



# Financial Results

**1Q of Fiscal Year Ending March 31, 2007**

**July 21, 2006**

This is an English translation of Japanese presentation material prepared for IR conference held on the date above; it includes the information on consolidated financial summary under Japanese GAAP for FYE March 2007. If there is any discrepancy between a statement in English and a statement in Japanese, the Japanese statement is always controlling.

## **Forward-looking Statements**

Statements made at this presentation and in this material include forward-looking statements that are based on our current expectations, assumptions, estimates and projections about our business and the industry. These forward-looking statements are subject to various risks and uncertainties. These statements discuss future expectations and plans, identify strategies, contain projections of results of operations and of our financial condition, and state other “forward-looking” information. Known and unknown risks, uncertainties and other factors could cause the actual results to differ materially from expected results contained in any forward-looking statements. Potential risks and uncertainties include, without limitation, our ability to continue to attract and retain customers and their assets; our ability to make our operations profitable; changes in the demand for brokerage services in Japan; our ability to continue to expand and maintain our computers and electronic systems and to avoid failures of these systems; and our ability to maintain our relationship with our founding shareholders. This does not correspond to US GAAP.

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## Summary

### **“Sustaining a growth trend, Monex continues to establish a business model for a new era.”**

1. **In spite of a decline in individuals’ trading value at TSE, OSE and JASDAQ by approximately 30% compared to the previous quarter, Monex managed a decline in its operating revenues by approximately 20% as the result of diversifying revenue sources, and achieved high growth compared to the same period of the last fiscal year**
  - ✓ **Operating revenues            9,335 million yen    (51.8% up vs. 1Q of FYE 2006)  
(22.2% down vs. 4Q of of FYE 2006)**
  - ✓ **Ordinary income                5,229 million yen    (74.4% up vs. 1Q of FYE 2006)  
(34.8% down vs. 4Q of of FYE 2006)**
  - ✓ **Net income                        2,944 million yen    (105.4% up vs. 1Q of FYE 2006)  
(34.2% down vs. 4Q of of FYE 2006)**
  
2. **Monex’s original products and services have spread among customers**
  - ✓ **Stock lending service : supporting long-term investment of customers**
  - ✓ **“Asia Focus”, Monex’s original alternative fund that brought together our origination capability**
  
3. **Monex has continuously strengthened its products/services to improve customer satisfaction**
  - ✓ **Development and introduction of an innovative retail sales scheme of World Bank Notes by using a Dutch auction system**
  - ✓ **Establishment of Investment Information Office to enhance information services**

**Financial Summary : 1Q of FYE Mar. 31, 2006 vs. 1Q of FYE Mar. 31, 2007 (in 3 months)**

(in million yen, %)

	<b>1Q of FYE Mar. 31, 2006 (Apr. 2005-Jun. 2005)</b>	<b>1Q of FYE Mar. 31, 2007 (Apr. 2006-Jun. 2006)</b>	<b>Change</b>
<b>Operating Revenues</b>	<b>6,151</b>	<b>9,335</b>	<b>+51.8%</b>
<b>Net Operating Revenues</b>	<b>5,774</b>	<b>8,904</b>	<b>+54.2%</b>
<b>SG&amp;A</b>	<b>2,781</b>	<b>3,730</b>	<b>+34.1%</b>
<b>Operating Income</b>	<b>2,993</b>	<b>5,174</b>	<b>+72.9%</b>
<b>Ordinary Income</b>	<b>2,998</b>	<b>5,229</b>	<b>+74.4%</b>
<b>Net Income</b>	<b>1,433</b>	<b>2,944</b>	<b>+105.4%</b>

(in million yen, %)

	<b>1Q of FYE Mar. 31, 2006 (as of Jun. 30, 2005)</b>	<b>1Q of FYE Mar. 31, 2007 (as of Jun. 30, 2006)</b>	<b>Change</b>
<b>Total Assets</b>	<b>240,523</b>	<b>378,926</b>	<b>+57.5%</b>
<b>Net Assets</b>	<b>29,420</b>	<b>40,694</b>	<b>+38.3%</b>
<b>Capital Adequacy Ratio of Monex, Inc.</b>	<b>451.6%</b>	<b>415.9%</b>	<b>-</b>

**Financial Summary : 4Q of FYE Mar. 31, 2006 vs. 1Q of FYE Mar. 31, 2007 (in 3 months)**

(in million yen, %)

