continuity plans. The fundamental mission of the

Group is to link people who want to support economic activities through risk money with companies and regions that are the recipients of those funds. We hope to contribute to rebuilding after the earthquake in ways that are characteristic of Monex, such as the development of financial products that enable individual investors to become involved in support of affected regions.

Average daily value of trading by individual investors on the four stock exchanges (Tokyo, Osaka, Nagoya, and JASDAQ) fell 14.5% in the fiscal year ended March 2011 and the Group's stock brokerage commissions declined 3.7% compared to the previous fiscal year. However, quantitative easing measures were implemented in a number of developed countries, providing considerable liquidity, and in Japan the Democratic Party Government has entered its second year and political conditions are relatively stable, resulting in a willingness by individual investors to actively undertake risk. The trend continued even after the occurrence of the earthquake and served to support the Group.

■ Individual Investor Online Trading Value



Consolidated Financial Results for the Fiscal Year Ended March 2011

→ Net income was down year on year because of extraordinary losses.

Consolidated financial results for the fiscal year ended March 2011 were as follows: operating revenues were ¥25,227 million (up 12.1% from the previous fiscal year), net operating revenues were ¥22,589 million (up 13.4%), operating income was ¥4,741 million (up 6.3%), ordinary income was ¥4,990 million (up 11.4%), and net income was ¥1,992 million (down 47.2%). The decrease in net income was caused primarily by posting as extraordinary losses integration-related expenses arising in conjunction with the merger of ORIX Securities and provision for doubtful receivables in conjunction with the settlement loss in futures and options of customers account caused by the rapid drop in market prices following the Great East Japan Earthquake.

The Group implemented various measures during the fiscal year that will lead to higher earnings in the future, including acquisition of the BOOM Group (currently the Monex BOOM Group), release of account management aggregation service "MONEX ONE," a decision to revise Monex, Inc.'s stock brokerage commissions, and the release of stock trading applications for smartphones. Based on the results (net income), however, it cannot be said that we achieved a passing mark. We have continuously taken measures to reduce costs, but our costs still tend to be high compared to other companies in the industry. We are committed to producing better results in the fiscal year ending March 2012 and later.



Progress Made in Building "Intelligence Infrastructure"

→ Successive release of tools that embody our DNA.



Conceptual Diagram of the MONEX VISION

The Group is working to build "Intelligence Infrastructure" that can provide comprehensive intelligence concerning investment so that we can support higher returns for individual investors. The fiscal year ended March 2011 was an epoch-making year that saw major development results from this "intelligence infrastructure." Just as the portfolio management advice tool, "MONEX VISION  $\beta$ ," was released to all account holders in

October 2010 to a favorable reception, "MONEX ONE," released in January 2011, received high praise for the convenience afforded by its ability to centrally manage non-Monex financial assets, and has gained acceptance from many users.

These state-of-the-art tools are the embodiment of the Group DNA that will create the "financial services of the future" and are an expression of our avant-garde management stance. We are proud that these services are unique to the Monex Group, and that we have expanded the potential of finance by continuously undertaking challenges in unknown areas.

Key Results by Group Companies

→ Pension funds managed by MAI exceeded ¥6.4 billion.

Monex Alternative Investments, Inc. (MAI) has been offering a fund of hedge funds for pension funds in cooperation with Mizuho Trust and Banking Co., Ltd. since February 2010, and contract assets exceeded ¥6.4 billion in March 2011. The Group's founding philosophy is the provision of financial products to individual investors of the same quality as those products available to institutional investors, and we believe

that this strong growth in pension mandates is proof of realization of this philosophy. MAI merged with Asuka Commodity Investments Co., Ltd. in February 2011 and has become one of Japan's leading alternative investment companies in terms of scale as well.

The rapid development of BOOM Group is also considered a notable result. BOOM Group, a Hong Kong based online brokerage company group, became a subsidiary of the Company on December 27, 2010. The balance of customer loans on margin transactions is steadily increasing through the provision of financing from the Company, and we expect this to contribute to consolidated financial results in the fiscal year ending March 2012.



**Oki Matsumoto**

Monex Group, Inc.  
Representative Director, Chairman and CEO

### Effects of the Merger with ORIX Securities

#### → Merger of two securities subsidiaries produced positive effects.

Monex, Inc. and ORIX Securities merged on May, 1, 2010 to create a new Monex, Inc. with the aim of becoming Japan's leading online securities company. The merger has produced various positive effects including an expansion of our

customer base and market share, lower costs, and a broader product lineup. In addition, the integration of human resources with different backgrounds from the two companies has accelerated revitalization of the organization even further.

### Overseas Developments

#### → We are working to execute our Global Vision.

In conjunction with the development of online trading, individual investors in Japan have come to make strong calls for all financial products and services available throughout the world. Focusing on overseas financial products and services with relatively low trading values, however, gives rise to the problem of rising costs. The Group is carrying out its Global Vision as a solution to this tradeoff. This vision will enable us to achieve substantial cost reductions as well as management and products optimized on a global scale by conducting business in three major markets—Japan, China, and the

United States, offering products and services among these markets and using a shared platform in each country.

To execute the Global Vision, the Group is steadily working to rebuild its domestic business, expand business in China, and respond to globalization. Monex, Inc. opened a representative office in Beijing in October 2010 and BOOM Group became a subsidiary in December of that year. In addition, the Group acquired TradeStation Group, a leading U.S. online securities group, through a friendly tender offer in June 2011.

### Returning Profits to Shareholders

#### → We are committed to rewarding our shareholders' continuing support with strong financial results and high dividends.

The Company provides returns to shareholders linked to financial performance with an emphasis on a dividend payout ratio, and our fundamental policy was to maintain a dividend payout ratio of 50% of consolidated net income. I believe that we have maintained certain levels of dividends in the fiscal years ended March 2010 and March 2011. However, since dividends from the fiscal year ended March 2006 to the fiscal year ended March 2008, during which the economy enjoyed an economic boom from a historical perspective, were several times higher than now, we are committed to making further

efforts with this as our objective for the time being. In the future, we will include share buybacks in the policies and indicators concerning shareholder returns and set the target of the total payout ratio including dividends and share buybacks at 50% of consolidated net income.

The Company believes that increasing corporate value and raising share prices are key elements of returns to shareholders. In the future, we will make group-wide efforts to strengthen our earning capability and raise operational efficiency to achieve even better financial results.

## ● Growth Strategy & Achievements

The Group has adopted a “short-term strategy,” a “mid/long-term strategy,” and an “overseas strategy” and is making group-wide efforts to achieve its objectives and become a global online financial institution that can provide world-class financial products and services to individual investors.

Short-Term Strategy	<b>Reinforcement of the Stock Brokerage Business</b>
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● **Expand the Customer Base**

The stock brokerage business is a core segment at the very foundation of the Group. During the fiscal year, we expanded our customer base and reduced costs through the merger of ORIX Securities, decided to revise our stock brokerage commissions, and took other measures to further enhance the trading environment.

**Monex and ORIX Securities Merge with the Aim of Becoming Japan’s Leading Online Securities Company**

Monex, Inc. and ORIX Securities, both consolidated subsidiaries of the Group, merged on May 1, 2010 to create a new Monex. With this merger, our number of accounts and assets in custody reached the highest levels of the industry. We also achieved cost reductions in excess of 20% annually, strengthening our financial foundation and bolstering our earning power. Monex will respond to the diverse needs of its expanded customer base while striving to become Japan’s leading online securities company in terms of quality and scale.

**Stock Brokerage Commissions Revised to Provide a More User-Friendly Trading Environment**

As the horizons of stock investors have increased and more and more new investors enter the market, the trade value per transaction has declined. In response to this development, Monex announced revisions of its stock brokerage commissions in March 2011. Under the new commission table, which went into effect in May 2011, cash trading commissions (per transaction) for trade value under ¥300,000 are set at the lowest levels of any major online securities companies. This has helped to create a user-friendly trading environment not only for customers who are thinking of opening new accounts of online securities, but also customers who already have accounts with Monex.

Achievements	
<b>2010</b>	
<b>May:</b>	Monex, Inc. and ORIX Securities merge
<b>2011</b>	
<b>March:</b>	Monex decides to revise its stock brokerage commissions (effective May)

Overseas Strategy	<b>Full-Scale Global Expansion</b>
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● **Expand Business in China and the United States**

The Group is expanding its business in the financial markets of Japan, China, and the United States and is implementing its Global Vision with the aim of optimizing business on a global scale. The Group accelerated its overseas development including making BOOM Group (Hong Kong) a wholly owned subsidiary during this fiscal year, announcing the acquisition of TradeStation Group (United States) in April 2011 and completing the acquisition in June 2011.

Achievements	
<b>2010</b>	
<b>October:</b>	Monex, Inc. opens a Beijing Representative Office
<b>December:</b>	BOOM Group, a Hong Kong based online brokerage company group, becomes a wholly owned subsidiary
<b>2011</b>	
<b>June:</b>	Acquisition of TradeStation Group, a U.S. online securities group



- Increase Assets in Custody by Providing Investment Support Tools
- Develop a Lineup of World-Class Products

The Group is focusing on strengthening and differentiating its asset management business as a stable revenue source not susceptible to market fluctuations. During the fiscal year under review, we released tools that support asset management by customers and expanded our product lineup with a focus on China-related products.

### Achievements

#### 2010

**September:** Chief strategist hired and report distribution begins

**October:** Portfolio management advice tool "MONEX VISION  $\beta$ " launches

#### 2011

**January:** Account aggregation management service "MONEX ONE" launches  
Sale of "RMB denominated Chinese government bonds"

**March:** "Collaborative project for mutual fund promotion" launches in cooperation with three other online securities companies

### Two Investment Support Tools Embodying the Monex DNA Released

The Group is developing an "Intelligence Infrastructure" that can provide comprehensive investment intelligence to individual investors. As a part of these efforts, we released two tools embodying the Monex DNA during the fiscal year. "MONEX VISION  $\beta$ ," made available to all account holders in October 2010, is a portfolio management advice tool that supports long-term and diversified investment by customers.

"MONEX ONE," launched in January 2011, has received strong support from users as an account aggregation management service that can aggregate and list information concerning accounts with Monex and other companies.



### Lineup of China-related Products Including "RMB Denominated Chinese Government Bonds" Expanded

China drives the world economy with its remarkable growth. The Group offers diverse attractive financial products that invest in Chinese stocks and bonds in response to diverse investor needs. In addition to the "DIAM China A-Share Fund," a mutual fund that seek an effective allocation rate in China A-shares of at least 70%, and the "DIAM RMB Bond Fund," a domestic fund investing in RMB denominated bonds, Monex began handling a RMB in foreign currency settlement service and has taken other steps to develop financial products and services unique to Monex, which has led the industry in the pursuit of development of the Chinese market.

### Solid Business Networks in the Two Major Markets of the U.S. and China Built

The Group is building bases and developing its business foundations in the United States and China under its Global Vision, aiming for full-scale global expansion. In October 2010, we opened a Beijing Representative Office, making Monex, Inc. the only online securities company for individual investors to have such an office. In December of that year, the Group laid the foundation for Chinese business by making BOOM Group (Hong Kong), the first online securities company in the Asia-Pacific region, a wholly owned subsidiary. In addition, the Group acquired TradeStation Group, an American online securities group, through a friendly tender offer in June 2011, providing the Group with a securities subsidiary in the United States.

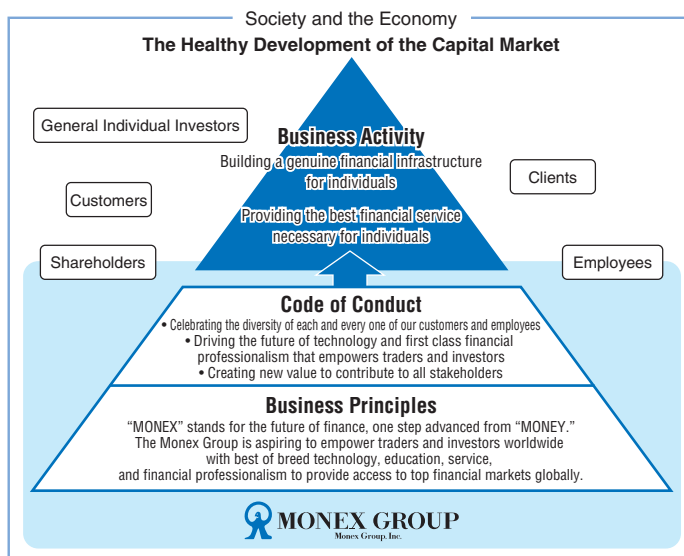


## ● Corporate Social Responsibility at Monex

The Group seeks to fulfill our responsibilities as a corporate group by contributing to society through our business operations, based on the business principles and code of conduct of the Group.

We believe that, as a member of society, it is an important challenge and responsibility for our Group to establish a trustworthy financial infrastructure for individuals, and to provide the best possible financial services currently being demanded, thereby contributing to the healthy development of the capital market.

The Group will continue to focus on our operations as a financial group, through which we seek to contribute to the sustainable development of society as a whole.



## Highly Original Group Initiatives

### Initiatives for Developing Capital Markets

#### ● Offering Financial Products and Services to Individual Investors at the Same Levels Available to Institutional Investors

The Group believes that offering financial products, services and investment opportunities to individuals at the same level provided to institutional investors will support asset management of individual investors and lead to the formation of fair capital markets. Based on this belief, we have been at the forefront of the development and provision of high-quality, advanced products and services.

##### • “Stock Lending Service”

Stock lending, previously made available only to institutional investors and major shareholders, was offered to individual investors for the first time in Japan in January 2003.

##### • Initial Public Offering (IPO)

An IPO underwriting department was created to enhance the provision of IPO shares to individual investors, with Monex becoming the first online brokerage to serve as the sole lead manager for an IPO in June 2005.

##### • Alternative Mutual Funds

The Group established alternative mutual funds that invest in private equity funds and hedge funds which were previously only available to institutional investors and a very select group of wealth investors. The Group made it possible for individual investors to invest by making the minimum investment sum much smaller.

##### ● Investment Education

Since its establishment, Monex, Inc. has made a concerted effort in the area of investment education to provide information on various investment theories and financial products to investors in formats that even novices can grasp. It offers a

wide range of seminars to its customers and the general public, including online seminars.

##### • “Kabu-no-Gakko” (School of Stocks)

Seminars offering fun ways to learn about stock trading and investment diversification are held for elementary and junior high school students in a real classroom, in addition to those offered at resorts and other locations for retiring baby boomers.



##### • “Monex Money Seminar”

A newspaper-based seminar presented in 42 parts over the course of a year (from October 2006 to September 2007), using the *Asahi Shimbun*. Any advertisement and publicity themes were removed.



### Social Initiatives

#### ● Social and Cultural Activities

“ART IN THE OFFICE” program → See the next page.

#### ● Donated Courses at University

Hachinohe University, located in Hachinohe City in Aomori Prefecture, the site of the Monex Contact Center, organized a business theory course in 2008 and 2009 for which we dispatched financial experts from the Group. The course was made available to both Hachinohe University students and members of the local community.

## Relationships with Stakeholders

### ● Initiatives to Enhance Customer Satisfaction: Orientation Committee

Every three months since its establishment, Monex, Inc. has been holding its Orientation Committee meetings, attended by the president, and a cross-section of employees from different divisions, as an opportunity to directly hear feedback from customers. As of May 2011, the Orientation Committee has met 46 times; and many of the ideas expressed at the meetings



have been used to improve our products and services.

### ● Creating a Good Working Environment

•The Group established the Beans Scholarship to support employees pursuing MBAs and other degrees at foreign universities, as one aspect of its measures to nurture young employees, a source of vitality for the Group. Through this scholarship, an employee completed the MBA course at a distinguished university in the United States in 2011.

•The Group works to put in place a workplace environment and programs that make it easier for female employees to return to work after childbirth. For the 17 women who have taken maternity leave thus far, the return rate has been 100%.

## ● About the Cover Page

## ART IN THE OFFICE This year's winning art



### Title CHARACTERS

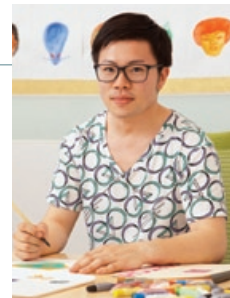
The Group started the ART IN THE OFFICE program in 2008 as part of its social and cultural activities with an aim to support young contemporary artists. The program seeks applications from artists of two-dimensional works to be installed on the wall of the press meeting room within Monex's headquarters in Marunouchi. This year, Toshifumi Watanabe was selected from 75 applicants, and he has drawn numerous creatures on the wall using watercolors under the title of this artwork, "CHARACTERS."

### Toshifumi Watanabe

#### Profile

Born in Niigata in 1985. Lives and works in Tokyo. Graduated from Nihon University Graduate School of Art in 2009. Worked mainly with iron sculptures during his student years. Recent works vary from drawings, self-documentary films and installations.

Exhibiting everyday objects such as clothing hangers and masking tape, or empty Coca-Cola drink bottles and French-fry boxes, his works aim to create views yet unseen, by adding a twist to familiar objects and scenes from our daily lives.



# ● Corporate Governance

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

## 1. Basic Concept of Corporate Governance

Monex Group, Inc. believes that, as a basis for establishing a group-wide corporate governance structure, corporate governance rules should first be established and thoroughly implemented within each group company. We also consider that monitoring management execution of the Group through promotion of information disclosure and a system for hearing broad-ranging and varied opinions leads to balanced business judgment, which is crucial for effective corporate governance.

## 2. Basic Policy regarding the Internal Control System

Based on the perception that the establishment and operation of an appropriate internal control system is an important management issue, the Group determines basic policies regarding the operation of the internal control system, and at the same time develops relevant internal regulations. Monex, Inc. also determines basic policies for its internal control system in a similar manner.

To verify whether the internal control system is operating as intended, the Board of Directors and auditors conduct regular checks. In addition, the Group is able to obtain advice as necessary from the attorney, who is our advisor on issues regarding the establishment and enforcement of internal discipline and the control system, as well as external risk management.

The Company's basic policy on its internal control system is disclosed on its website (<http://www.monexgroup.jp/en/company/governance/index>).