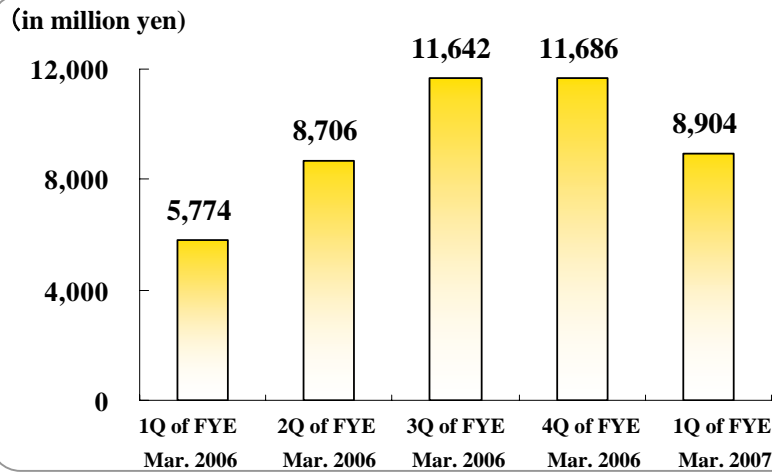
	<b>4Q of FYE Mar. 31, 2006 (Jan. 2006-Mar. 2006)</b>	<b>1Q of FYE Mar. 31, 2007 (Apr. 2006-Jun. 2006)</b>	<b>Change</b>
<b>Operating Revenues</b>	<b>11,995</b>	<b>9,335</b>	<b>-22.2%</b>
<b>Net Operating Revenues</b>	<b>11,686</b>	<b>8,904</b>	<b>-23.8%</b>
<b>SG&amp;A</b>	<b>3,662</b>	<b>3,730</b>	<b>+1.8%</b>
<b>Operating Income</b>	<b>8,024</b>	<b>5,174</b>	<b>-35.5%</b>
<b>Ordinary Income</b>	<b>8,021</b>	<b>5,229</b>	<b>-34.8%</b>
<b>Net Income</b>	<b>4,475</b>	<b>2,944</b>	<b>-34.2%</b>

(in million yen, %)

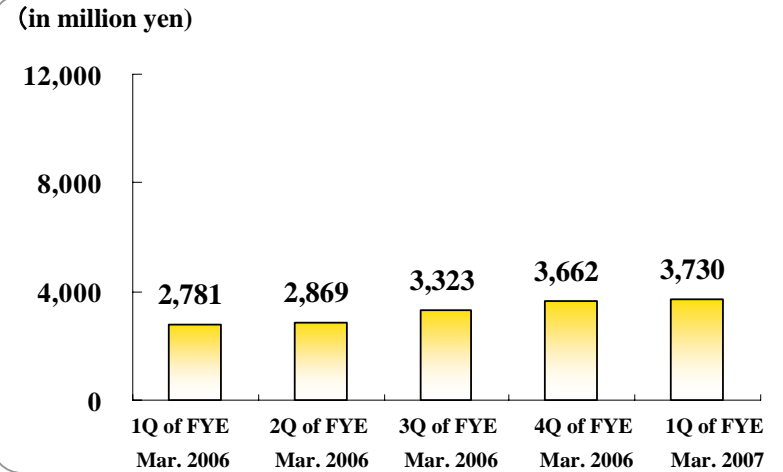
	<b>4Q of FYE Mar. 31, 2006 (as of Mar. 30, 2006)</b>	<b>1Q of FYE Mar. 31, 2007 (as of Jun. 30, 2006)</b>	<b>Change</b>
<b>Total Assets</b>	<b>430,299</b>	<b>378,926</b>	<b>-11.9%</b>
<b>Net Assets</b>	<b>41,588</b>	<b>40,694</b>	<b>-2.1%</b>
<b>Capital Adequacy Ratio of Monex, Inc.</b>	<b>431.4%</b>	<b>415.9%</b>	<b>-</b>

**Financial Summary : Financial Highlights (Quarterly Trend)**

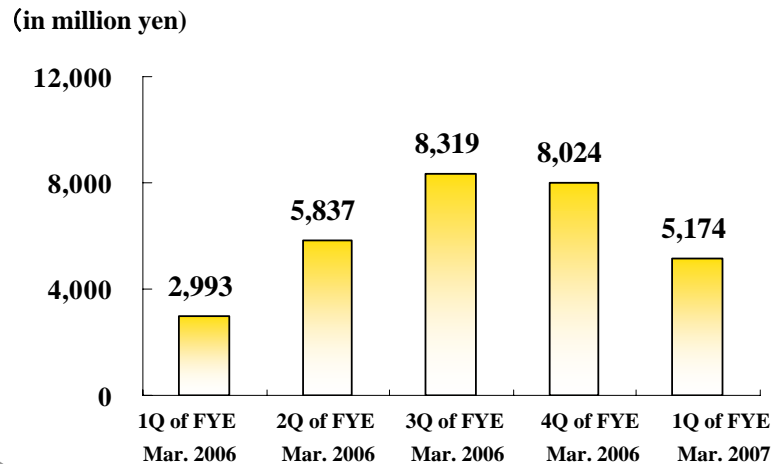
**Net Operating Revenues**



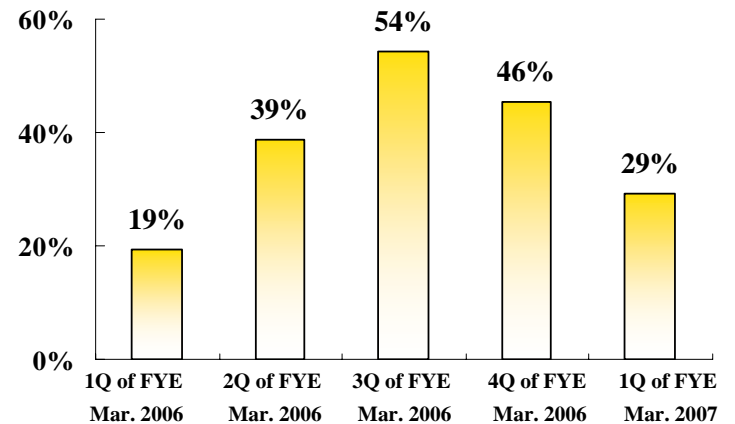
**SG&A**



**Operating Income**

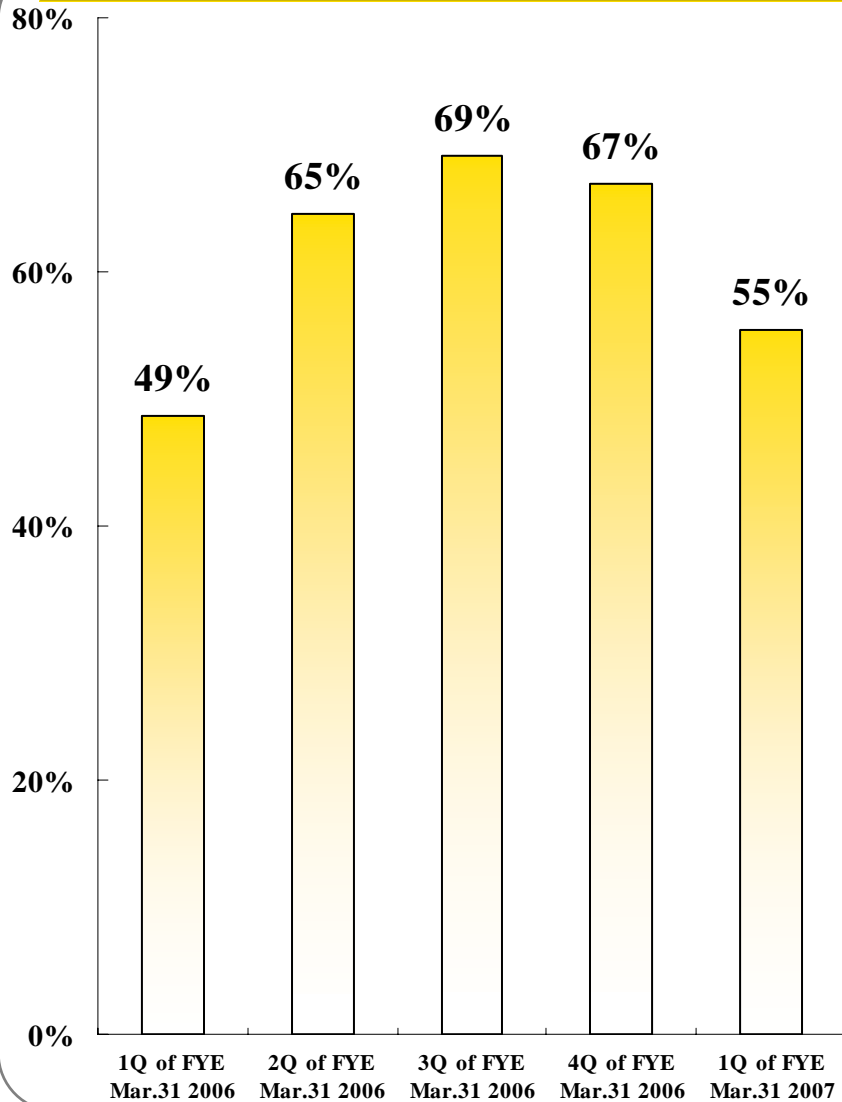


**ROE (annualized)**

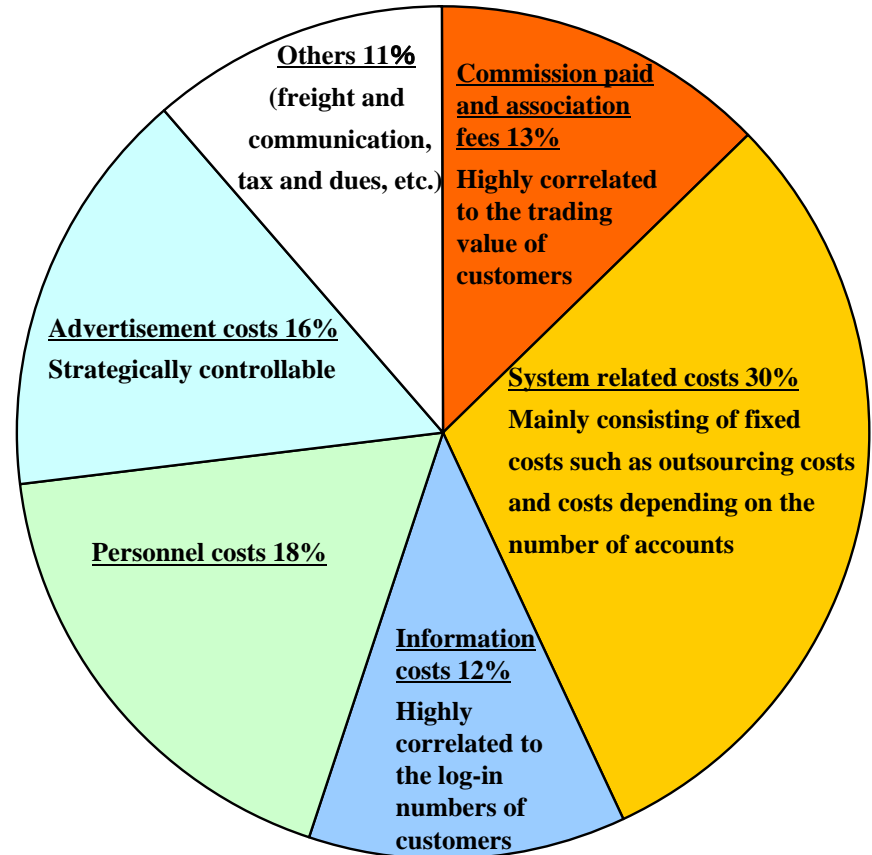


**Financial Summary : Sustaining High Profitability**

**Profitability (Operating Income/Operating Revenues)**

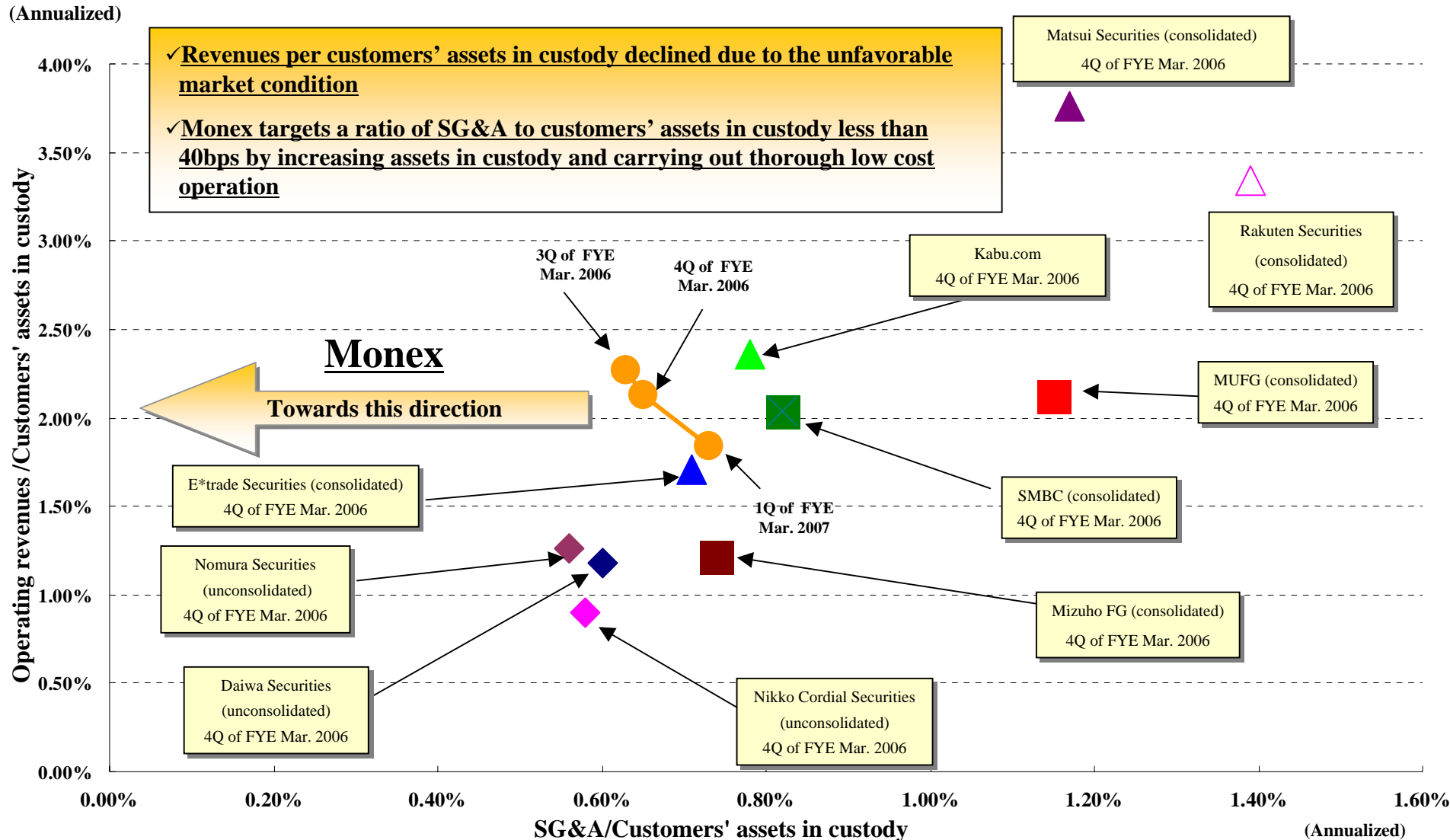


**Cost Structure**





## Comparison with Competitors : Revenues/SG&A Per Customers' Assets in Custody



MUFG, Mizuho FG and SMBC : Customers' assets in custody = Total assets, Operating revenues = Gross profits, SG&A = General and administrative expenses

Source : Each Company's IR data

1. Financial Results

**➔ 2. Business Model and Future  
Development**

3. Appendix

## Mission Statement

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- ◆ **Take position as a total financial service provider, not just as an online brokerage firm**
- ◆ **Offer comprehensive products and service line-ups with “World Class Quality”**
- ◆ **Support passive investors to manage his/her financial assets efficiently**
- ◆ **Strengthen “Products Origination Capability”**
- ◆ **Pursue less operating cost / establish a portfolio management-oriented business**
- ◆ **Be ready for the deregulation such as removal of barriers on financial sectors by leveraging the holding company structure**
- ◆ **Empower investors education and enhance financial literacy**

## Recognition of Environments and Monex's Positioning

As the population in Japan has started to decrease and its economic growth has slowed down, there is a change in individual's investment needs and competitive environment of financial institutions

### Environment

#### «Past ~Present»

- Life after retirement is almost equally protected by government and corporate pension plan