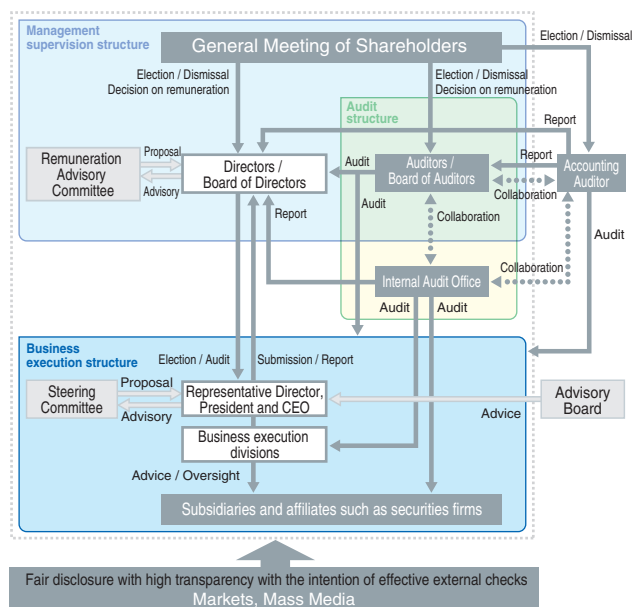
## 3. Board of Directors and Board of Statutory Auditors

As of June 27, 2011, the Board of Directors comprises 10 directors, of which four are external directors (three are independent as well). Six full-time directors (one of whom is the CEO) engage in business execution. A Steering Committee consisting of full-time directors meets every week as a consultative council to the CEO. In addition, the Board of Directors meeting is held more than once a month to ensure effective management control.

The Company has adopted the board of statutory auditors system. As of June 27, 2011, its Board of Auditors comprises four members, including two external and independent auditors and one statutory auditor.

## 4. Proactive Disclosure

The Group considers appropriate disclosure as extremely important, and seeks to provide disclosure in a continuous and easy-to-understand manner. We therefore disclose our



monthly operating revenues and net operating revenues. Monex, Inc. also undertakes monthly disclosure of customer account figures, etc. Such disclosures are made in compliance with our Disclosure Policy, which is designed to remove any vague or arbitrary methods.

## 5. Establishing a Corporate Culture of Thorough Compliance

It is crucial that not only the management, but also each individual working for a company in the Group recognizes the importance of compliance and acts accordingly. Based on this perception, we disclose the Group's Corporate Ethics Compliance Policy and present briefings by the relevant departments on compliance-related issues at monthly corporate-wide meetings, as well as at various forums provided within our corporate network. We seek to establish a corporate culture that calls for strict compliance, with a commitment from both our directors and our employees.

## 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. Under this concept, the Company manages to share the management's current



recognitions and ideas with the Group employees, by holding a monthly gathering of the Group employees, sharing Q&As after quarterly financial disclosures through the intranet, etc. The CEO of Monex, Inc. expresses his perceptions and opinions in each issue of Monex Mail, an e-mail magazine that Monex, Inc., has published every business day without fail since its first issue.

## 7. Advisory Board

In order to obtain balanced, multidisciplinary, objective opinions and advice from a broader perspective, we have established an Advisory Board, consisting of a group of specialists. A regular quarterly meeting is held to gather broad-ranging advice that will contribute to the business operations of our Group.

## 8. About Remuneration for Board Directors

The total amount of board directors' remuneration is within the limit resolved at the General Meeting of Shareholders (\*) and the contents of the remuneration consist of a fixed portion and a performance-linked portion that fluctuates depending on the consolidated net income. The Company established a Remuneration Committee consisting of external and independent board directors in order to discuss its substantial contents. External directors receive only a fixed amount of remuneration because of the importance of their having a position independent from business execution in their supervisory functions.

(\*) Limit of the remuneration for board directors resolved at the Annual General Meeting of Shareholders held on June 24, 2006 is the total amount of fixed portion of ¥300 million per annum plus a performance-linked portion within 3% of the consolidated net income of the previous fiscal year of the payment day.

## ■ Communication with Shareholders and Investors

### • Measures to Invigorate General Shareholders Meetings

The Company holds the Annual General Meeting of Shareholders on a Saturday to facilitate attendance by individual shareholders.

In addition, convocation notice on the general shareholders meeting is sent out to customers and posted on our website three weeks prior to the event to encourage investors to exercise their voting rights. We adopted an electronic voting website to allow shareholders to vote via the Internet or mobile phone, and we also adopted an electronic voting platform for institutional investors operated by ICJ, Inc., a joint venture formed between the Tokyo Stock Exchange, Inc. and other companies. In the same year, we also began disclosing the results of voting to the public.

### • Investor Relations

We hold a meeting to explain our financial results to individual investors on the day or the following business day of the announcement of quarterly financial results as a way to enhance communication with shareholders and investors. Telephone conferences for institutional investors are conducted in Japanese and English on the day quarterly financial results are announced. We visit Europe and the United States twice a year and regularly hold direct meetings with overseas institutional investors. At all of these meetings, the Company's CEO directs the proceedings and answers questions. We also actively participate in conferences convened by securities companies and work to create a wide range of opportunities to explain our business strategies.

## Message to Stakeholders from an External Director

My role as an external director includes participating in the monthly Board of Directors meetings, which usually run about three hours, where I express my opinions and make proposals. In conjunction with this, I periodically meet with the Company's executives and other external directors, and communicate via telephone or e-mail to discuss crucial corporate matters. These are the most obvious aspects of my activities as an external director, related to management oversight. I agree with the Company's executive officers that our aim is to enhance corporate value, but my activities are characterized by work that represents the interests of individual shareholders and governance-related activities that take place outside the Company.

The CEO and other executives are intimately acquainted with the operations of the Company; whereas our job as external directors comes down to helping them manage the Company properly by asking "good questions" that make them aware of relevant issues.

Asking good questions requires an objective understanding of the Group's

customers and the competitive environment, as well as the ability to focus on the future from an objective standpoint while considering how management views the current situation. I continually seek to better understand management's view of the current situation and the basis for decision-making; and I believe that my contribution to Monex's development is to help prevent management from falling into the trap of making decisions from a short-term perspective when grappling with complex situations.

Monex is a young and vigorous company with a flexible corporate structure that is sensitive to the opinions of shareholders, customers and employees. I hope to use the experience I have gained from my career working for a consulting company and as an external director for several companies, as well as knowledge acquired from graduate school, in order to contribute to Monex by asking good questions.

**Yuko Kawamoto**  
Director (External and Part-time)





## ● Directors, Auditors & Advisory Board

### ■ Board of Directors

#### Oki Matsumoto

Representative Director,  
Chairman and CEO



After graduating from the University of Tokyo's Faculty of Law in 1987, Oki Matsumoto began his career at Salomon Brothers Asia Limited. He then joined Goldman Sachs Japan Co., Ltd., where he was responsible for FX and fixed income products and related risk management as a General Partner and Co-head of FX/ fixed income business at the Tokyo Branch. It was in April 1999 that Matsumoto jointly established (the former) Monex, Inc. with Sony Corporation. Monex, Inc. integrated its management with Nikko Beans, Inc. in August 2004, forming Monex Beans Holdings, Inc. (currently Monex Group, Inc.), of which Matsumoto is the Representative Director, Chairman and CEO.

In addition, Matsumoto currently serves as an External Director for the Tokyo Stock Exchange Group, Inc., Tokyo Stock Exchange, Inc. and Kakaku.com, Inc.

#### Shoji Kuwashima

Managing Director, Vice  
Chairman (Member of the  
Board)



Graduated from the Faculty of Engineering at Tokyo Institute of Technology in 1977. Joined Nikko Securities Co., Ltd., and was appointed executive officer in 1999. Became Director of Nikko Cordial Corporation in October, 2001, and directed the group's technology department. Was promoted to Representative Director, President and CEO in December 2006, and after the post as Co-Chairman, retired as its Director in December 2008. Participated in Monex's management from June, 2006 to December of the same year as an outside Member of the Board, and assumed the position of Managing Director in June 2009. He assumed his current position in February 2011.

#### Hisashi Tanaami

Managing Director  
(Member of the Board), CAO\*

\*CAO: Chief Administrative  
Officer



Hisashi Tanaami graduated from Keio University's Faculty of Law in 1978 and then went on to obtain a Master's Degree in Law at the University of Tsukuba's Graduate School of Business Sciences (majoring in business law) in 2006. He then worked for the Chiyoda Mutual Life Insurance Company (currently AIG Star Life Insurance Co., Ltd.), where he developed his career within the Equity Department as an analyst and fund manager for Japanese equity. Thereafter he was promoted to Director of the Department of Investment Management for Variable Insurance and established a solid track record as a portfolio manager for a variable insurance fund. In February 2001, Tanaami joined Matsui Securities Co., Ltd., where he served as Director and Managing Director. Tanaami was appointed as a full-time member of the Board of Auditors of Monex Group, Inc. in June 2005 and assumed the position of Managing Director in June 2007. He assumed his current position in February 2011.

#### Masaki Ueda

Managing Director  
(Member of the Board), CFO



Graduating from the Faculty of Science at Tokyo University of Science in 1987, Masaki Ueda entered Daiwa Securities Co., Ltd. (currently Daiwa Securities Group, Inc.) He joined Monex, Inc. in 1999 and contributed to the success of its listing on the Tokyo Stock Exchange as General Manager of Financial Controllers in 2000. He was appointed General Manager of the Accounting Department, when Monex Group, Inc. was established in August 2004. After serving as General Manager of the Financial Control Department, he assumed the position of Executive Director in April 2010. He assumed his current position in June 2011.

#### Takashi Oyagi

Managing Director  
(Member of the Board), CSO



Takashi Oyagi graduated from the University of Tokyo's Faculty of Law in 1991 and then joined the Bank of Japan. After obtaining an MBA from the University of Chicago's Graduate School of Business, he entered Goldman Sachs (Japan) Ltd. In 1999 he joined Monex, Inc. as a founding member of the company. He moved to the United States and joined Deutsche Bank Securities, Inc. in New York in 2004. In August 2007, he assumed the position of CEO and President of MBH America, Inc., a subsidiary of Monex Group, Inc. He was appointed Executive Director of Monex Group, Inc. in July 2009 and was responsible for business development in Beijing and Hong Kong. He assumed his current position as Chief Strategic Officer in February 2011 and became a Member of the Board in June 2011.

#### Kiminori Kaneko

Managing Director  
(Member of the Board)



Kiminori Kaneko graduated from Yokohama National University's Faculty of Education in 1989. He joined Nikko Securities Co., Ltd. in 2000 and worked for the Technology Department. He moved to Nikko Beans, Inc. (currently Monex, Inc.) in 2000. After he served as General Manager of the Technology Department, he was appointed Senior General Manager in January 2006, Director in April 2007, and Chief Information Officer in August 2008. He was named Director, Chief Operating Officer and Senior Executive Officer in October 2010. He assumed his current position in June 2011.

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## Yuko Kawamoto

Director (External, Member of the Board)

Professor, Graduate School of Finance, Accounting and Law, Waseda University

Yuko Kawamoto graduated from the University of Tokyo's Faculty of Letters in 1982 and then joined the Bank of Tokyo (currently The Bank of Tokyo-Mitsubishi UFJ, Ltd.). After completing her postgraduate study at the University of Oxford, Kawamoto joined the Tokyo office of McKinsey & Company. There she participated in capital market projects at the company's research institute and also worked at the Paris office, after which she was named Senior Expert at the Tokyo office. While working at McKinsey, Kawamoto also served as a commissioner/advisor on various governmental councils, including the Financial System Council and Task Force of the Financial Services Agency. Kawamoto became a professor at the Waseda University Graduate School of Finance, Accounting and Law in April 2004, and assumed her current position with Monex Group, Inc. in June 2006.

In addition, Kawamoto currently serves as an External Director of the Osaka Securities Exchange Co., Ltd., Yamaha Motor Co., Ltd., and ITOCHU Corporation and is a Corporate Auditor of Tokio Marine Holdings, Inc.

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## Jun Makihara

Director (External, Member of the Board)

Neoteny Co., Ltd., Chairman

Jun Makihara obtained an MBA from Harvard Business School in 1981. He then entered Goldman Sachs Co., Ltd. and was named a General Partner of Goldman Sachs & Co. in December 1992. He was co-head of investment banking, and then the co-branch manager and co-head of Equity Business at the Tokyo Branch before he was nominated as Chairman of Neoteny Co., Ltd. in July 2000. Makihara assumed his current position at Monex Group, Inc. in June 2006.

Besides the aforementioned positions, Makihara currently serves as an External Director for RHJ International and Shinsei Bank, Limited.

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## Takeo Kato

Director (External, Member of the Board)

Ex-Chairman, Fuji Electric Co., Ltd.

Graduated from the University of Tokyo's Faculty of Law in 1961. Entered Fuji Electric Manufacturing Co., Ltd. (currently Fuji Electric Co., Ltd.) and was appointed as Executive Managing Director in June 1989, after working as the head of the Planning Department and as head of the Human Resources Department. He has held the position of Executive Vice President (and Representative Director), Chairman and Director, and has also served as Advisor, and currently holds the position as Counsellor to which he was appointed in July 2009. While participating in corporate management, he has held key posts such as President of the Pension Fund Association, Co-Chairman of the Nippon Keidanren's Committee on Labor-Management Relations, Employer Members representative of the Central Labour Relations Commission, and Chairman of the Board and Principal of Kaisei Academy. He has held his current position at Monex Group, Inc. since June 2009.

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## Haruyuki Urata

Director (External, Member of the Board)

Director, Representative Executive Officer, Deputy President and Chief Financial Officer, ORIX Corporation

After graduating from Kyoto University's Faculty of Economics in 1977, Haruyuki Urata joined Orient Leasing Co., Ltd. (currently ORIX Corporation) in the same year. After serving as the Deputy Head of the Risk Management Headquarters, he was made Executive Officer in February 2005. He also served subsequently as the Deputy Head of the Human Resources & Corporate Administration Headquarters and Head of the Office of the President. In August 2006 he was promoted to Corporate Senior Vice President as well as being in charge of the Corporate Planning Office, and was appointed Director in June 2007. Urata was named Deputy President in January 2008, became the Chief Financial Officer in January 2009 and was named Representative Executive Officer in January 2011. He has held his current position at Monex Group, Inc. since June 2010.

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## Takeshi Tamaki

Full-time Member of the Board of Auditors (External)



Takeshi Tamaki graduated from the University of Tokyo's Faculty of Economics in 1964, and entered the Bank of Tokyo (currently The Bank of Tokyo-Mitsubishi UFJ). He developed his expertise in commercial loan business and served in a variety of positions, including Deputy Director of the Sales Department at the Head Office and Head of the Yaesu Branch. In June 1993, Tamaki was promoted to Director and headed the Human Resources Department as well as the Corporate Business Department. In January 1996, he was appointed Managing Director. In 1997, he became the Senior Managing Director of BOT LEASE CO., LTD., and subsequently assumed positions as Executive Deputy President and Full-time Corporate Auditor of the company. Tamaki was appointed to his current position at Monex Group, Inc. in June 2007.

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## Takehiko Moriyama

Member of the Board of Auditors

After graduating from Waseda University's First School of Political Science and Economics in 1970, Takehiko Moriyama worked for The Sanko Steamship Co., Ltd. as Director of the First Accounting Division within the Accounting Department. Subsequently he joined Nikko Securities Co., Ltd., and took charge of accounting for more than 20 years as Director of the Accounting and Operation Department of Nikko Securities Co., (Europe) Ltd., and Director of the Administration Department of Nikko Bank (Switzerland) Ltd. When Nikko Online (currently Monex, Inc.) was established in May 1999, Moriyama was nominated as Representative Director, and subsequently became a full-time member of the company's Board of Auditors. He was appointed to his current position at Monex Group, Inc. in August 2004, at the time of the Company's establishment.

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## Tetsuo Ozawa

Member of the Board of Auditors (External)

Attorney at Law, Partner of Tokyo Fuji Law Office

After leaving the University of Tokyo's Faculty of Law in 1971, Tetsuo Ozawa was registered as a lawyer at Daini Tokyo Bar Association in 1973 and subsequently joined Tokyo Fuji Law Office. He became a partner in 1978. Ozawa covers a wide range of corporate legal matters and has engaged in a number of cases regarding corporate/management responsibility, such as class actions and investigation as a member of the corporate internal investigation team. He also serves as a compliance committee member for various companies and as an outside contact for help lines. Ozawa assumed his current position at Monex Group, Inc. in August 2004.

Besides the aforementioned positions, Ozawa serves as a member of the Board of Auditors or Corporate Auditor for LAWSON, INC. and CEMEDINE CO., LTD.

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## Masakazu Sasaki

Member of the Board of Auditors

Certified Public Accountant, Office of Sasaki Certified Public Accountant

Masakazu Sasaki obtained his postgraduate degree at Yokohama National University's Graduate School of Business Administration in 1988. After working for Asahi Shinwa & Co. (currently KPMG AZSA LLC), he established the Office of Sasaki Certified Public Accountant in August 1997. Sasaki was appointed as a member of the Board of Auditors of (the former) Monex, Inc. in April 1999. He was also appointed Director of Monex Group, Inc. in August 2004, at the time the Company was established. Sasaki also served as a member of the Board of Auditors of Monex Group, Inc. and went on to assume his current position in June 2009.