- Limited people have dealt with investment activity
- Intra-industry competition among Japanese financial institutions is limited due to government policy
- Not much difference in financial institutions of the same industry

#### «Future»

- Sustainability of government pension plan is doubted, **“Investment Return Result” will influence living standards**
- **Active investment by individuals shall become essential**
- Under Financial Instruments and Exchange Law, intra-industry borders among financial institutions shall fade out and competitions will increase
- Big difference in “Investment Return Result” by which financial institution one chooses

### Positioning

#### «Past ~Present»

- ◆ **Sources of Competitive Advantage** Previously, trading speed, stability of system, and less expensive commission were the key factors, but these are already a mandatory requirement, not sufficient enough to be a competitive advantage

#### «Future»

- Providing products and services that would realize good investment return results is the main source of a competitive advantage
- ☞ **Strengthening Origination of Unique Products in IPO Underwriting, Fixed Income, Alternative Investments, etc.**

**The Limit of Business Expansion as a Discount Broker**



**Monex : Aspiring to be a Premium Online Financial Institution that offers High Quality Financial Products and Services**

## Competition Analysis : Our Strategies

As investment needs of individuals increase,  
we will expand Premium Online Financial Services with two core strategies

### 【Active Investors】

### 【Non-Active Investors】

◆ Behavior	<ul style="list-style-type: none"> <li>Trading on their own initiative through online brokerage firms</li> </ul>	<ul style="list-style-type: none"> <li>Prefers bank deposits even under low interest rate circumstances</li> </ul>
◆ Key Factors	<ul style="list-style-type: none"> <li>Trading tools and services with higher function</li> </ul>	<ul style="list-style-type: none"> <li>Convenience</li> </ul>
◆ Potential Issues	<ul style="list-style-type: none"> <li>Less expensive commission</li> </ul>	<ul style="list-style-type: none"> <li>Credibility</li> </ul>
◆ Our Strategy	<ul style="list-style-type: none"> <li>Not easy to beat benchmark</li> </ul>	<ul style="list-style-type: none"> <li>Investment Advisory Services (i.e. Wrap accounts and SMA) that could make higher return results are not available for an average investor because of high commission and minimum investment amount</li> <li>Big gap and difficulty from deposits to stock investments</li> </ul>
		
	<p><b>◆ Providing Value-added Original Services</b></p>	<p><b>◆ Providing High Quality Products and Small-size, Low commission Investment Advisory Services with Original Development Abilities</b></p>
	<ul style="list-style-type: none"> <li>Monex Night Time Trading, Stock Lending, Small Unit Stocks, substantial amount of IPO stocks including lead manager mandates</li> </ul>	<ul style="list-style-type: none"> <li>Expanding Alternative Investment Products and Fixed Income Products</li> <li>Establishment of Trade Science, Co., Supporting the System Trading Contest</li> </ul>
	<p><b>◆ System Stability, Substantial Trading Tools</b></p>	<p><b>◆ Enhancing Customer Support</b></p>
	<p><b>◆ Providing Volume Discount</b></p>	<ul style="list-style-type: none"> <li>Started “First Time Hotline” and “ PC Help Desk”</li> </ul>
	<p><b>◆ Support All Customers to Improve Investment Return Results through Investment Education</b></p>	
	<ul style="list-style-type: none"> <li>Providing Investment Education Services using 3% of Net Operating Revenues</li> <li>Developing Easy-to-Access Investment Education Infrastructure for both Offline and Online through Monex University</li> </ul>	