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## ■ Advisory Board Members

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### Nobuyuki Idei

(Founder and CEO, Quantum Leaps Corporation)

### Motoshige Itoh

(Professor of the Faculty of Economics, Graduate School of Economics, the University of Tokyo)

### Shoichiro Iwata

(President & CEO, ASKUL Corporation)

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### Eiko Ohya

(Journalist and commentator)

### Makoto Naruke

(Founder and Director, Inspire Corporation)

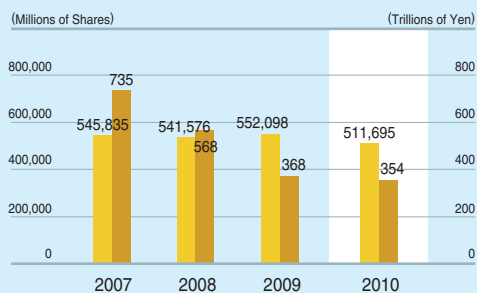
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## ● Financial Section

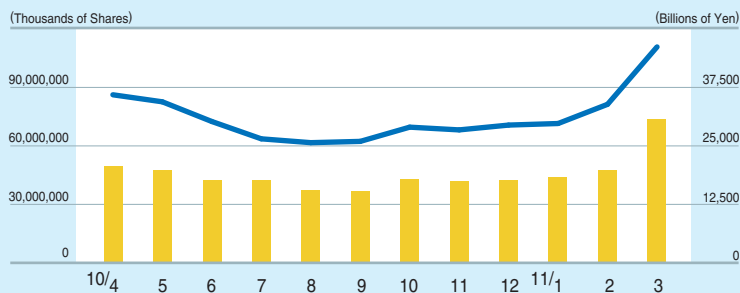
14	Market Information
15	Financial Indicators
16	Financial Review
18	Financial Review / Business Situation
21	Consolidated Financial Statements
21	Consolidated Balance Sheets
23	Consolidated Statements of Income / Consolidated Statements of Comprehensive Income
24	Consolidated Statements of Changes in Net Assets
25	Consolidated Statements of Cash Flows
26	Notes to Consolidated Financial Statements
37	Independent Auditors' Report

## ● Market Information

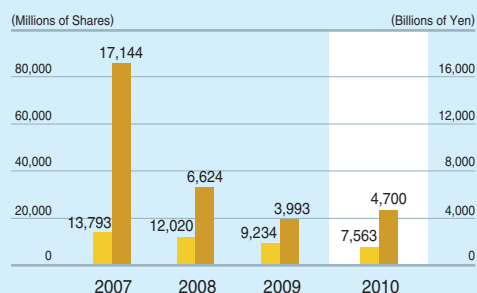
TSE 1st Section Trading volume Trading value



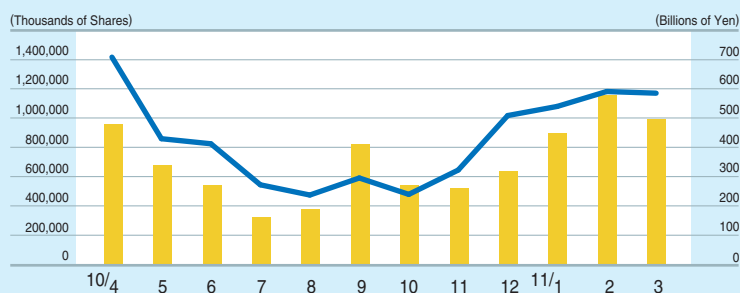
Trading volume Trading value



JASDAQ Trading volume Trading value



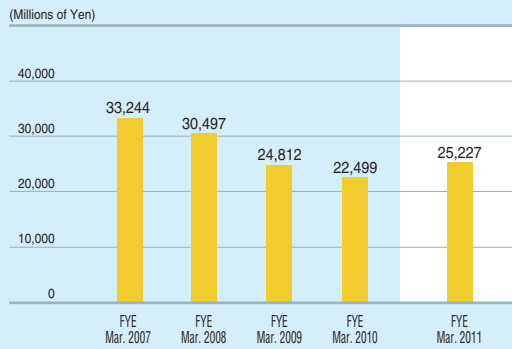
Trading volume Trading value



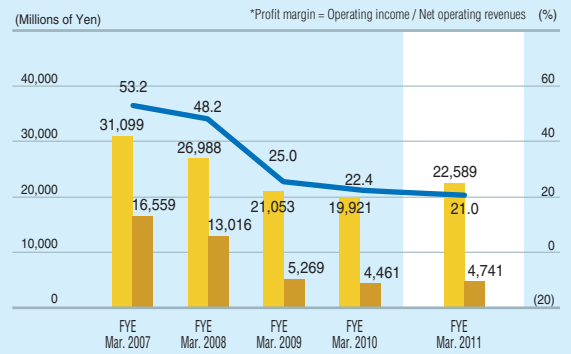
Nippon New Market (HerCules), JASDAQ and NEO were merged in October 2010. Above statistics are based on the calculation after the merger.

# Financial Indicators

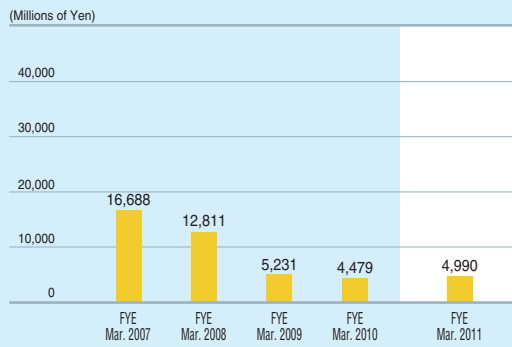
## Operating revenues



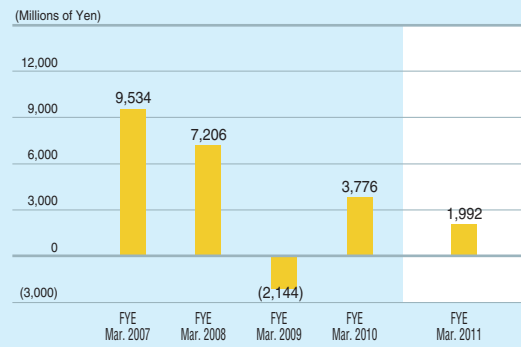
## Net operating revenues, Operating income, Profit margin



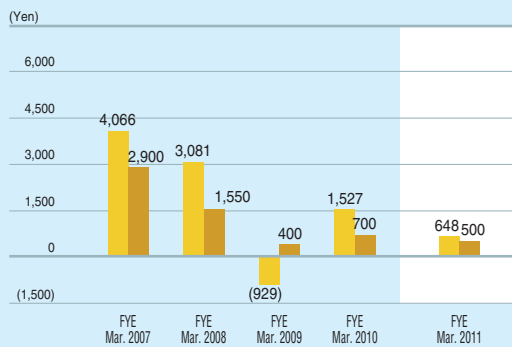
## Ordinary income



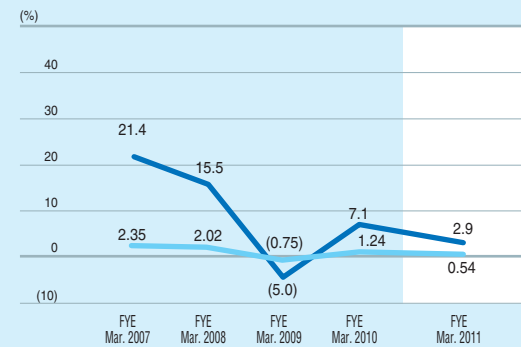
## Net income (loss)



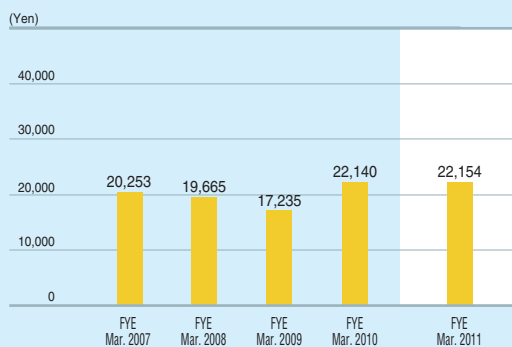
## Net income (loss) per share, Cash dividends per share



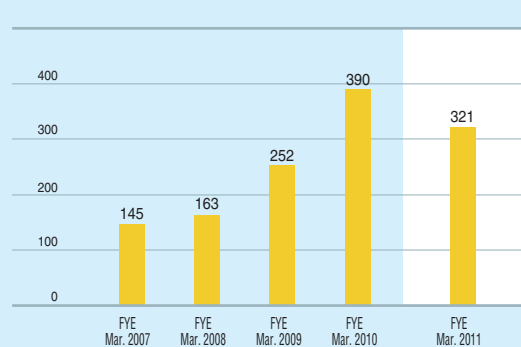
## ROE, ROA



## Net assets per share



## Number of employees



## ● Financial Review

# We are working to internationally diversify revenue sources and further strengthen our financial foundations.



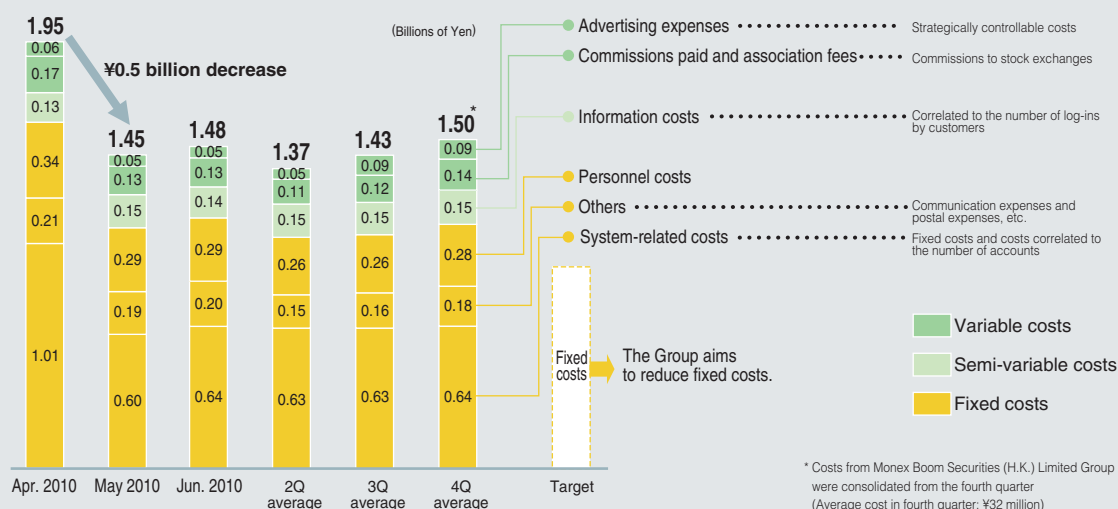
**Masaki Ueda**

Managing Director  
(Member of the Board), CFO

**Q1** Please provide an overview of the business environment and consolidated financial performance during the fiscal year ended March 2011.

**A** The business environment during this fiscal year was somewhat sluggish. Average one-day trading value by individual investors on the Tokyo, Osaka, Nagoya, and JASDAQ stock exchanges was approximately ¥530 billion, down 15% from the previous fiscal year. However, we have successfully strengthened management structures to enable us to generate a profit even when market conditions are adverse, and we were able to achieve increases in both operating income and ordinary income compared to the previous fiscal year. Nonetheless, we posted ¥1.1 billion in integration-related expenses arising from the merger of Monex, Inc. and ORIX Securities as extraordinary losses and posted ¥1.0 billion in provision for allowance for doubtful receivables from futures and option transactions. As a result, net income was ¥1.9 billion, down 47.2% from the previous

### ■ Cost control (FYE March 2011)





fiscal year. The accounts receivable from futures and option transactions resulted from the effects of the Great East Japan Earthquake, and we feel that even stricter risk management is necessary.

## Q2 What is the status of your efforts to cut costs?

**A** As a result of the merger of Monex, Inc. and ORIX Securities, we were able to cut costs—mainly system-related costs—by ¥500 million monthly and ¥6.0 billion annually. In addition, we conducted a comprehensive review of products and services the fiscal year under review and discontinued those services that no longer met customer needs. The Monex Lounge@Ginza fulfilled its initial objectives, and consequently, we decided to close it. Going forward, the Group is committed to providing the products and services that customers truly want while closely monitoring changes in the business environment.

## Q3 Please discuss your policy concerning the expansion of revenue from “stock.”

**A** Revenue from “flow” such as stock brokerage commissions varies according to market price trends, and as a result, the Group is working to expand revenue from “stock” to secure stable revenue sources that are less susceptible to fluctuation due to changing market conditions such as mutual fund brokerage commissions. It would be optimal if we could cover the bulk of our selling, general and administrative expenses by revenue from “stock,” but we are unable to do that at this time. In the fiscal year ended March 2011, revenue from “stock” was ¥6.0 billion and selling, general and administrative expenses were ¥17.8 billion, and thus only about one-third of our expenses are covered by revenue from “stock.”

The key to expanding revenue from “stock” is increasing mutual fund balances. In March 2011, we launched the “collaborative project for mutual fund promotion” in cooperation with three other major online securities companies. The four companies plan to increase investment in mutual funds by cooperating and conducting joint campaigns and advertising, organizing exclusive funds, and taking other measures.

## Q4 What impact did the acquisition of the TradeStation Group have on financial conditions?

**A** TradeStation Group, Inc. was a publicly-traded company, and we expect to recover the investment for the acquisition quickly, so as a part of the acquisition cost, we borrowed approximately ¥20 billion from banks and paid the remainder from our capital surplus. Prior to the acquisition (at the end of the fiscal year ended March 2011), net assets were ¥71.0 billion, of which ¥18.6 billion were non-current assets, and therefore, excess capital was ¥52.5 billion. Following the acquisition, excess capital was ¥27.5 billion, leaving us with adequate capital and no effect on our financial soundness.

## Q5 Please explain your financial strategies for the future.

**A** Diversification of revenue sources in the stock, FX, and mutual fund product segments is nearly complete. This means that diversification by country and territory will be important in the future. We will expand business in China and the United States and work to procure and manage capital from a global perspective.

Also, as I mentioned earlier, the expansion of revenue from “stock” is another important management issue. We plan to stabilize operating results by increasing assets in custody, such as mutual funds, and strengthen our finances even further.

## ● Financial Review / Business Situation

### Business and Financial Review

#### Business Results

During the consolidated fiscal year under review (April 1, 2010 to March 31, 2011), the domestic economy saw the Nikkei Stock Average fall from ¥11,000+ at the beginning of the fiscal year to ¥8,800+ in late August as a result of the global decline in share prices at the end of April 2010 caused by the credit uncertainty regarding European finances sparked by the downgrades of Greek and Portuguese government bonds, as well as concerns about an economic downturn in the United States, and apprehensions regarding a deterioration of performance by domestic export industries caused by the rising value of the yen.

With eased concerns about worsening performance of domestic export industries following the intervention in foreign exchange markets by the Japanese government and the Bank of Japan in September, the Dow Jones Industrial Average setting a new high for the year from November, and the purchase of exchange traded funds (ETFs) by the Bank of Japan in December, the stock market picked up with the Nikkei Stock Average recovering to ¥10,800+ by February 2011. The Nikkei Stock Average temporarily fell to the ¥8,600+ level as a result of concerns about stagnation of the domestic economy caused by the Great East Japan Earthquake on March 11 and effects from the accident at the Fukushima Daiichi Nuclear Power Plant, but cooperative intervention in foreign exchange markets following a summit of the finance ministers and central bankers of the seven industrialized countries (G7) stopped the rapid rise of the yen, and the Nikkei ended the day recovering to ¥9,700+ at the end of March 2011.

Meanwhile, average daily value of trading by individual investors on the Tokyo, Osaka, Nagoya, and JASDAQ markets was approximately ¥530 billion, a drop of about 15% relative to the previous consolidated fiscal year.

The Group's specific undertakings during the consolidated fiscal year are set forth below.

#### Cost reductions as the effects of the merger

Monex, Inc. and ORIX Securities Corporation, both consolidated subsidiaries of the Group, merged on May 1, 2010 with Monex, Inc. being the surviving company. The objectives of the merger are further growth by expanding the customer base and reducing costs as a percentage of income. Since the month of the merger, effects of the merger on costs have been seen mainly in system-related costs and personnel costs within selling, general and administrative expenses.

#### Activation of stock and FX trading

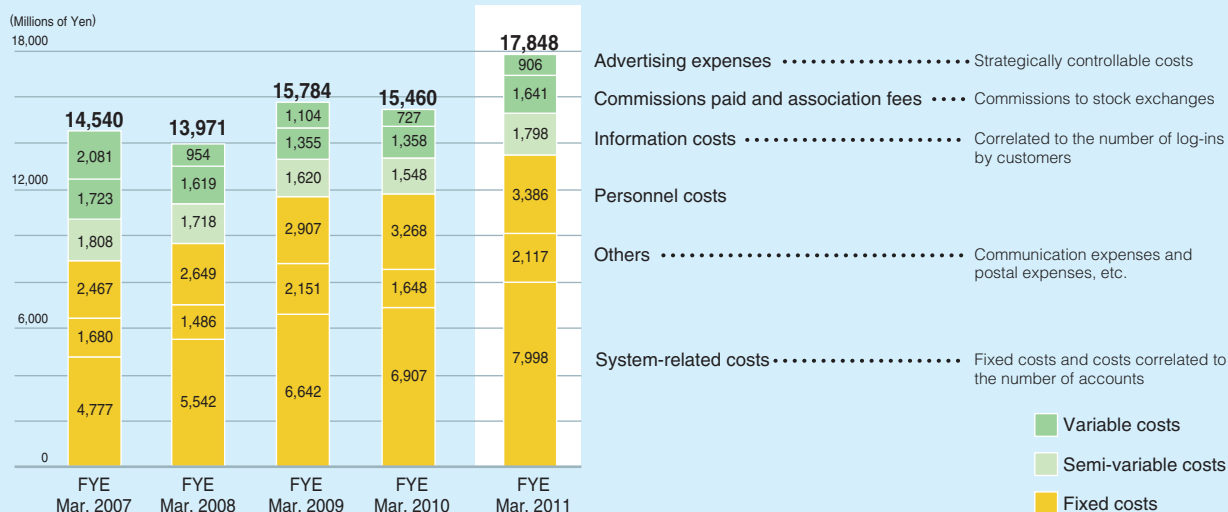
To develop the trading environment for customers of the Group, in March 2011 Monex, Inc. announced that stock brokerage commissions for trade value under ¥500,000 would be reduced substantially in May. In particular, commissions for trade value under ¥300,000 are at the lowest levels among the major online securities companies, and future marketing will focus on the newcomer segment to expand the customer base and activate trading. Also, Monex, Inc. and Monex FX, Inc. ("Monex FX") have started to provide applications for smartphones and are making other efforts to improve and strengthen the customer trading environment in line with the times.

In addition, the Group expanded its lineup of highly original services that will lead to an expansion of customer assets in custody. These include a beta version of "MONEX SIGN," a trading timing analysis tool developed originally by the Group, released in April and July 2010, and "MONEX VISION β," a portfolio management advice tool, released to all account holders in October 2010.

#### Mutual fund business

In March 2011, Monex, Inc. launched the "collaborative project for mutual fund promotion," a cooperative mutual fund sales initiative, in cooperation with three other major online securities companies. The four companies will cooperate by

#### ■ Cost structure



holding joint events, conducting joint campaigns and advertising, establishing websites, organizing and marketing exclusive mutual funds, and taking other measures to promote investment in mutual funds and increase sales volumes.

### Expansion of RMB denominated products

In light of the strongly-anticipated rise of the RMB and investor needs, Monex, Inc. took the initiative ahead of other companies by actively introducing and selling RMB denominated products such as RMB denominated national bonds, RMB denominated corporate bonds, and mutual funds that invest in RMB denominated bonds.