# Investor's Education : In-depth Investment Education for All Individual Investors

## Offline Services : Seminars

### ◆ Constantly holding seminars as a “real learning space”

#### Large scale seminars

- 22 seminars, 6,306 participants  
(From April 2006 To June 2006)
- 78 % participants answered “very good” and “good” on a survey conducted

#### Small scale seminars : Monex Lounge @ Ginza Tokyo

- 29 seminars (From April 2006 To June 2006)

**We are going to:**

**Make a more sophisticated approach to customers and  
Target wider customer segments**

### ◆ Seminars targeting specified segments :

- “ Investment School for Baby Boomers”
- Special seminars for women

### ◆ Launching “B to B to C services”

- Undertaking seminars from banks and other institutions for their customers
- Planning and execution of IR seminars for individual investors

## Online Services : e-Learning Service “ Monex Campus”

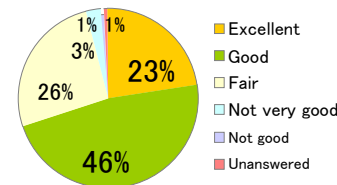
### ◆ 1,000 monitors participated in our trial campaign from April to June

- 8,000 yen for 6 courses of Level 1
- Subscriber limit was occupied in only 3 days

### ◆ Result

- High completion rate 85 %
- High Satisfaction - Large potentiality on this service

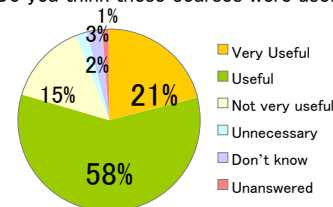
Q. What is your overall evaluation of these courses?



**Approx. 70%  
Answered  
“Excellent”  
“Good”**

### • Effective for improving financial literacy

Q. Do you think these courses were useful?



**Approx. 80%  
Answered  
“Very Useful”  
“Useful”**

**We are going to:**

**Launch level 1 service in September 2006,  
Level 2 service in October 2006 (planned)**

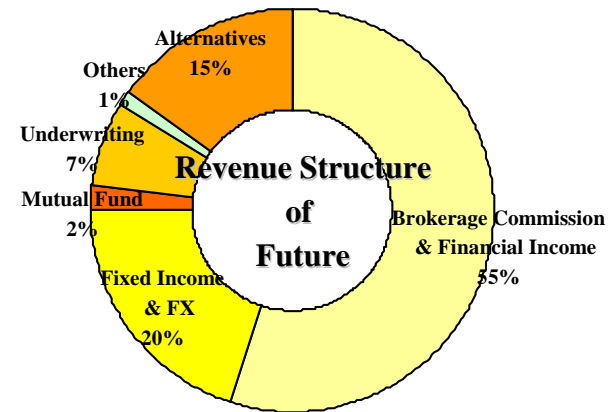
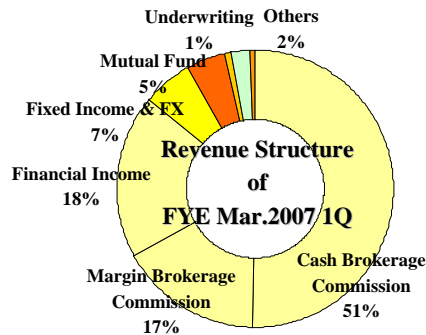
# Current and Future Revenue Structure by Product

## Presupposition of Change of Revenue Structure

Increase in assets under custody by obtaining inflow from bank depositors

Developing businesses other than brokerage business to offset an expected decline in stock market turnover

Establishing a strong revenue base with lower revenue volatility



## Outlook of Revenue by Category

### 【Present】

	Assets in Custody (%)	Profit Ratio (%)
Brokerage Commission	75.6	1.17
Margin Commission & Financial Income	2.7	23.23
Mutual Fund	5.1	1.57
Alternative & SMA	0.4	1.82
Fixed Income	0.7	0.98
FX	1.1	8.72
Underwriting	-	-
Cash	14.4	-
SUM	100%	1.76
	2.045 trillion yen	

### 【Future】

Profit Ratio Trend	Increase in Assets	Business Volatility	Comments
Lower	Medium	High	Though assets in custody will increase, transaction per account will decrease
Lower	Medium	High	Transaction activity will relatively decrease for some active traders. As for financial income, even in phase of rising interest rates, diversification of funding will allow the same income level as now
Slightly Lower	High	Medium	Though no-load funds will become more popular, we will maintain current trust fee level
No Change	High	Low	With our origination capabilities, we will provide more differentiated products and maintain profitability
Higher	High	Low	By putting together professional abilities and origination capabilities, we will provide more new products and increase profitability
No Change	Low	High	Maintain current profitability
No Change	High	High	Increase profitability by obtaining more lead manager mandates and increasing underwriting share
-	-	-	-
Lower	High	Lower	With our origination capabilities, we will increase profitability by providing differentiated products and increasing proportion of low volatility products. Thus, we will establish a stable profitability structure that is less vulnerable to the market.