### Alternative investment business

Monex Alternative Investment, Inc. ("MAI"), a consolidated subsidiary, is steadily increasing contract assets of its pension fund management services provided in cooperation with Mizuho Trust and Banking Co., Ltd., and total contract assets reached ¥6.4 billion at the end of the consolidated fiscal year. MAI merged with Asuka Commodity Investments Co., Ltd. ("ACI") effective February 1, 2011, with MAI being the surviving company and ACI being the absorbed company. In the future, MAI will strengthen foundations and structures to develop investment products with the aim of growing as a representative Japanese alternative investment management firm.

### Overseas business development

The Group's overseas business development initiatives include opening a Beijing Representative Office on October 21, 2010. The representative office will serve as a key investigation and research base for developing the securities business in China, searching for local securities business opportunities through interactions and exchanges of information with the Chinese financial authorities and financial institutions. Effective December 27, 2010, the Company merged with BOOM Group Merger Preparation Godo Kaisha,

the holding company of BOOM Group (the collective term of BOOM Securities (H.K.) Limited, Boom.com Limited, Baby Boom Limited, and Boom Solutions Limited), a Hong Kong based online brokerage company group, and Monex International Limited (the BOOM Group's holding company in Hong Kong) with the Monex Group being the surviving company, and the Company making the BOOM Group and Monex International Limited wholly owned subsidiaries. The Group will use BOOM Group as a base to develop its online securities business for individual investors in Asia and expand revenues.

A portion of the funds that the Group raised from the issuance of new shares on October 12, 2010 was applied to financing the BOOM Group, which used the funds for systems and operating capital to build and expand its business foundations and raise revenues. BOOM Group received the loan of approximately ¥650 million in total by the end of March 2011, and increased margin transactions mainly by expanding the limit of margin loans to clients.

### Commission revenues

Total commission revenues for the consolidated fiscal year rose 1.1% in annual terms to ¥13,158 million.

#### 1) Commission to consignees

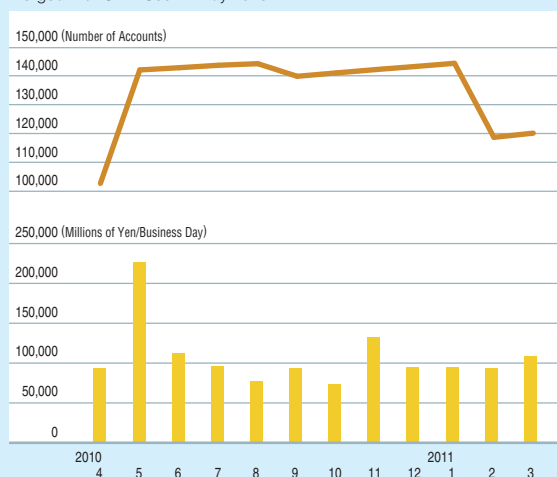
Value of trading by individual investors fell approximately 15% from the previous fiscal year, but commission to consignees declined by only 3.7% to ¥10,102 million due to the effects of the merger with ORIX Securities.

#### 2) Commission for underwriting, secondary distribution, solicitation for selling for professional investors and other services

During the fiscal year, the Group underwrote new stock issues for eight companies. Commission for underwriting, secondary distribution, solicitation for selling for professional investors and other services totaled ¥13 million, a decrease of 42.3% in annual terms.

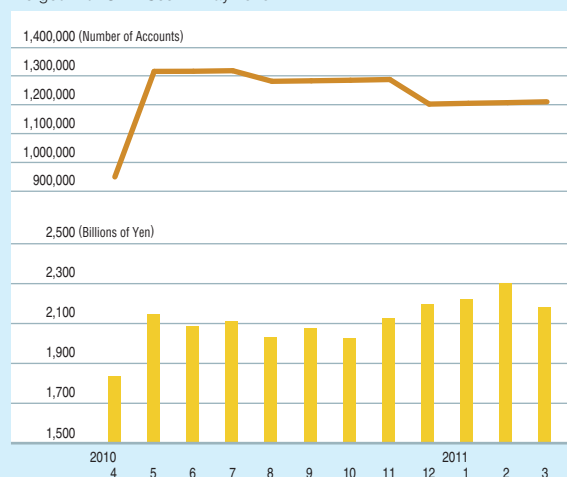
### Number of FX margin trading accounts /FX margin trading amount (Monex, Inc.)

Merged with ORIX Sec. in May 2010.



### Accounts/Customers' assets in custody (Monex, Inc.)

Merged with ORIX Sec. in May 2010.



### 3) Fee for offering, secondary distribution, solicitation for selling for professional investors and other services

Mutual fund sales increased as a result of an expanded product lineup, sales of original products, and sales of products with strong customer demand. As a result, fee for offering, secondary distribution, solicitation for selling for professional investors, and other services rose 19.8% to ¥645 million.

### 4) Other forms of commission

Agency commissions for mutual funds rose 24.3% to ¥1,264 million due to higher mutual fund assets in custody. Also, commissions from margin forex trading rose 1.9% to ¥407 million. As a result, combined revenue from other forms of commissions increased 22.0% to ¥2,395 million.

### Net trading gains

Margin forex trading increased due to extreme fluctuations in market prices, leading to a net gain on trading account of ¥4,724 million, up 38.4% in annual terms.

### Financial income

Margin transactions income increased 35.4% to ¥4,336 million due to the effects of the merger with ORIX Securities, and financial income was up 19.1% to ¥7,155 million. Net financial income (financial income less financial expenses) was up 31.7% to ¥4,517 million.

Overall, operating revenues rose 12.1% to ¥25,227 million, and net operating revenues (operating revenues less financial expenses) were up 12.4% to ¥22,589 million.

### Selling, general and administrative expenses

ORIX Securities became subject to consolidated accounting in February 2010, and the period of consolidation increased from two months in the previous consolidated fiscal year to 12 months in the consolidated fiscal year under review. Consequently, selling, general and administrative expenses were up 15.4% on an annual basis to ¥17,848 million. Commissions paid and exchange and association dues increased 20.8% to ¥1,641 million, advertising expenses rose 24.6% to ¥906 million, outsourcing expenses for back office work were up 14.6% to ¥4,740 million, and depreciation increased 36.4% to ¥1,319 million.

Overall, operating income grew 6.3% to ¥4,714 million, and ordinary income rose 11.4% to ¥4,990 million.

### Other

Extraordinary income of ¥729 million consisted primarily of ¥628 million in reversal of financial instruments transactions reserves and ¥99 million in gains on sale of investment securities. Extraordinary losses of ¥2,445 million consisted mainly of ¥1,151 million in business integration costs, ¥116 million in impairment losses on fixed assets, and ¥1,005 million in provision for allowance for doubtful receivables to cover shortfalls resulting from losses on settlement of futures and options transactions incurred in conjunction with the

rapid drop in market prices following the Great East Japan Earthquake.

Overall, income before income taxes and minority interests was ¥3,268 million, down 18.2% from the previous fiscal year, and net income was ¥1,992 million, down 47.2%.

### Cash Flow

During the consolidated fiscal year under review, net cash provided by operating activities was ¥4,288 million (compared to ¥5,198 million in net cash used in operating activities the previous fiscal year), net cash used in investing activities was ¥2,087 million (compared to ¥4,201 million in net cash provided by investing activities in the previous fiscal year), and net cash provided by financing activities was ¥2,232 million (compared to ¥9,026 million in net cash used in financing activities in the previous fiscal year). As a result, cash and cash equivalents at the end of the fiscal year amounted to ¥33,764 million, up ¥4,458 million from the previous fiscal year.

Details of each cash flow category, including key determining factors, are described below.

### Cash flows from operating activities

Cash flows from operating activities resulted in a net inflow of ¥4,288 million during the consolidated fiscal year.

Inflows included an increase of ¥13,917 million in deposits received and a ¥7,284 million decrease in margin transaction assets and the net of increase in margin transaction liabilities. Outflows included a decrease of ¥16,325 million in guarantee money received and a decrease of ¥8,319 million in loans payable secured by securities and loans receivable secured by securities.

### Cash flows from investing activities

Cash flows from investing activities resulted in a net outflow of ¥2,087 million during the consolidated fiscal year.

Inflows included ¥2,197 million from redemption of securities and ¥1,662 million from sales and redemption of investment securities, while outflows included ¥4,095 million for purchases of securities and ¥1,207 million for acquisition of intangible assets.

### Cash flows from financing activities

Cash flows from financing activities resulted in a net inflow of ¥2,232 million during the consolidated fiscal year.

Inflows included ¥4,992 million from corporate bond issues and a ¥5,373 million increase in short-term borrowings, while redemption of bonds resulted in an outflow of ¥9,500 million.

## ● Consolidated Financial Statements

### Consolidated Balance Sheets

As of March 31, 2011 and 2010

	2011	2010	2011
	Millions of Yen		Thousands of U.S. Dollars
<b>Assets</b>			
Current assets:			
Cash and deposits (Notes 7 and 29)	¥ 34,950	¥ 31,697	\$ 420,325
Cash segregated for customers and others	138,627	127,742	1,667,192
Money held in trust	36,575	34,543	439,868
Trading assets (Notes 9 and 11)	9,504	7,910	114,299
Securities (Notes 7 and 10)	6,208	2,704	74,660
Operating investment securities (Note 10)	971	1,060	11,678
Margin transaction assets (Note 6)	96,602	115,927	1,161,780
Payments on securities subscribed	634	685	7,625
Short-term guarantee money deposited	6,435	8,067	77,390
Accrued revenues	2,423	2,670	29,140
Deferred tax assets (Note 14)	1,978	1,284	23,788
Short-term loans receivable	10,738	18,121	129,140
Other	1,499	1,528	18,028
Allowance for doubtful receivables	(97)	(64)	(1,167)
	<b>347,047</b>	<b>353,874</b>	<b>4,173,746</b>
Property and equipment, at cost:			
Buildings	338	366	4,065
Furniture and fixtures	1,259	993	15,141
Accumulated depreciation	(860)	(723)	(10,343)
	<b>737</b>	<b>636</b>	<b>8,863</b>
Intangible assets, net of amortization:			
Goodwill	8,049	8,014	96,801
Software	1,792	1,558	21,551
Other	1,073	374	12,906
	<b>10,914</b>	<b>9,946</b>	<b>131,258</b>
Investment and others:			
Investment securities (Notes 8 and 10)	6,007	7,405	72,243
Long-term guarantee deposits	591	1,257	7,108
Long-term receivable for customers (Note 2)	1,052	37	12,652
Deferred tax assets (Note 14)	350	1,554	4,209
Other (Note 8)	85	17	1,022
Allowance for doubtful receivables	(1,052)	(37)	(12,652)
	<b>7,070</b>	<b>10,233</b>	<b>85,027</b>
<b>Total assets</b>	<b>¥365,768</b>	<b>¥374,689</b>	<b>\$4,398,894</b>

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



## Consolidated Balance Sheets

As of March 31, 2011 and 2010

	2011	2010	2011
	Millions of Yen		Thousands of U.S. Dollars
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Trading liabilities (Notes 9 and 11)	¥ 3,321	¥ 2,854	\$ 39,940
Margin transaction liabilities (Note 6)	31,638	43,677	380,493
Loans payable secured by securities	26,603	35,109	319,940
Deposits received	93,857	70,584	1,128,767
Guarantee money received	85,012	101,338	1,022,393
Short-term borrowings (Note 16)	39,800	30,450	478,653
Current portion of long-term debt (Note 14)	5,000	3,500	60,132
Bonds (Note 16)	5,000	9,500	60,132
Income taxes payable (Note 14)	582	420	6,999
Accrued employees' bonuses	23	156	277
Accrued directors' bonuses	8	40	96
Deferred tax liabilities (Note 14)	—	29	—
Allowance for point services	161	195	1,936
Other	1,150	2,439	13,832
	<b>292,155</b>	<b>300,291</b>	<b>3,513,590</b>
<b>Non-current liabilities:</b>			
Long-term debt (Note 16)	—	5,000	—
Long-term deposits received	1,153	1,150	13,867
Deferred tax liabilities (Note 14)	143	1	1,720
Other	—	54	—
	<b>1,296</b>	<b>6,205</b>	<b>15,587</b>
<b>Statutory reserves (Note 17):</b>			
Financial instruments transactions reserve	1,254	1,883	15,081
	<b>1,254</b>	<b>1,883</b>	<b>15,081</b>
<b>Total liabilities</b>	<b>294,705</b>	<b>308,379</b>	<b>3,544,258</b>
<b>Commitments (Note 18):</b>			
<b>Net assets</b>			
<b>Owners' equity</b>			
Common stock:	10,394	8,800	125,003
Authorized – 8,800,000 shares			
Issued – 3,196,805 shares as of March 31, 2011 and 2,991,120 shares as of March 31, 2010			
Capital surplus	42,163	38,999	507,072
Retained earnings	18,404	18,206	221,335
	<b>70,961</b>	<b>66,005</b>	<b>853,410</b>
<b>Accumulated other comprehensive income</b>			
Net unrealized holding gains (losses) on securities, net of taxes	(144)	225	(1,732)
Foreign currency translation adjustments	6	(8)	72
	<b>(138)</b>	<b>217</b>	<b>(1,660)</b>
Minority interests	203	88	2,441
<b>Total net assets</b>	<b>71,026</b>	<b>66,310</b>	<b>854,191</b>
<b>Total liabilities and net assets</b>	<b>¥365,731</b>	<b>¥374,689</b>	<b>\$4,398,449</b>

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

## Consolidated Statements of Income

For the fiscal years ended March 31, 2011 and 2010

	2011	2010	2011
	Millions of Yen		Thousands of U.S. Dollars
<b>Operating revenues:</b>			
Commission revenues (Note 25)	¥13,158	¥13,021	\$158,244
Net gain on trading account	4,725	3,415	56,825
Net gain (loss) on operating investments	26	(117)	313
Financial income (Note 26)	7,155	6,008	86,049
Other operating revenues	163	173	1,960
	<b>25,227</b>	<b>22,500</b>	<b>303,391</b>
Financial expenses (Note 26)	2,638	2,578	31,726
Net operating revenues	<b>22,589</b>	<b>19,922</b>	<b>271,665</b>
Selling, general and administrative expenses (Note 27)	17,848	15,460	214,648
Operating income	<b>4,741</b>	<b>4,462</b>	<b>57,017</b>
<b>Other incomes (expenses):</b>			
Equity in earnings	(8)	(62)	(96)
Gain on sales of investment securities	99	—	1,191
Reversal of financial instruments transactions reserve	629	310	7,565
Dividend income	246	158	2,959
Impairment loss on fixed assets (Note 28)	(116)	(181)	(1,395)
Adjustment of prior years' expenses (Note 28)	(66)	—	(794)
Cancellation loss of outsourcing contracts	(89)	(28)	(1,070)
Business integration cost (Note 28)	(1,152)	(744)	(13,854)
Provision for allowance for doubtful receivables (Note 28)	(1,006)	—	(12,099)
Other, net	(4)	(55)	(49)
	<b>(1,467)</b>	<b>(602)</b>	<b>(17,642)</b>
Income before income taxes and minority interests prior to distribution of gain (loss) in silent partnership	3,274	3,860	39,375
Distribution of gain (loss) in silent partnership	6	(137)	72
Income before income taxes and minority interests	3,268	3,997	39,303
Income taxes (Note 14):			
Current	565	1,209	6,795
Deferred	708	(976)	8,515
	<b>1,273</b>	<b>233</b>	<b>15,310</b>
Net income before minority interests	1,995	3,764	23,993
<b>Minority interests</b>	<b>2</b>	<b>(12)</b>	<b>24</b>
<b>Net income</b>	<b>¥ 1,993</b>	<b>¥ 3,776</b>	<b>\$ 23,969</b>

	2011	2010	2011
	Yen		U.S. Dollars
<b>Per share amounts</b>			
Net income	¥647.82	¥1,527.41	\$7.79
Cash dividends per share applicable to the year	500.00	700.00	6.01

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

## Consolidated Statements of Comprehensive Income

For the fiscal years ended March 31, 2011 and 2010

	2011	2010	2011
	Millions of Yen		Thousands of U.S. Dollars
Net income before minority interests	¥1,995	¥3,764	\$23,993
Other comprehensive income			
Unrealized gain (loss) on available-for-sale securities	(369)	16	(4,438)
Foreign currency translation adjustments	24	2	289
Share of other comprehensive loss in affiliates	(10)	—	(120)
Total other comprehensive income (loss)	(355)	18	(4,269)
Total comprehensive income	1,640	3,782	19,724
Comprehensive income attributed to:			
Shareholders of the Company	1,638	3,794	19,700
Minority interest	2	(12)	24

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

## Consolidated Statements of Changes in Net Assets

For the fiscal years ended March 31, 2011 and 2010

	Millions of Yen									
	Owners' Equity					Accumulated Other Comprehensive Income			Minority Interests	Total Net Assets
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Owners' Equity	Net Unrealized Holding Gains (Losses) on Securities, Net of Taxes	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Income		
<b>Balance at March 31, 2009</b>	<b>¥ 8,800</b>	<b>¥15,155</b>	<b>¥17,659</b>	<b>¥(2,010)</b>	<b>¥39,604</b>	<b>¥209</b>	<b>¥(6)</b>	<b>¥ 203</b>	<b>¥259</b>	<b>¥40,066</b>
Net income	—	—	3,776	—	3,776	—	—	—	—	3,776
Cash dividends paid	—	—	(1,389)	—	(1,389)	—	—	—	—	(1,389)
Issuance of new stocks	—	23,844	—	—	23,844	—	—	—	—	23,844
Acquisition of treasury stock	—	—	—	(102)	(102)	—	—	—	—	(102)
Disposition of treasury stock	—	(402)	—	678	276	—	—	—	—	276
Retirement of treasury stock	—	(1,434)	—	1,434	—	—	—	—	—	—
Transfer to capital surplus from retained earnings	—	1,836	(1,836)	—	—	—	—	—	—	—
Decrease in minority interests	—	—	—	—	—	—	—	—	(171)	(171)
Others	—	—	(4)	—	(4)	16	(2)	14	—	10
<b>Balance at March 31, 2010</b>	<b>8,800</b>	<b>38,999</b>	<b>18,206</b>	<b>—</b>	<b>66,005</b>	<b>225</b>	<b>(8)</b>	<b>217</b>	<b>88</b>	<b>66,310</b>
Net income	—	—	1,993	—	1,993	—	—	—	—	1,993
Cash dividends paid	—	—	(1,795)	—	(1,795)	—	—	—	—	(1,795)
Issuance of new stocks	1,594	1,594	—	—	3,188	—	—	—	—	3,188
Issuance of new stocks by merger	—	1,570	—	—	1,570	—	—	—	—	1,570
Increase in minority interests	—	—	—	—	—	—	—	—	115	115
Others	—	—	—	—	—	(369)	14	(355)	—	(355)
<b>Balance at March 31, 2011</b>	<b>¥10,394</b>	<b>¥42,163</b>	<b>¥18,404</b>	<b>¥ —</b>	<b>¥70,961</b>	<b>¥(144)</b>	<b>¥ 6</b>	<b>¥(138)</b>	<b>¥203</b>	<b>¥71,026</b>

	Thousands of U.S. Dollars									
	Owners' Equity					Accumulated Other Comprehensive Income			Minority Interests	Total Net Assets
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Owners' Equity	Net Unrealized Holding Gains (Losses) on Securities, Net of Taxes	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Income		
<b>Balance at March 31, 2010</b>	<b>\$105,833</b>	<b>\$469,020</b>	<b>\$218,953</b>	<b>\$—</b>	<b>\$793,806</b>	<b>\$2,706</b>	<b>\$(96)</b>	<b>\$2,610</b>	<b>\$1,058</b>	<b>\$797,474</b>
Net income	—	—	23,969	—	23,969	—	—	—	—	23,969
Cash dividends paid	—	—	(21,587)	—	(21,587)	—	—	—	—	(21,587)
Issuance of new stocks	19,170	19,170	—	—	38,340	—	—	—	—	38,340
Issuance of new stocks by merger	—	18,882	—	—	18,882	—	—	—	—	18,882
Increase in minority interests	—	—	—	—	—	—	—	—	1,383	1,383
Others	—	—	—	—	—	(4,438)	168	(4,270)	—	(4,270)
<b>Balance at March 31, 2011</b>	<b>\$125,003</b>	<b>\$507,072</b>	<b>\$221,335</b>	<b>\$—</b>	<b>\$853,410</b>	<b>\$(1,732)</b>	<b>\$ 72</b>	<b>\$(1,660)</b>	<b>\$2,441</b>	<b>\$854,191</b>

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

## Consolidated Statements of Cash Flows

For the fiscal years ended March 31, 2011 and 2010

	2011	2010	2011
	Millions of Yen		Thousands of U.S. Dollars
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥ 3,268	¥ 3,997	\$ 39,303
Reversal of financial instruments transactions reserve	(629)	(309)	(7,565)
Depreciation	1,320	968	15,875
Amortization of goodwill	635	270	7,637
Impairment loss on fixed assets	116	181	1,395
Increase (decrease) in allowance for doubtful receivables	1,047	(408)	12,592
Decrease in allowance for point services	(35)	(62)	(421)
Gain on sales of investment securities	(99)	—	(1,191)
Loss on redemption of investment securities	—	41	—
Increase (decrease) in accrued employees' bonuses	(162)	75	(1,948)
Increase (decrease) in accrued directors' bonuses	(32)	40	(385)
Interest income and dividend income	(7,402)	(6,167)	(89,020)
Interest expense	2,638	2,578	31,726
Decrease in cash segregated for customers and others	(2,103)	(2,476)	(25,292)
(Increase) decrease in money held in trust	(2,100)	1,003	(25,255)
(Increase) decrease in trading assets	(878)	282	(10,559)
Decrease in operating investment securities	114	44	1,371
(Increase) decrease in margin transaction assets, net of increase in margin transaction liabilities	7,285	(32,208)	87,613
Increase (decrease) in loans payable secured by securities and (increase) decrease in loans receivable secured by securities, net	(8,319)	10,310	(100,048)
(Increase) decrease in payments on securities subscribed	52	(54)	625
Decrease in short-term loans receivable	7,878	2,659	94,744
Decrease in short-term guarantee money deposits	2,279	4,442	27,408
Increase in deposits received	13,918	5,969	167,384
Increase (decrease) in guarantee money received	(16,325)	2,636	(196,332)
(Increase) decrease in long-term receivables for customers	(1,134)	43	(13,634)
Increase (decrease) in consumption taxes payable	(37)	50	(444)
Other, net	(1,752)	(1,552)	(21,075)
<b>Sub total</b>	<b>(457)</b>	<b>(7,648)</b>	<b>(5,496)</b>
Interest and dividend received	7,032	5,462	84,570
Interest paid	(2,629)	(2,601)	(31,618)
Income taxes paid	343	(411)	4,125
<b>Net cash provided by (used in) operating activities</b>	<b>4,289</b>	<b>(5,198)</b>	<b>51,581</b>
<b>Cash flows from investing activities:</b>			
Purchases of securities	(4,095)	(36,984)	(49,248)
Redemption of securities	2,197	37,081	26,422
Purchases of property and equipment	(603)	(81)	(7,252)
Purchases of intangible assets	(1,207)	(916)	(14,516)
Purchases of investment securities	(47)	(65)	(565)
Proceeds from sales and redemption of investment securities	1,662	756	19,988
Payment for purchase of investments in subsidiaries	—	(17)	—
Proceeds from sales of investments in subsidiaries	25	—	301
Proceeds from investments in subsidiaries	7	—	84
Payments for long-term guarantee deposits	(513)	(127)	(6,170)
Proceeds from long-term guarantee deposits	537	20	6,458
Acquisition of controlling interests in subsidiary	34	3,821	409
Other, net	(84)	714	(1,010)
<b>Net cash provided by (used in) investing activities</b>	<b>(2,087)</b>	<b>4,202</b>	<b>(25,099)</b>
<b>Cash flows from financing activities:</b>			
Decrease due to the acquisition of treasury stock	—	(101)	—
Increase (decrease) in short-term borrowings	5,373	(10,200)	64,618
Increase in bonds	4,992	18,973	60,036
Decrease in bonds	(9,500)	(18,800)	(114,251)
Increase in long-term debt	—	2,500	—
Dividends paid	(1,793)	(1,398)	(21,563)
Issuance of new stock	3,160	—	38,003
<b>Net cash provided by (used in) financing activities</b>	<b>2,232</b>	<b>(9,026)</b>	<b>26,843</b>
<b>Foreign currency translation adjustments on cash and cash equivalents</b>	<b>25</b>	<b>(3)</b>	<b>301</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>4,459</b>	<b>(10,025)</b>	<b>53,626</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>29,306</b>	<b>39,331</b>	<b>352,447</b>
<b>Cash and cash equivalents at end of year (Note 29)</b>	<b>¥33,765</b>	<b>¥29,306</b>	<b>\$406,073</b>

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

# Notes to Consolidated Financial Statements

For the fiscal years ended March 31, 2011 and 2010

## 1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Monex Group, Inc. (the "Company") have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act of Japan 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. The accounts of overseas consolidated subsidiaries are maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile. The accounts of overseas consolidated subsidiaries for the year ended March 31, 2011 are prepared in conformity with generally accepted accounting principles and practices prevailing in the countries, and adjusted for the differences in accounting policies from Japanese GAAP, if any.

The accompanying consolidated financial statements have been reformed and translated into English (with some expanded descriptions) 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 Financial Instruments 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 translations 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, 2011, which was ¥83.15 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 ten of its subsidiaries for the year ended March 31, 2010 and fourteen of its subsidiaries for the year ended March 31, 2011. The Company's consolidated subsidiaries as of March 31, 2011 are Monex, Inc., Monex FX, Inc., Monex Alternative Investments, Inc., Monex University, Inc., Monex Business Incubation, Inc., Monex Hambrecht, Inc., Trade Science Corporation, MBH America, Inc., Monex International Limited, Boom Securities Limited and others. There is one company which is not consolidated as of March 31, 2011 in terms of financial materiality.

### (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 fiscal year ended March 31, 2010 and three companies for the year ended March 31, 2011, were accounted for by using the equity method.

### (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 the market prices and differentials between markets as well as reducing losses from them, by performing proprietary trading on such products which are treated according to 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 by a trade date basis at fair value.

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

Derivative contracts in the trading account are accounted for at 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 "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") and 2. all other securities that are not classified in the above category (hereafter, "available-for-sale securities").

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

Held-to-maturity debt securities are stated at amortized cost.

#### 2. 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 net assets. Realized gains and losses on sale of such securities are computed using the moving-average method.

Securities in cash segregated for customers and others and money held in trust are treated the same as above.

(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.

The estimated useful lives as of March 31, 2011 and 2010 were as follows:

	2011	2010
Buildings	3 to 18 years	3 to 18 years
Furniture and fixtures	4 to 6 years	4 to 6 years

#### b) Intangible Assets

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

Goodwill related to the acquisition of its subsidiaries is the excess of the purchase price over the fair value of net assets acquired and amortized using the straight-line method over estimated periods when its effects can be recognized.

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

### (6) 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) Accrued Directors' Bonuses

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

#### 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.

### (7) 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.

### (8) 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.



### (9) Consumption Taxes

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

### (10) 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. Dividend is presented by accrual basis, and it includes the planned payment of dividend.

### (11) 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.

### (12) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no impact on the previously reported results of operations or retained earnings.

## 3. Changes in Significant Accounting Policies

### (1) Adoption of "Accounting Standard for Asset Retirement Obligations"

The Company has applied "Accounting Standard for Asset Retirement Obligations" (Accounting Standards Board of Japan ("ASBJ") Statement No.18, March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21, March 31, 2008) from the year ended March 31, 2011.

By this adoption, "Operating income" decreased by 3 million yen and "Income before income taxes and minority interests" decreased by 20 million yen.

### (2) Adoption of "Accounting Standards for Business Combinations," etc.

The Company has applied "Accounting Standard for Business Combinations" (ASBJ Statement No.21, December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, December 26, 2008), "Partial amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No.23, December 26, 2008), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7, December 26, 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No.16, December 26, 2008) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, December 26, 2008) from the year ended March 31, 2011.

## 4. Changes in Presentation

Adoption of "Cabinet Office Ordinance of Partial Amendment to Regulation for Terminology, Forms and Preparation of Financial Statements" (Cabinet Office Ordinance No.5, issued on March 24, 2009), based on "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, issued on December 26, 2008) from the year ended March 31, 2011.

The account of "Net income before minority interests" was separately presented due to the adoption.

## 5. Additional Information

Adoption of "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25 on June 30, 2010) and "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, revised on June 20, 2010) from the year ended March 31, 2011.

## 6. Margin Transactions

Margin transactions as of March 31, 2011 and 2010 consisted of the following:

Assets	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Loans receivable from customers	¥ 93,659	¥ 106,984	\$ 1,126,386
Cash deposits as collateral for securities borrowed from securities finance companies:	2,943	8,943	35,394
	¥ 96,602	¥ 115,927	\$ 1,161,780

Liabilities	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Loans from securities finance companies	¥ 11,694	¥ 12,853	\$ 140,637
Proceeds of securities sold for customers' accounts	19,944	30,824	239,856
	¥ 31,638	¥ 43,677	\$ 380,493

## 7. Pledged Assets

Collateral for loan transactions with securities finance companies as of March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Cash deposits as collateral for foreign exchange trades with financial institutions	¥ 3,296	¥ 2,896	\$ 39,639
Securities as collateral for borrowing with securities financial firms	100	200	1,203
Securities as collateral for settlement with financial products settlement firms	3,997	1,998	48,070
Securities deposited by customers as collateral for margin transactions	10,295	15,314	123,812
	¥ 17,688	¥ 20,408	\$ 212,724

Total fair value of the securities deposited as collateral as of March 31, 2011 and 2010 consisted of the following (excluding securities mentioned above):

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Securities lending for margin transactions	¥ 20,309	¥ 33,996	\$ 244,245
Securities pledged for borrowings from securities finance companies or securities exchange brokers	11,944	13,123	143,644
Securities loaned	26,712	34,633	321,251
Other securities pledged	296	2,497	3,560
	¥ 59,261	¥ 84,249	\$ 712,700

Total fair value of the securities received as collateral as of March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Securities in custody for loans receivable from customers	¥ 82,866	¥ 102,584	\$ 996,583
Securities borrowed from securities finance companies	2,896	9,042	34,829
Securities borrowed	92,318	94,263	1,110,259
Securities received as guarantee for margin transactions	182,921	199,200	2,199,892
	¥ 361,001	¥ 405,089	\$ 4,341,563

## 8. Investments in Affiliates

Investments in affiliates included in investment securities and other as of March 31, 2011 and 2010 had carrying amounts of ¥889 million (\$10,692 thousand) and ¥815 million, respectively.

### 9. Trading Assets and Liabilities

Trading assets as of March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Equity securities	¥ —	¥ —	\$ —
Investment trusts	—	—	—
Bonds	1,234	620	14,841
Forward foreign exchange contracts	8,270	7,290	99,458
	¥ 9,504	¥ 7,910	\$ 114,299

Trading liabilities as of March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Equity options	¥ 1	¥ —	\$ 12
Forward foreign exchange contracts	3,320	2,854	39,928
	¥ 3,321	¥ 2,854	\$ 39,940

### 10. Securities

The book values and market value of held-to-maturity debt securities with a readily ascertainable market value as of March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		
	2011		
	Book value	Market value	Difference
Government bonds	¥ 4,096	¥ 4,096	¥ —

	Millions of Yen		
	2010		
	Book value	Market value	Difference
Government bonds	¥ 2,198	¥ 2,198	¥ —

	Thousands of U.S. Dollars		
	2011		
	Book value	Market value	Difference
Government bonds	\$ 49,260	\$ 49,260	\$ —

The acquisition cost and book value of available-for-sale securities with a readily ascertainable market value as of March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		
	2011		
	Acquisition cost	Book value	Difference
Stocks	¥ 2	¥ 2	¥ —
Bonds	101,380	101,279	(101)
Investment trusts	1,221	1,244	23
Total	¥ 102,603	¥ 102,525	¥ (78)

	Millions of Yen		
	2010		
	Acquisition cost	Book value	Difference
Stocks	¥ 1	¥ 6	¥ 5
Bonds	53,363	53,849	486
Investment trusts	1,221	1,192	(29)
Total	¥ 54,585	¥ 55,047	¥ 462

	Thousands of U.S. Dollars		
	2011		
	Acquisition cost	Book value	Difference
Stocks	\$ 24	\$ 24	\$ —
Bonds	1,219,243	1,218,028	(1,215)
Investment trusts	14,684	14,961	277
Total	\$ 1,233,951	\$ 1,233,013	\$ (938)

Available-for-sale securities sold for the fiscal year ended March 31, 2011 and 2010:

	Millions of Yen		
	2011		
	Sales amount	Gains on sales	Losses on sales
Available-for-sale securities	¥ 11,242	¥ 262	¥ —

	Millions of Yen		
	2010		
	Sales amount	Gains on sales	Losses on sales
Available-for-sale securities	¥ 20,300	¥ 273	¥ —

	Thousands of U.S. Dollars		
	2011		
	Sales amount	Gains on sales	Losses on sales
Available-for-sale securities	\$ 135,201	\$ 3,151	\$ —

Investment securities without a readily ascertainable market value as of March 31, 2011 and 2010 mainly consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Securities	¥ 2,111	¥ 505	\$ 25,388
Operating investment securities	971	1,060	11,678
Unlisted companies stocks	3,648	5,088	43,872
Investment in limited partnership	302	304	3,632
Total	¥ 7,032	¥ 6,957	\$ 84,570

Redemption schedule of bonds classified as held-to-maturity debt securities as of March 31, 2011 was as follows:

	Millions of Yen			
	2011			
	1 year or less	More than 1 year but less than 5 years	More than 5 years but less than 10 years	More than 10 years
Government bonds	¥ 15,597	¥ 84,500	¥ —	¥ —
Total	¥ 15,597	¥ 84,500	¥ —	¥ —

	Thousands of U.S. Dollars			
	2011			
	1 year or less	More than 1 year but less than 5 years	More than 5 years but less than 10 years	More than 10 years
Government bonds	\$ 187,577	\$ 1,016,236	\$ —	\$ —
Total	\$ 187,577	\$ 1,016,236	\$ —	\$ —

## 11. Derivatives

The Company's consolidated subsidiaries use forward foreign exchange contracts.

### (1) Trading Purposes

Derivative contracts for trading purposes of March 31, 2011 and 2010 were as follows:

	Millions of Yen			
	2011			
	Assets		Liabilities	
	Contract amount	Fair value	Contract amount	Fair value
Forward Currency Contracts	¥ 400,410	¥ 8,269	¥ 271,272	¥ 3,321

	Millions of Yen			
	2010			
	Assets		Liabilities	
	Contract amount	Fair value	Contract amount	Fair value
Forward Currency Contracts	¥ 263,958	¥ 7,290	¥ 162,949	¥ 2,854

	Thousands of U.S. Dollars			
	2011			
	Assets		Liabilities	
	Contract amount	Fair value	Contract amount	Fair value
Forward Currency Contracts	\$ 4,815,514	\$ 99,447	\$ 3,262,441	\$ 39,940

### (2) Hedge Purpose

Derivative contracts for hedge purposes of March 31, 2010 were as follows:

	Millions of Yen			
	2010			
	Assets		Liabilities	
	Contract amount	Fair value	Contract amount	Fair value
Forward Currency Contracts	¥ —	¥ —	¥ 465	¥ 16

## 12. Leases

Finance lease other than those that do not transfer ownership of leased property, which commenced in the fiscal years beginning before April 1, 2008 are accounted for as operating 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, 2011 and 2010 is as follows:

Acquisition costs and accumulated depreciation:

	Millions of Yen		
	2011		
	Acquisition costs	Accumulated depreciation	Net balance at year end
Furniture and fixtures	¥ 805	¥ 752	¥ 53
Software	441	404	37
Total	¥ 1,246	¥ 1,156	¥ 90

	Millions of Yen		
	2010		
	Acquisition costs	Accumulated depreciation	Net balance at year end
Furniture and fixtures	¥ 1,149	¥ 868	¥ 281
Software	767	582	185
Total	¥ 1,916	¥ 1,450	¥ 466

	Thousands of U.S. Dollars		
	2011		
	Acquisition costs	Accumulated depreciation	Net balance at year end
Furniture and fixtures	\$ 9,681	\$ 9,044	\$ 637
Software	5,304	4,859	445
Total	\$ 14,985	\$ 13,903	\$ 1,082

Future lease payments under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Within one year	¥ 81	¥ 358	\$ 974
Over one year	15	136	180
Total	¥ 96	¥ 494	\$ 1,155

Lease payments, depreciation and interest expense:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Lease payments	¥ 269	¥ 411	\$ 3,235
Depreciation	251	377	3,019
Interest expense	7	23	84

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.