## Brokerage Business : Providing Premium Services

### Providing Original Investment Information

#### Providing Original and Selected Investment Information

##### ◆ Establishment of Investment Information Office

- On July 3, 2006, established an independent division to enhance investment information and meet the various needs of individual investors
- Centralized control of market information such as stock, interest rates, foreign exchange

◆430,000 Subscribers of “Monex Mail” ◆70,000 Subscribers of “Market Mail” ◆Top Class Line-up of Investment Information

### Enhancing Original Services

#### Acquiring New Accounts by Popular Trading Tools and Original Services such as Night Time Trading, Stock Lending, Small Unit Stocks, etc.

##### ◆ Main Reasons for Opening an Account at Monex

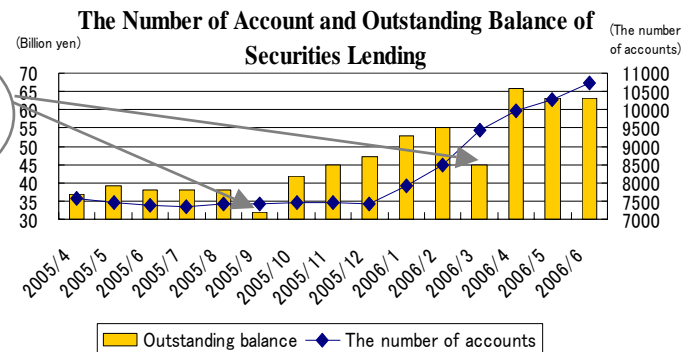
(Data by a survey conducted in May and June of 2006 for those who opened an account at Monex)

##### “Why did you Open an Account at Monex?”

- 1<sup>st</sup> Because of excellent trading tools
- 2<sup>nd</sup> Because of low commission rates
- 3<sup>rd</sup> Because of the wide product/service line-up
- 4<sup>th</sup> Because of the user-friendly website
- 5<sup>th</sup> Because of the wide range of investment information

Decline due to closing date of shareholder's register

##### ◆ Stock Lending Service Users Exceeded 10,000



##### ◆ Enhancement of our Call Center

- “First Time Hotline” ··· Highly experienced operators guide customers
- “PC Help Desk” ··· Supporting the baby boomer generation
- Advanced Operator Training ··· Daily training of products and services

### Enhancing Customer Support

##### ◆ Promoting Further Customer Satisfaction

- Centralized control and correspondence of customer's requests
- Constantly reviewing and Renewing FAQ's on our website



## Brokerage Business : Pricing Strategy

Customer's Ultimate Goal : Improvement of Investment Return

⇒ Monex's Strengths :

### Attractive commission rates

Commission structure suitable for customers' trading style

#### For Active traders

- Volume discount allows an average commission level less than 0.05% of trading value

#### For Beginners

- "Small unit trading" and "Night time trading" are available for 500 yen per trade

### Stable and high-speed trading platform

Stability and speediness is core function for an online brokerage firm

- Commission rate difference between Monex and a cheapest broker is 0.05%, while average market spread is 0.2-0.25%
- Therefore, stable and high-speed platform is critical for customers to avoid opportunity loss

### Value-added services

Contributing to risk management of customers

#### Advanced order functions

- Effective method to realize profit and minimize loss

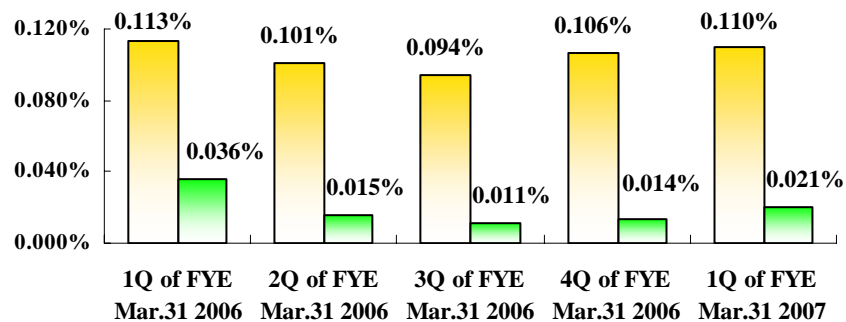
#### Valuable investment information

- Monex original investment information updated 6 times a day
- Analyst report provided by JP Morgan