## 13. Stock Option Plan

Monex Hambrecht, Inc. which is a subsidiary of the Company has stock option plan. Its stock option outstanding as of March 31, 2011 was as follows:

Date of resolution	January 31, 2008
Persons granted	2 directors of the subsidiary
Date of grant	January 31, 2008
Number of granted shares	54 shares
Exercise price	¥150,000
Exercise period	From January 31, 2010 to January 31, 2018

This plan is incentive plan only for Monex Hambrecht and respective amounts are unchanged from the year ended March 31, 2010 to 2011.

## 14. 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 the fiscal year ended March 31, 2011 and 2010. And the effective tax payout ratio after adopting deferred tax accounting for the fiscal year ended March 31, 2011 and 2010 were 38.9% for 2011 and 5.8% for 2010, respectively.

The significant differences between the statutory income tax rates and the effective income tax rates for the fiscal years ended March 31, 2011 and 2010 were as follows:

	2011	2010
Statutory income tax rates	40.7%	40.7%
Permanent differences including entertainment expenses	0.8%	1.1%
Tax loss carry forward	(7.3%)	—%
Valuation allowance	(1.4%)	(40.1%)
Amortization of goodwill	7.9%	3.1%
Per capital basis inhabitant taxes	0.4%	0.4%
Equity in earnings	0.1%	0.6%
Others	(2.3%)	0.0%
Effective income tax rates	38.9%	5.8%

The tax effects of significant temporary differences that result in deferred tax assets and liabilities at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Deferred tax assets -Current			
Enterprise tax payable	¥ 49	¥ 55	\$ 589
Allowance for point services	65	79	782
Accumulated deficits	1,662	616	19,988
Net unrealized holding losses on securities	41	—	493
Losses on termination of outsource contract	62	62	746
Allowance for doubtful receivables	39	32	469
Business integration cost	—	553	—
Other	61	84	733
Sub total	1,979	1,481	23,800
Valuation allowance	(1)	(1)	(12)
Total	1,978	1,480	23,788
Deferred tax liabilities -Current			
Retained earnings of subsidiaries	—	(29)	—
Net unrealized holding gains on securities	—	(197)	—
Total	—	(226)	—
Net deferred tax assets -Current	1,978	1,254	23,788
Deferred tax assets -Non-current			
Financial instruments transactions reserve	510	766	6,134
Allowance for doubtful receivables	429	9	5,159
Depreciation	63	124	758
Accumulated deficits	623	2,026	7,493
Deferred assets	56	45	673
Net unrealized holding losses on securities	39	42	469
Goodwill	241	330	2,898
Other	75	45	902
Sub total	2,036	3,387	24,486
Valuation allowance	(1,649)	(1,833)	(19,832)
Total	387	1,554	4,654
Deferred tax liabilities -Non-current			
Net unrealized holding gains on securities	(37)	—	(445)
Valuation on intangible assets	(142)	—	(1,708)
Other	(1)	(1)	(12)
Total	(180)	(1)	(2,165)
Net deferred tax assets -Non-current	207	1,553	2,489
Net deferred tax assets	¥ 2,185	¥ 2,807	\$ 26,277

## 15. Severance and Retirement Benefits

Severance and retirement benefit expenses included in the consolidated statement of income for the years ended March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Contributions to a defined contribution plan	¥ 17	¥ 18	\$ 204

For the years ended March 31, 2011, the Group applied a defined contribution plan only.

## 16. Short-term Borrowings, Bonds and Long-term Debt

Short-term borrowings at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Short-term borrowings from banks: average interest rate 0.43%	¥ 39,800	¥ 30,450	\$ 478,653

Bonds at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Bonds: interest rate 1.10 - 1.20%	¥ 5,000	¥ 9,500	\$ 60,132

The repayment schedule for the next five years and thereafter for Bonds as of March 31, 2011 is as follows:

	Millions of Yen	Thousands of U.S. Dollars
2012	¥ 5,000	\$ 60,132
2013	—	—
2014	—	—
2015	—	—
2016 and thereafter	—	—

Long-term debt at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Borrowings from banks: average interest rate 1.07%	¥ 5,000	¥ 8,500	\$ 60,132

The repayment schedule for the next five years and thereafter for long-term debt as of March 31, 2011 is as follows:

	Millions of Yen	Thousands of U.S. Dollars
2012	¥ 5,000	\$ 60,132
2013	—	—
2014	—	—
2015	—	—
2016 and thereafter	—	—

## 17. Statutory Reserves

Statutory reserves at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Financial instruments transactions reserve	¥ 1,254	¥ 1,883	\$ 15,081

Previously the reserve for securities transactions was recorded in accordance with supplementary provision article 40 of the Financial Instruments and Exchange Law of Japan.

The Financial Instruments transaction reserve is recorded in accordance with Article 46-5 of the Financial Instruments and Exchange Law and Article 175 of the Cabinet Office Ordinances Concerning Financial Service Providers which require a securities company to set aside a reserve in proportion to the values of its securities transactions and other related trading to cover possible customer losses incurred by default of the securities company on securities transactions.

## 18. Commitments

Commitment lines for lending by the Company and its consolidated subsidiary as of March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Commitment lines for lending	¥ 2,600	¥ 2,500	\$ 31,269
Less amount executed	—	—	—
Unused amount	¥ 2,600	¥ 2,500	\$ 31,269

Commitment lines of credit and overdraft for borrowings by the Company and its consolidated subsidiary as of March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Commitment lines of credit and overdraft	¥ 109,100	¥ 119,700	\$ 1,312,087
Less amount executed	(23,800)	(21,950)	(286,230)
Unused amount	¥ 85,300	¥ 97,750	\$ 1,025,857

## 19. Net Assets

Under Companies Act, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding half of the amount of the contribution as additional paid-in-capital, which is included in capital surplus.

Under the Act, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in-capital and legal earnings reserve must be set aside as additional paid-in-capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Act, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Act, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in-capital and legal earnings reserve may not be distributed as dividends. Under the Act, however, on condition that the total amount of legal earnings reserve and additional paid-in-capital remained equal to or exceeded 25% of common stock, they were available for distribution by resolution of the shareholders' meeting. Under the Law, all additional paid-in-capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

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 Japanese laws and regulations.

## 20. Share Issued and Treasury Stock

For the year ended March 31, 2011 and 2010 are as follows:

	As of March 31, 2010	Increase	Decrease	As of March 31, 2011
Share Issued				
Common Stock	2,991,120	205,685	—	3,196,805
Treasury Stock				
Common Stock	—	—	—	—

	As of March 31, 2009	Increase	Decrease	As of March 31, 2010
Share Issued				
Common Stock	2,344,687	673,002	26,569	2,991,120
Treasury Stock				
Common Stock	35,006	3,371	38,377	—

## 21. Business Combinations

The business combination for the year ended March 31, 2011 is as follows:

Application of the purchase method  
(Making Boom Group a wholly-owned subsidiary)

The Company resolved to acquire Boom Securities (H.K.) Limited, Boom.

com Limited, Baby Boom Limited, and Boom Solutions Limited (collectively, "Boom Group"), Hong Kong based on-line brokerage company group, from AEX ENTERPRISE LIMITED ("AEX"), and signed an agreement for the acquisition with AEX. Following this approval, the Company's Board of Directors resolved by the written resolution under the Article 370 of the Companies Act of Japan to conduct a merger with Boom Group Merger Preparation Godo Kaisha, a prospective holding company of these companies, for the purpose of the acquisition, and on December 27, 2010 the Company completed the acquisition.

### 1. Name of the acquired entity and description of its business, main reason for conducting the business combination, date of the business combination, legal form of the business combination, name of the entity after the business combination and percentage of voting rights acquired

#### (1) Name of the acquired entity and description of its business

Name of the acquired entity: BOOM Group Merger Preparation Godo Kaisha (holdings company in Japan of Monex International Limited that is holdings company in Hong Kong of Boom Group).  
Description of business: Financial instruments business and other

#### (2) Main reason for conducting the business combination

The Company has established overseas business development as one of its significant business priority. The Company has been launching financial-related businesses in a rapidly growing market, the People's Republic of China. Boom Group is the first company group to launch internet stock trading in Asia and Pacific region, providing services to retail investors. By merging Boom Group, the Company has established control over its management to further expand the Boom Group's internet stock trading business in the region.

#### (3) Date of the business combination: December 27, 2010

(4) Legal basis of the business combination: In accordance with Article 796, Paragraph 3 of the Companies Act of Japan, the Company conducted the Merger through the simplified procedures, by which resolutions of the shareholders meeting was not required to execute absorption type of BOOM Group Merger Preparation Godo Kaisha.  
New name of the merged entity: Monex Group, Inc.

#### (5) Percentage of voting rights acquired: 100%

#### (6) Basis for the acquired entity

BOOM Group Merger Preparation Godo Kaisha is an absorbed company by consideration for acquisition which meant fair value of the Company common stock, and Boom Group will become a wholly-owned subsidiary of the Company.

### 2. Period for which the business results of the acquired entity are included in the consolidated financial statements of the Company

From January 1, 2011 to March 31, 2011

### 3. Breakdown of the acquisition cost of the acquired entity

		Millions of Yen	Thousands of U.S. Dollars
Consideration for acquisition:	Fair value of Monex Group common stock	¥ 1,570	\$ 18,893
Costs incurred directly in acquisition:	Advisory costs, etc.	240	2,886
Acquisition cost		¥ 1,810	\$ 21,779

### 4. Merger ratio for each type of stock, calculation of the exchange ratio, and number of issued shares.

#### (1) Merger ratio for each type of stock

Monex Group common stock 1: BOOM Group Merger Preparation Godo Kaisha 65,685

#### (2) Calculation of the stock merger ratio

The Company made a request to Deutsche Securities Inc. for the calculation of the merger ratio used in this merger

#### (3) Number of issued shares

Number of issued shares 65,685

### 5. Amount of goodwill, basis for goodwill, and method and period of amortization

#### (1) Amount of goodwill 557 million yen

#### (2) Basis for goodwill

Acquisition cost exceeds net asset value of Boom Group

#### (3) Method and period of amortization

Straight-line amortization over 18 years



**6. Breakdown of the major assets acquired and major liabilities assumed on the date of the business combination**

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥ 10,426	\$ 125,388
Non-current assets	836	10,054
Total assets	11,262	135,442
Current liabilities	9,876	118,773
Non-current liabilities	134	1,612
Total liabilities	¥ 10,010	\$ 120,385

**7. Amount, breakdown, and weighted average amortization period of intangible asset except from goodwill**

	Millions of Yen	Thousands of U.S. Dollars	Amortization period
Software	84	1,010	8.5 year
Customer list	722	8,683	18 year

**8. Estimate of the effects on the consolidated statements of income for the fiscal year ended March 31, 2011, supposing that the business combination was complete at the start of the fiscal year**

Since it is not significant, it is not presented.

An audit certificate has not been received for this estimate of the effects.

The business combination for the year ended March 31, 2010 is as follows:

Application of the purchase method  
(Making ORIX Securities Corporation a wholly-owned subsidiary)

**1. Name of the acquired entity and description of its business, main reason for conducting the business combination, date of the business combination, legal form of the business combination, name of the entity after the business combination and percentage of voting rights acquired**

**(1) Name of the acquired entity and description of its business**

Name of the acquired entity: ORIX Securities Corporation  
Description of business: Financial instruments business

**(2) Main reason for conducting the business combination**

By merging the entity with Monex Inc., a wholly-owned subsidiary of the Company, the Company has established new stage of growth. This is achieved by expanding customer base and significant reduction in cost bases such as system related expense.

**(3) Date of the business combination: January 17, 2010**

**(4) Legal form of the business combination: exchange of stock**

**(5) Percentage of voting rights acquired: 100%**

**2. Period for which the business results of the acquired entity are included in the consolidated financial statements of the Company**

From February 1, 2010 to March 31, 2010

**3. Breakdown of the acquisition cost of the acquired entity**

	Millions of Yen
Consideration for acquisition:	Fair value of Monex Group common stock ¥ 23,844
Costs incurred directly in acquisition:	Advisory costs, etc. 108
Acquisition cost	¥ 23,952

**4. Exchange ratio for each type of stock, calculation of the exchange ratio, number of issued shares, and appraised value of those shares**

**(1) Exchange ratio for each type of stock**

Monex Group common stock 1: ORIX Securities Corporation 1.550

**(2) Calculation of the stock exchange ratio**

The Company made a request to Deutsche Securities Inc. ("Deutsche Securities") and ORIX Corporation made a request to Mizuho Securities Co., Ltd. ("Mizuho Securities") for the calculation of the stock exchange ratio used in this exchange of stock.

Deutsche Securities adopted the market stock price method, discounted cash flow method ("DCF") and several other generally accepted approaches to calculating the value per the Company share to serve as the basis for calculating this stock exchange ratio. Deutsche Securities also adopted the guideline public company method ("GPCM")

and the DCF for calculating the value per ORIX Securities share, and submitted the calculation results for the stock exchange ratio to the Company. The overall calculation results by Deutsche Securities for the stock exchange ratio using the evaluation methods mentioned above are in the range, the Company 1.00 : ORIX Securities 0.58 - 1.73. This indicates the range of the Company common stock apportioned for one share of ORIX Securities common stock. In making its calculations, Deutsche Securities has set certain preconditions such as for the accuracy and completeness of the materials and other information submitted by the Company and ORIX Securities, and the calculation results are not a recommendation to the Company shareholders or ORIX Securities shareholders to exercise any specific voting right. Deutsche Securities used October 26, 2009 as the date for the stock prices (market prices) of the Company and other guideline companies, which formed the basis of the appraisal, and it analyzed the weighted stock price averages on the date and on dates going back one month, three months and six months from the calculation date.

Since market stock prices exist for the Company, Mizuho Securities conducted its calculations for the Company using the market stock price method, and it conducted its calculations for both companies using contribution analysis and the GPCM. In making its calculations, Mizuho Securities has set certain preconditions such as for the accuracy and completeness of the materials and other information submitted by both companies. Its calculation results based on each method are as follows. The calculated ranges shown below for the stock exchange ratio indicate the number of shares of the Company common stock apportioned for one share of ORIX Securities common stock.

Adopted method		Calculated range for stock exchange ratio (Monex Group = 1.00)
ORIX Securities shares	Monex Group shares	
GPCM	Market stock price method	0.99 - 1.90
GPCM	GPCM	0.93 - 1.67
Contribution analysis	Contribution analysis	1.54 - 2.05

Mizuho Securities used October 27, 2009 as the calculation date for the market stock price method, and used the closing stock price on the calculation date, the average closing stock prices for the week leading up to the calculation date, the average closing stock prices for the month leading up to the calculation date and the average closing stock price on the date going back three months from the calculation date.

**(3) Number of issued shares and fair value of issued shares**

Number of issued shares 673,002  
Fair value of issued shares 23,844 million yen

**5. Amount of goodwill, basis for goodwill, and method and period of amortization**

**(1) Amount of goodwill 7,737 million yen**

**(2) Basis for goodwill**

Primarily, the excess earning power of the ORIX Securities Corporation, and the effect of the expected cost reductions resulting from the merger of Monex, Inc. and ORIX Securities.

**(3) Method and period of amortization**

Straight-line amortization over 18 years

**6. Breakdown of the major assets acquired and major liabilities assumed on the date of the business combination**

	Millions of Yen
Current assets	¥ 129,066
Margin transaction assets	47,342
Non-current assets	4,352
Total assets	133,418
Current liabilities	116,186
Margin transaction liabilities	33,726
Non-current liabilities	360
Statutory reserves	657
Total liabilities	¥ 117,203

**7. Estimate of the effects on the consolidated statements of income for the fiscal year ended March 31, 2010, supposing that the business combination was complete at the start of the fiscal year**



	Millions of Yen
Operating revenues	¥ 6,081
Net operating revenues	5,543
Operating income	(971)
Ordinary income	(891)
Net income before income taxes and minority interests	(2,475)
Net income	¥ (1,777)

(Calculation of estimates)

The difference between the operating revenues, net operating revenues and income information supposing that the business combination was complete at the start of the fiscal year and the operating revenues, net operating revenues and income information contained in the consolidated statements of income of the acquiring entity are assumed to be operating estimates.

An audit certificate has not been received for these estimations.

## 22. Financial Instruments

The financial instruments for the years ended March 31, 2011 and 2010 are as follows:

### 1. Financial instruments

#### (1) Basic policy for financial instruments

The Group procures necessary funds according to the business plan, primarily by borrowing from financial institutions and by issuing corporate bonds. Any temporary surplus funds are mostly invested in highly liquid financial assets, and in accordance with the Financial Instruments and Exchange Act, separately managed money trusts and so forth are established for customer deposits and guarantee money received by the financial instruments firms subsidiaries.

#### (2) Details of financial instruments and associated risks

Short-term guarantee money deposited and margin transaction assets are exposed to the credit risk of customers. Foreign-currency trade receivables are also exposed to the risk of currency fluctuations, but in principle, their net position is hedged using forward exchange contracts. Securities and investment securities are primarily held-to-maturity debt securities and net investments necessary for conducting a financial transactions business, and they are exposed to the risk of market price fluctuations.

Almost all guarantee money received and margin transaction liabilities have a maturity of one year or less. Those that are partially denominated in foreign currencies are exposed to the risk of currency fluctuations, but this risk is being managed appropriately.

Loans and corporate bonds are primarily for the purpose of procuring funds needed to provide margin transactions. As for derivative transactions, forward foreign exchange contracts are used for the purpose of avoiding the risk of foreign exchange fluctuations in margin forex trading and in foreign currency denominated securities.

#### (3) Risk management systems for financial instruments

In order to keep the risks that affect business management to within certain permissible limits, the Group properly identifies, analyzes and assesses risks, and it has developed an appropriate management system suited to each type of risk, including: a) market-related risk, b) credit risk, and c) liquidity risk. The Group also manages financial instruments business operator properly, calculating their capital adequacy ratios in accordance with the Financial Instruments and Exchange Act.

The interest risk is defined as primal risk for the Group, which may affect on cash segregated for customers and others and money held in trust, and the result of quantitative analysis to be reported at the Board. Trust of cash segregated and managed for customers are invested in government bonds, bank deposits and call loan, and basically its purpose is to acquire interest income to maturity. Government bonds are exposed to the market-related risk, bank deposits are to the credit risk. As of end of March 2011, 99.5 billion yen of government bond are held, and the result on the income estimation based on its historical volatilities of previous year 104 million yen per day and 1.675 million yen per year.

### 2. Fair value of financial instruments

The value of financial instruments recorded on the consolidated balance sheets as of March 31, 2011, their fair value, and the difference between these two are as follows. Any financial instruments, for which determination of fair value is deemed extremely difficult, have not been included in the following table.

2011	Millions of Yen			Thousands of U.S. Dollars		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥ 34,950	¥ 34,950	—	\$ 420,325	\$ 420,325	—
(2) Cash segregated for customers and others, and money held in trust	175,202	175,202	—	2,107,060	2,107,060	—
(3) Securities and investment securities	14,847	14,846	¥ (1)	178,556	178,556	\$(12)
a) Trading securities	1,234	1,234	—	14,840	14,840	—
b) Derivative transactions	8,270	8,270	—	99,459	99,459	—
c) Held-to-maturity debt securities	4,097	4,096	(1)	49,272	49,260	(12)
d) Available-for-sale securities	1,246	1,246	—	14,985	14,985	—
(4) Margin transaction assets	96,602	96,602	—	1,161,780	1,161,780	—
(5) Short-term guarantee money deposited and short-term loans receivable	17,173	17,173	—	206,530	206,530	—
Total assets	¥ 338,774	¥ 338,773	¥ (1)	\$ 4,074,251	\$ 4,074,239	\$(12)
(1) Margin transaction liabilities	¥ 31,638	¥ 31,638	—	\$ 380,493	\$ 380,493	—
(2) Loans payable secured by securities	26,603	26,603	—	319,940	319,940	—
(3) Deposits received	93,857	93,857	—	1,128,767	1,128,767	—
(4) Guarantee money received and short-term borrowings	124,812	124,812	—	1,501,046	1,501,046	—
(5) Current portion of bonds	5,000	5,000	—	60,132	60,132	—
(6) Current portion of long-term debt	5,000	5,000	—	60,132	60,132	—
(7) Derivative transactions	3,321	3,321	—	39,940	39,940	—
Total liabilities	¥ 290,231	¥ 290,231	—	\$ 3,490,450	\$ 3,490,450	—

2010	Millions of Yen		
	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥ 31,696	¥ 31,696	—
(2) Cash segregated for customers and others, and money held in trust	162,285	162,285	—
(3) Securities and investment securities	11,812	11,812	—
a) Trading securities	620	620	—
b) Derivative transactions	7,289	7,289	—
c) Held-to-maturity debt securities	2,198	2,198	—
d) Available-for-sale securities	1,703	1,703	—
(4) Margin transaction assets	115,927	115,927	—
(5) Short-term guarantee money deposited and short-term loans receivable	26,187	26,187	—
Total assets	¥ 347,909	¥ 347,909	—
(1) Margin transaction liabilities	¥ 43,677	¥ 43,677	—
(2) Loans payable secured by securities	35,108	35,108	—
(3) Deposits received	70,583	70,583	—
(4) Guarantee money received and short-term borrowings	131,787	131,787	—
(5) Current portion of bonds	9,500	9,500	—

(6) Long-term debt and current portion of long-term debt	8,500	8,575	75
(7) Derivative transactions	2,854	2,854	—
Total liabilities	¥ 302,011	¥ 302,086	¥ 75

Note 1. Calculation of the fair value of financial instruments and notes on securities and derivative transactions

(Assets)

(1) Cash and deposits, (5) Short-term guarantee money deposited and short-term loans receivable

Given that these are settled in a short period of time, their book values closely approximate their fair value, and so they have been stated at their respective book values.

(2) Cash segregated for customers and others, and money held in trust  
Given that these are mostly trust assets and marked to market, their book values closely approximate their fair value, and so they have been stated at their respective book values.

(3) Securities and investment securities

The fair value of shares has been stated using the prices at exchange. The fair value of bonds has been stated using either the prices at exchange or the prices offered by correspondent financial institutions. The fair value of derivative transactions has been stated using the prices offered by correspondent financial institutions and so forth.

(4) Margin transaction assets

Margin transaction assets with prescribed terms of contract have short terms, their book values closely approximate their fair value, and so they have been stated at their respective book values. Margin transaction assets with no prescribed terms of contract can be regarded as fair value using the amount of the payment (book value) if an offsetting transaction was conducted at the time fair value was assessed, they have been stated at their respective book values.

(Liabilities)

(1) Margin transaction liabilities

Given that even margin transaction liabilities with prescribed terms of contract have short terms, their book values closely approximate their fair value, and so they have been stated at their respective book values.

(2) Loans payable secured by securities (3) Deposits received (4) Guarantee money received and short-term borrowings (6) Current portion of long-term debt

Given that these are settled in a short period of time, their book values closely approximate their fair value, and so they have been stated at their respective book values.

(5) Current portion of bonds

Given that these are corporate bonds redeemed in a short period of time, their book values closely approximate their fair value, and so they have been stated at their respective book values.

(7) Derivative transactions

The fair value has been stated using the prices offered by correspondent financial institutions and so forth.

Note 2. Financial instruments, for which determination of fair value is deemed extremely difficult

	2011		2010
	Carrying amount (Millions of Yen)	Carrying amount (Thousands of U.S. Dollars)	Carrying amount (Millions of Yen)
Unlisted company stocks <sup>*1</sup>	¥ 4,385	\$52,736	¥ 5,818
Investment trusts <sup>*2</sup>	2,437	29,309	349
Investments in limited partnerships <sup>*2</sup>	1,021	12,279	1,097

\*1. Given that unlisted company stocks have no market price and determining their fair value is deemed extremely difficult, they have not been included in "(3) Securities and investment securities."

\*2. Given that investment trusts and investments in limited partnerships are included in operating investment securities, securities and investment securities comprised of assets such as unlisted company stocks, for which determination of fair value is deemed extremely difficult, they have not been included in "(3) Securities and investment securities."

Note 3. Redemption schedule after March 31, 2011, for monetary claims and for securities with terms to maturity

Almost all monetary claims and held-to-maturity debt securities are scheduled to be redeemed within one year. The redemption schedule for those available-for-sale securities with terms to maturity is as follows:

	Millions of Yen		
	1 year or less	More than 1 year but less than 5 years	More than 5 years but less than 10 years
Government bonds and municipal bonds	¥ 11,500	¥ 84,500	—

	Thousands of U.S. Dollars		
	1 year or less	More than 1 year but less than 5 years	More than 5 years but less than 10 years
Government bonds and municipal bonds	\$ 138,304	\$ 1,016,236	—

For the year ended March 31, 2010 as follows:

	Millions of Yen		
	1 year or less	More than 1 year but less than 5 years	More than 5 years but less than 10 years
Government bonds and municipal bonds	¥ 12,200	¥ 33,000	¥ 10,000

Note 4. Repayment schedule after March 31, 2011, for corporate bonds and long-term debt

	Millions of Yen	
	1 year or less	More than 1 year
Bonds	¥ 5,000	—
Long-term debt	5,000	—
Total	¥ 10,000	—

	Thousands of U.S. Dollars	
	1 year or less	More than 1 year
Bonds	\$ 60,132	—
Long-term debt	60,132	—
Total	\$120,264	—

For the year ended March 31, 2010 as follows:

	Millions of Yen	
	1 year or less	More than 1 year but less than 2 years
Bonds	¥ 9,500	—
Long-term debt	3,500	¥ 5,000
Total	¥ 13,000	¥ 5,000

## 23. Capital Adequacy Requirements

In Japan, financial instruments business operator is subject to risk-based capital adequacy rules established and administered by the Financial Services Agency ("FSA"). Monex, Inc. and Monex FX, Inc. report their capital adequacy ratio as defined pursuant to these rules.

The capital adequacy rules require financial instruments business operator to report to the FSA if the ratio falls to 140% or below, and the financial instruments business operator must report its capital adequacy ratio to the FSA on a daily basis while its ratio is 140% or below. As of March 31, 2011, capital adequacy ratio of Monex, Inc. was 510.3% (unaudited) and that of Monex FX, Inc. was 505.2% (unaudited).

## 24. Segment Information

(Additional information)

Effective April 1, 2010, the Company adopted "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Accounting Standards Board of Japan ("ASBJ") Statement No. 17 on March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, issued on March 21, 2008).

Segment information for the year ended March 31, 2011 is as follows:

### (1) Outline of reportable segment

The Company's reportable segment is defined as single, i.e. financial service business for individual customers providing financial product and infrastructure via internet environment.

### (2) Method of calculating amounts of net operating revenues, operating income (loss) and assets, etc. by reportable segment

These are not disclosed because of single reportable segment.

**(3) Information of calculating amounts of net operating revenues, operating income (loss) and assets, etc. by reportable segment**

These are not disclosed because of single reportable segment.

**(4) Differences between subtotal of reportable segment and consolidated figure**

These are not disclosed because of single reportable segment.

Segment information for the year ended March 31, 2010 is as follows:

**(1) Industry Segment**

Industry segment information for the year ended March 31, 2010 is not disclosed because operating revenues, operating income and assets related to securities brokerage and securities-related services account for more than 90% of the Company's consolidated operating revenues, operating income and consolidated assets, respectively.

**(2) Geographic Segment**

Geographic segment information for the year ended March 31, 2010 is not disclosed because operating revenues and assets in Japan account for more than 90% of the company's consolidated operating revenues and consolidated assets, respectively.

**(3) Overseas Sales**

Information for overseas sales for the year ended March 31, 2010 is not disclosed because overseas sales are less than 10% of the Company's consolidated operating revenues.

## 25. Commission Revenues

Details of commission revenues for the years ended March 31, 2011 and 2010 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Brokerage:			
Equity securities	¥ 9,574	¥ 10,269	\$ 115,141
Investment trusts	232	201	2,790
Other	297	24	3,572
Underwriting and distribution:			
Equity securities	14	23	168
Bonds	—	1	—
Subscription and distribution:			
Equity securities	5	3	60
Bonds	3	5	36
Investment trusts	637	531	7,661
Other commissions:			
Equity securities	417	287	5,015
Bonds	2	4	24
Investment trusts	1,283	1,034	15,431
Other	694	639	8,346
	¥ 13,158	¥ 13,021	\$ 158,244

## 26. Financial Income and Financial Expenses

Details of financial income for the years ended March 31, 2011 and 2010 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Income from margin transactions	¥ 4,336	¥ 3,203	\$ 52,147
Income from securities lending	937	767	11,269
Dividends received	1,005	1,220	12,086
Interest on bonds	585	451	7,035
Other interest income	290	366	3,488
Other financial income	2	1	24
	¥ 7,155	¥ 6,008	\$ 86,049

Details of financial expenses for the years ended March 31, 2011 and 2010 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Expenses for margin transactions	¥ 370	¥ 387	\$ 4,450
Expenses for securities borrowing	1,844	1,791	22,177
Interest expenses	300	286	3,608
Bond interest	124	112	1,491
Others	—	2	—
	¥ 2,638	¥ 2,578	\$ 31,726

## 27. Selling, General and Administrative Expenses

The major components of selling, general and administrative expenses for the years ended March 31, 2011 and 2010 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Commissions paid	¥ 922	¥ 836	\$ 11,088
Exchange and association dues	719	523	8,647
Communication, freight and information expenses	2,369	2,058	28,491
Advertising expenses	907	728	10,908
Directors' compensation	411	442	4,943
Employees salaries	2,466	2,680	29,657
Provision for accrued directors' bonuses	8	43	96
Provision for accrued employees' bonuses	39	75	470
Severance and retirement benefit expenses	17	18	204
Equipment rental and maintenance	1,063	1,037	12,784
Outsourcing expenses	4,740	4,138	57,005
Provision for allowance for doubtful receivables	46	—	553
Amortization and depreciation	1,955	1,237	23,512
Other operating expenses	2,186	1,645	26,290
	¥ 17,848	¥ 15,460	\$ 214,648

## 28. Other Expenses

**(1) The breakdowns of disposal loss on fixed assets for the years ended March 31, 2011 and 2010 are as follows:**

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Buildings	¥ 14	¥ —	\$ 168
Software	102	181	1,227
Furniture and fixtures	—	—	—
Total	¥ 116	¥ 181	\$ 1,395

**(2) Business integration cost is a temporary expense which arose as a consequence of preparations for the merger between Monex, Inc. and ORIX Securities. The breakdowns of major costs for the years ended March 31, 2011 and 2010 are as follows:**

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Costs related to voluntary retirements	¥ 4	¥ 438	\$ 48
System related costs	885	125	10,643
Other	263	181	3,163
Total	¥ 1,152	¥ 744	\$ 13,854

**(3) Provision for doubtful receivables is presented by the settlement loss in futures and options accounts of the customers due to the market decline influenced by the Tohoku-Pacific Ocean Earthquake.**

**(4) Adjustment of prior years' expenses is prior years' charge with regard to market information service.**

## 29. Supplemental Information for Consolidated Statements of Cash Flows

### (1) Cash and Cash Equivalents

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Cash and deposits	¥ 34,950	¥ 31,697	\$ 420,325
Segregated cash included in cash and deposits	(3,296)	(2,896)	(39,640)
Marketable securities including MMFs	2,111	505	25,388
Cash and cash equivalents	¥ 33,765	¥ 29,306	\$ 406,073

### (2) Newly Consolidated Subsidiaries

For the year ended March 31, 2011, reconciliation of assets, liabilities and cash flows related to the acquisition of BOOM Securities Group as the newly consolidated subsidiaries were as follows:

#### BOOM Securities Group

	Millions of Yen		Thousands of U.S. Dollars
<b>Assets</b>			
Current assets	¥ 10,426		\$ 125,388
Non-current assets	836		10,054
Goodwill	558		6,722
<b>Liabilities</b>			
Current liabilities	(9,876)		(118,773)
Non-current liabilities	(134)		(1,612)
Subtotal	1,810		21,779
Issuance of new stocks	1,570		18,893
Cash and cash equivalents of BOOM Securities Group	274		3,295
Net cash proceeded in the purchase of BOOM Securities Group	¥ 34		\$ 409

For the year ended March 31, 2010, reconciliation of assets, liabilities and cash flows related to the acquisition of ORIX Securities Corporation as the newly consolidated subsidiaries were as follows:

#### ORIX Securities Corporation

	Millions of Yen	
<b>Assets</b>		
Current assets	¥ 129,066	
Non-current assets	4,352	
Goodwill	7,737	
<b>Liabilities</b>		
Current liabilities	(116,186)	
Non-current liabilities	(360)	
Reserves	(657)	
Subtotal	23,952	
Issuance of new stocks	23,844	
Cash and cash equivalents of ORIX Securities Corporation	3,929	
Net cash proceeded in the purchase of ORIX Securities Corporation	¥ 3,821	

## 30. Subsequent Events

### (1) Dividends

The following appropriation of retained earnings at March 31, 2011 was approved at the annual meeting of shareholders held on June 25, 2011.

	Millions of Yen		Thousands of U.S. Dollars
	2011	2011	2011
Unappropriated retained earnings	¥ 18,404		\$ 221,335
<b>Appropriations:</b>			
Year-end cash dividends	639		7,685
Retained earnings carried forward	¥ 17,765		\$ 213,650

### (2) TradeStation Group acquisition

#### a. Overview

The Company entered into an agreement with TradeStation Group, Inc. (headquarters: Florida, USA; representative: Chief Executive Officer Salomon Sredni), a leading online brokerage firm and trading platform operating in the US which was listed on NASDAQ (TRAD), pursuant to which the Company would offer to acquire TradeStation through an all cash tender offer and a subsequent second-step merger with cash paid as consideration. The Company preceded with the commencement of a tender offer, through its wholly-owned subsidiary in the United States, Felix 2011 Acquisition Sub, Inc., for all outstanding shares of common stock of TradeStation Group, Inc. and top-up options. On June 10, 2011 the Company completed the respective processes toward fully-own of TradeStation Group, Inc. by acquiring all of outstanding shares. The Tender Offer is not a tender offer for the purposes of the Japanese Financial Instruments and Exchange Act.

#### b. TradeStation Group, Inc.

Operating results and financial situation of the last 3 fiscal years are as follows:

Fiscal year end	TradeStation Group, Inc. (US\$ in thousands)		
	December 31, 2008	December 31, 2009	December 31, 2010
Total shareholders' equity	\$ 165,001	\$ 170,508	\$ 173,437
Total assets	837,432	1,049,196	1,593,166
Net revenues	160,432	134,711	128,972
Income before income taxes	50,039	26,069	13,793
Net income	30,637	15,790	11,440
Earnings per share:	0.71	0.38	0.29

(Source: TradeStation)

#### c. Date of acquisition

June 10, 2011

#### d. The number of acquired shares, fund for acquisition, and percentage of voting rights acquired

- 1) The number of acquired shares: 1,000
- 2) Fund for acquisition: US\$ 402 million
- 3) Percentage of voting rights acquired: 100%

#### e. The methodologies of funding for acquisition

The company provided for its internal cash and borrowing from financial institution.

### (3) Acquisition of treasury stock in accordance with Articles of Incorporation set forth based on Article 165, Paragraph 2 of the Companies Act

On May 25, 2011, the Company has resolved at the meeting of the Board of Directors held that the Company would acquire treasury stock in accordance with Article 156 of the Companies Act applicable pursuant to Article 165, paragraph 3 of the Act.

#### a. Purpose of Acquisition

In order to improve capital efficiency and shareholder return taking into account developments in the investment and financing of our global business strategy and our resulting capital condition.

#### b. Outline of Acquisition

- 1) Type of shares to be acquired resolved at the meeting of the Board of Directors  
Shares of common stock of the Company
- 2) Total number of shares to be acquired  
Up to 200,000 shares  
(6.25% of shares issued and outstanding (excluding treasury stock))
- 3) Total cost of acquisition  
Up to 4,000 million yen
- 4) Period of acquisition  
From May 26, 2011 to June 17, 2011

#### c. Completion of Acquisition

- 1) Period of acquisition  
From May 26, 2011 to June 16, 2011 (trade date basis)
- 2) Total number of shares acquired  
200,000 shares
- 3) Total cost of acquisition  
3,098 million yen



## Independent Auditors' Report

To the Board of Directors of Monex Group, Inc.:

We have audited the accompanying consolidated balance sheets of Monex Group, Inc. and its consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income, comprehensive income, changes in net assets 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 financial position of Monex Group, Inc. and its consolidated subsidiaries as of March 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.

- (1) As discussed in Note 30 to the consolidated financial statements, on April 21, 2011 Monex Group, Inc. has entered into an agreement to make a tender offer for the common stock of TradeStation Group, Inc. and on June 10, 2011 completed acquisition of TradeStation Group, Inc. to become a wholly-owned subsidiary of the Company.
- (2) As discussed in Note 30 to the consolidated financial statements, on May 25, 2011 Monex Group, Inc. has resolved at the meeting of the Board of Directors that Monex Group, Inc. would acquire treasury stock, and completed the acquisition by June 16, 2011.

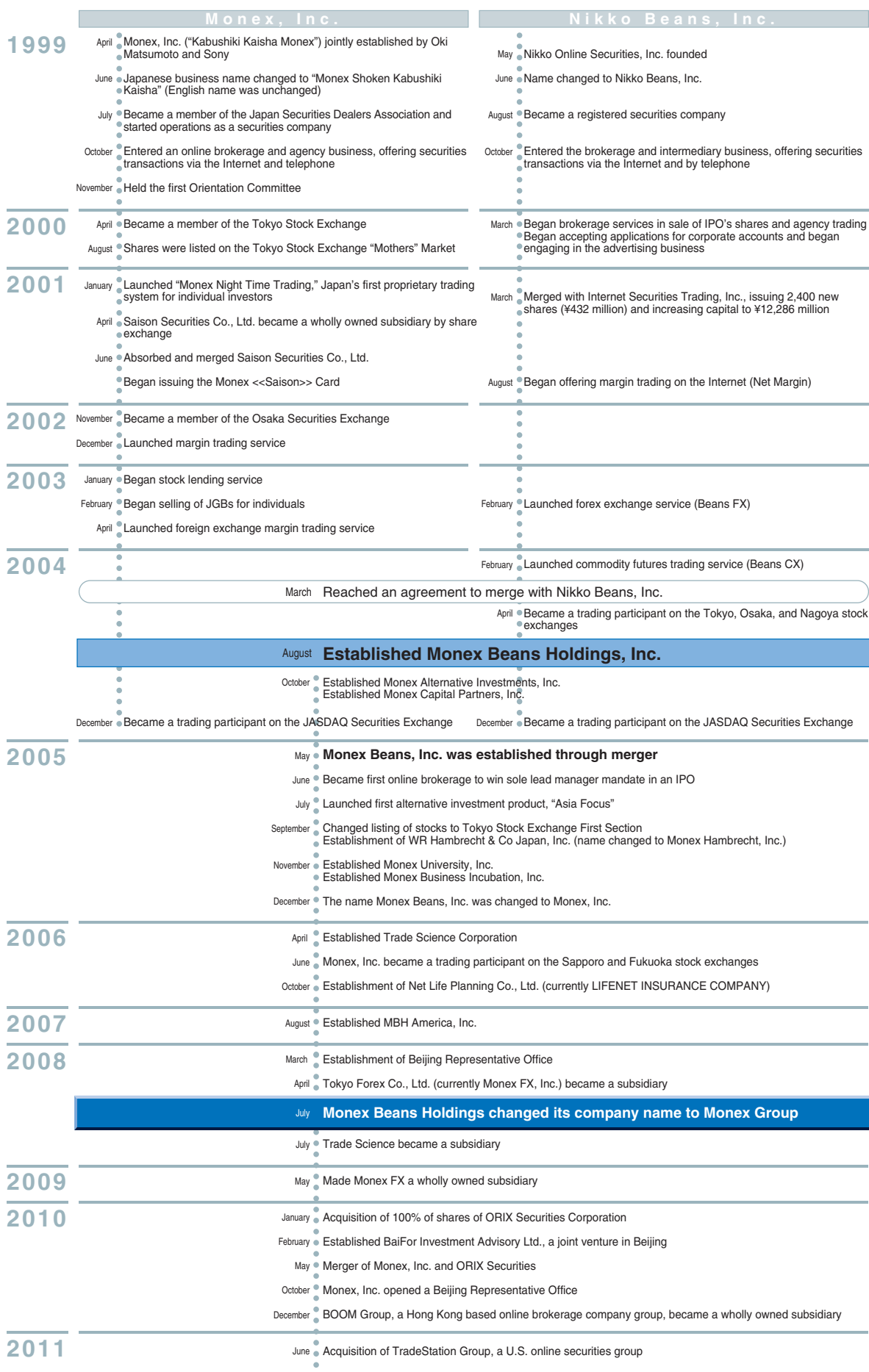
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

Tokyo, Japan  
June 25, 2011

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity

# ● Monex History





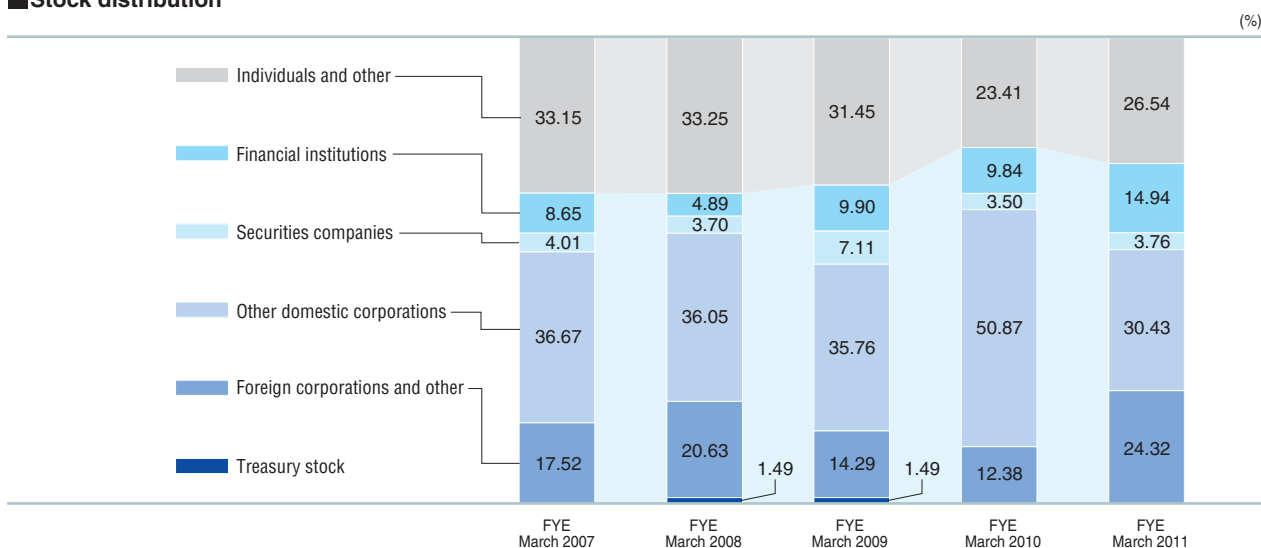
## ● Stock Information (As of March 31, 2011)

<b>Stock listing</b>	First Section of Tokyo Stock Exchange
<b>Security code</b>	8698
<b>Name of company</b>	Monex Group, Inc.
<b>Issued stock</b>	3,196,805 shares
<b>Trading unit</b>	1 share
<b>No. of shareholders</b>	44,892
<b>Administrator for shareholders' register</b>	Mizuho Trust & Banking, Co., Ltd. (As of June 26, 2011)
<b>Fiscal year</b>	From April 1 of each year to March 31 of the following year
<b>Record date for year-end dividends</b>	March 31
<b>Record date for interim dividends</b>	September 30
<b>Ordinary shareholders' meeting</b>	June each year

### Major shareholders

Name	No. of shares held (shares)	Percentage of shares held (%)
ORIX Corporation	673,002	21.05
Oki Matsumoto	260,480	8.14
BBH FOR MATTHEWS ASIA DIVIDEND FUND	134,059	4.19
The Master Trust Bank of Japan, Ltd. (Trust Account)	128,480	4.01
Japan Trustee Services Bank, Ltd. (Trust Account)	119,706	3.74
Sony Corporation	117,235	3.66
Mizuho Securities Co., Ltd.	89,970	2.81
Development Bank of Japan Inc.	68,415	2.14
MLI EFG NON COLLAT NON TREATY ACCT	65,885	2.06
RAFFLES NOMINEES (PTE) LTD S/A HL BANK A/C CLIENT (FOREIGN) (JP-58796)	65,685	2.05

### ■ Stock distribution



### ■ Share price and volume



### ■ Indicators per share

		FYE March 2007	FYE March 2008	FYE March 2009	FYE March 2010	FYE March 2011
Net assets per share	(Yen)	20,253	19,665	17,235	22,140	22,154
Net income (loss) per share	(Yen)	4,066	3,081	(929)	1,527	648
Return on equity (ROE)	(%)	21.4	15.5	(5.0)	7.1	2.9
Cash dividends per share	(Yen)	2,900	1,550	400	700	500

## ● Introduction of Group Companies

### Monex's Global Vision

#### The Acquisition of TradeStation Greatly Advances Our Global Vision

In conjunction with the development of the Internet trading, individual investors in Japan have come to strongly crave the benefits of various financial products and services from around the world. Online brokerage firms must respond to these needs in order to remain competitive. Focusing on overseas financial products and services with relatively low trading values, however, will push costs up. The Monex Group is addressing these issues through implementation of its "Global Vision."

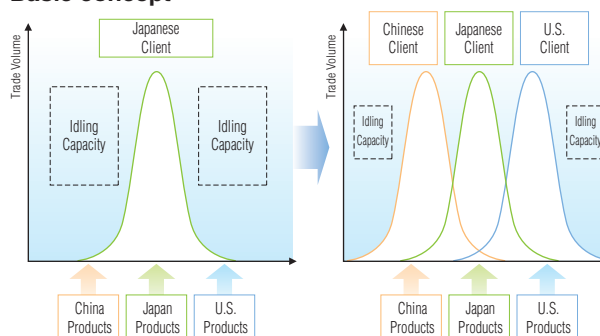
Based on the "Global Vision," we are rebuilding our domestic business, expanding our business in China, and making steady progress in our responses to increased globalization.

Following the acquisition of BOOM Group (now Monex BOOM Group) in Hong Kong in December 2010, in April 2011 Monex Group announced its decision to acquire TradeStation Group, Inc., a leading U.S. online brokerage firm, as a part of our efforts to globalize business, and completed the acquisition in June 2011. We plan to use this acquisition as an opportunity to build a new business portfolio in anticipation of changes in the business

environment over the next three to four years.

By using a shared platform in Japan, China, and the United States, we can substantially reduce costs while optimizing management and products on a global scale.

#### Basic concept



➔ More detailed information is available on the following Website (Monex Group's IR library) under Financial Result Related Materials/Presentation Materials.  
[http://www.monexgroup.jp/en/ir\\_library/presentation/index](http://www.monexgroup.jp/en/ir_library/presentation/index)

### New Group Companies

#### TradeStation

TradeStation Group, Inc. is a U.S. online trading group that has an established reputation among active traders based on the strength of its original trading platform. The Monex Group completed its acquisition of TradeStation through a friendly takeover in June 2011.

- Since its establishment as a software developer in 1982, TradeStation has been praised for its original advanced technology development skills, and following its listing on NASDAQ in 1997, has grown into an online securities brokerage with considerable support from active traders who focus on program trading.
- TradeStation was ranked No.1 in the 2011 online securities sector by *Barron's*, a financial magazine for investors issued by Dow Jones.
- TradeStation has established a base of highly profitable active traders through its competitive fee structure and well-regarded trading platform.



#### Monex BOOM Securities

Monex Boom Securities (H.K.) Limited, established in 1997 in Hong Kong, was the first online securities brokerage in the Asia-Pacific region. Monex Group acquired Monex BOOM Securities in December 2010.

- Monex BOOM Securities can trade shares in 12 countries and territories around the world and offers margin transactions on markets in Hong Kong, the United States, Japan, Singapore, and Australia.
- Monex BOOM Securities can perform settlement in six major currencies (Hong Kong dollars, U.S. dollars, Singapore dollars, Australian dollars, Japanese yen, and Chinese renminbi) under a single account.

## ● Corporate Profile (As of August 31, 2011)

### Monex Group, Inc.

Founded:	August 2004
Representative:	Oki Matsumoto
Capital:	¥10,393 million
Description of Business:	Holding company
Head Office:	Pacific Century Place Marunouchi 1-11-1 Marunouchi, Chiyoda-ku Tokyo 100-6219, Japan TEL: +81-3-6212-3750
URL:	<a href="http://www.monexgroup.jp/en/">http://www.monexgroup.jp/en/</a>

### Directors & Auditors

Representative Director, Chairman and CEO	Oki Matsumoto	Director (External & Part-time)	Yuko Kawamoto
Managing Director, Vice Chairman (Member of the Board)	Shoji Kuwashima	Director (External & Part-time)	Jun Makihara
Managing Director (Member of the Board), CAO	Hisashi Tanaami	Director (External & Part-time)	Takeo Kato
Managing Director (Member of the Board), CFO	Masaki Ueda	Director (External & Part-time)	Haruyuki Urata
Managing Director (Member of the Board), CSO	Takashi Oyagi	Full-time Member of the Board of Auditors (External)	Takeshi Tamaki
Managing Director (Member of the Board)	Kiminori Kaneko	Member of the Board of Auditors	Takehiko Moriyama
		Member of the Board of Auditors (External)	Tetsuo Ozawa
		Member of the Board of Auditors	Masakazu Sasaki

## ● Group Company Profile (As of August 31, 2011)

### Financial products and services for individual investors

#### Monex, Inc.

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

- Registration No. Financial instrument firm, Director General of Kanto Local Finance Bureau (Kinsho) No. 165  
Money lending business, Governor of Tokyo (1) No. 31319
- Membership of investor protection fund: Japan Investor Protection Fund
- Industry organization membership Japan Securities Dealers Association (JSDA) & The Financial Futures Association of Japan (FFAJ)

#### Monex FX, Inc.

**Founded:** July 2004  
**Representative:** Toshihiko Katsuya  
**Capital:** ¥1,800 million  
**Description of Business:** Financial product trading and related businesses  
**Head Office:** 36-2 Hakozaichicho Nihonbashi, Chuo-ku, Tokyo 103-0015, Japan  
**URL:** <http://www.monexfx.co.jp/>

- Registration No. Financial instrument firm, Director General of Kanto Local Finance Bureau (Kinsho) No. 283
- Industry organization membership The Financial Futures Association of Japan (FFAJ)

#### Monex Alternative Investments, Inc.

**Founded:** October 2004  
**Representative:** Shinichiro Shiraki  
**Capital:** ¥95 million  
**Description of Business:** Discretionary investment management business, investment advisory business, commodity trading advisory business, etc.  
**Head Office:** 1-3-3 Uchisaiwaicho, Chiyoda-ku, Tokyo 100-0011, Japan  
**URL:** <http://www.monexai.com/english.php>

- Registration No. Financial instrument firm, Director General of Kanto Local Finance Bureau (Kinsho) No. 1078  
CTA business operator, Minister of Agriculture, Forestry and Fisheries; Minister of Economy, Trade and Industry (1), No. 20
- Industry organization membership Japan Securities Investment Advisors Association  
Japan Commodity Trading Advisory Association

#### Monex Hambrecht, Inc.

**Founded:** September 2005  
**Representative:** Yuko Seimei  
**Capital:** ¥113 million  
**Description of Business:** M&A advisory services  
Research and investigation for OpenIPO® business  
**Head Office:** 4-1-9 Toranomon, Minato-ku, Tokyo 105-0001, Japan  
**URL:** <http://www.mhinc.jp/e/>

#### Monex University, Inc.

**Founded:** November 2005  
**Representative:** Naoki Murakami  
**Capital:** ¥40 million  
**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 100-6219, Japan  
**URL:** <http://www.monexuniv.co.jp/>

#### Trade Science Corporation

**Founded:** April 2006  
**Representatives:** Kazuhiro Kunisada  
**Capital:** ¥341 million  
**Description of Business:** Investment advisory service utilizing program investment management method and R&D for its system  
**Head Office:** 1-11-1 Marunouchi, Chiyoda-ku, Tokyo 100-6220, Japan  
**URL:** <http://www.trade-sc.jp/english.html>

- Registration No. Financial instrument firm, Director General of Kanto Local Finance Bureau (Kinsho) No. 909
- Industry organization membership Japan Securities Investment Advisors Association

### Overseas offices

#### TradeStation Group, Inc.

**Founded:** January 2000  
**Representative:** Salomon Sredni  
**Capital:** US\$391,000  
**Description of Business:** Holding company in the United States  
**Head Office:** TradeStation Building  
8050 S.W. 10th Street,  
Plantation, Florida 33324-9843  
United States

#### TradeStation Securities, Inc.

**Founded:** September 1995  
**Representative:** William Cahill  
**Description of Business:** Online brokerage  
**Head Office:** TradeStation Building  
8050 S.W. 10th Street,  
Plantation, Florida 33324-9843  
United States

#### TradeStation Forex, Inc.

**Founded:** June 2010  
**Representative:** Gary Weiss  
**Description of Business:** FX business  
**Head Office:** TradeStation Building  
8050 S.W. 10th Street,  
Plantation, Florida 33324-9843  
United States

#### TradeStation Technologies, Inc.

**Founded:** September 1982  
**Representative:** Salomon Sredni  
**Description of Business:** Technology development  
**Head Office:** TradeStation Building  
8050 S.W. 10th Street,  
Plantation, Florida 33324-9843  
United States

#### TradeStation Europe Limited

**Founded:** June 2005  
**Representative:** Jeremy Davies  
**Description of Business:** Securities business  
**Head Office:** 16 Old Queen Street,  
London  
SW1H 9HP  
United Kingdom

#### Monex International Limited

**Founded:** August 2010  
**Representative:** Tsutomu Nakajima  
**Capital:** HK\$77,680 thousand  
**Description of Business:** Holding company in Hong Kong  
**Head Office:** 25/F, AIA Tower, 183 Electric Road, North Point, Hong Kong

#### Monex Boom Securities (H.K.) Limited (Monex BOOM Securities)

**Founded:** March 1997  
**Representative:** Agatha Lo  
**Capital:** HK\$80,000 thousand  
**Description of Business:** Online brokerage  
**Head Office:** 25/F, AIA Tower, 183 Electric Road, North Point, Hong Kong

#### Beijing Representative Office (Monex Group)

**Established:** March 2008  
**Business:** Developing business opportunities in China  
**Address:** 1202A, Excel Centre No.6  
Wudinghou St., Xicheng District  
Beijing, 100032, P.R. China

# Monex Group, Inc.

Pacific Century Place Marunouchi  
1-11-1 Marunouchi, Chiyoda-ku, Tokyo 100-6219, Japan  
TEL: +81-3-6212-3750  
[www.monexgroup.jp/en/](http://www.monexgroup.jp/en/)