### Track Records

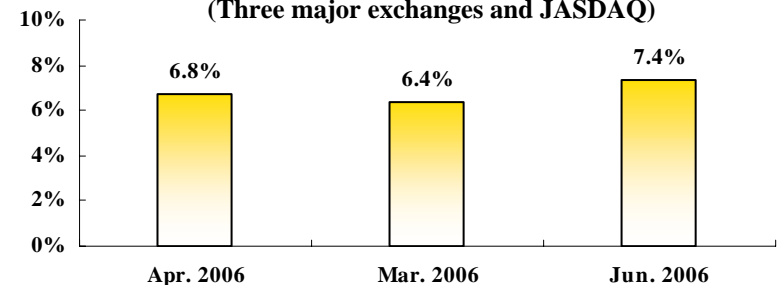
Achieving both "Relatively high profitability" and "Stable market share"

Commission per trading value and system related costs per trading value



□ Commission revenues per trading value    □ System related costs per trading value

Retail market share (Three major exchanges and JASDAQ)



Source : TSE and JASDAQ

## Reinforcement of Systems and Business Continuity Plan

### Providing Stable Systems

#### ◆ Developing Stable Platform

- No system failure of our Japanese stock order systems during session after the merger. However, a response delay occurred for about ten to twenty minutes per trade in May 2005. (This was fully investigated and remedied)

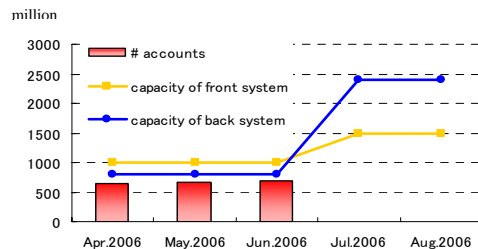
#### ◆ Enhancing Data Processing Capability

- Since January 2006, reflection and processing of data can be completed without delay during daily software maintenance time from 3:00am to 5:00am.

### Continuous Reinforcement of Systems

#### ◆ Reinforcement of Server

- Quadrupled back-office systems as part of reinforcing front-office systems for processing 1.5 Million accounts (Scheduled in August 2006)



#### ◆ Reinforcement of Systems Connecting with Exchange

- Trebled server capacity
- Connecting systems with Fukuoka and Sapporo Exchange scheduled in September 2006, which enables orders for all Japanese exchanges through the web-site

#### ◆ Enhanced security

- Built up thin client systems at call center

### Responds to Failure of Night Time Trading

Outline of System Error	On February 27, 2006, error was found regarding prices of certain Osaka Stock Exchange listed stocks. Details: 314 stocks 111 trades 87 accounts
Cause	Improper adjustment of calculation program for prices of OSE stocks
Corrective Action taken	On February 28, 2006, we completed correcting program and scheme to adopt prices delivered by the Exchange



Preventive Action taken	In April, 2006, we reinforced our surveillance by introducing a double-check system matching vendor information with information calculated by Monex
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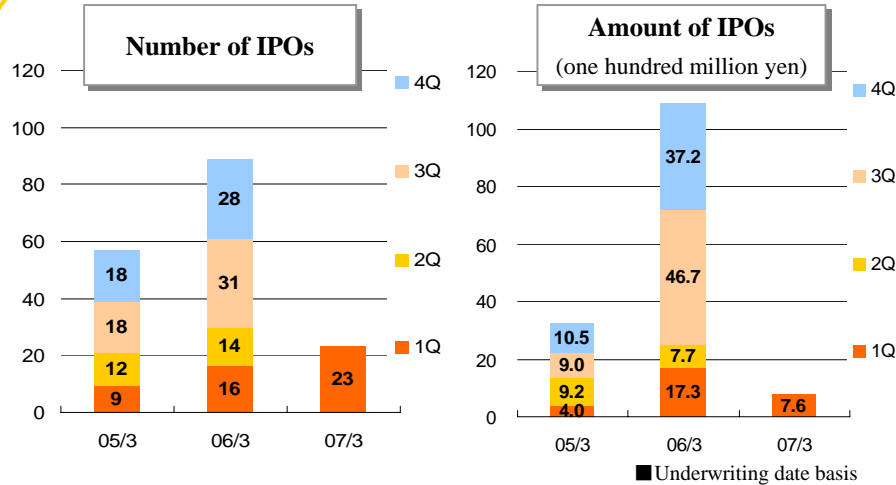
### Business Continuity Plan

Planning to establish back-up systems promptly keeping pace with industry standards

## Underwriting Business :

# Killer Contents for Attracting Individual's Risk Money and Increasing New Accounts

### Constant increase in Underwriting Share



- IPO participation rate of 1Q FYE 2007 has been exceeding 50% and the number of IPOs increased by 7 companies compared to 1Q FYE 2006
- There is a growing trend in the amount of IPOs but leveling off for recent quarter
- Amount of IPOs in FYE March 2006 is No.1 among online brokerage firms (10.9 billion yen, which is 4.9 billion yen more than 2nd online brokerage firm's) → 9<sup>th</sup> in the underwriting league table in Japanese market
- First to lead IPOs to the TSE Mothers Market and the OSE Hercules Market.

### Track Records

#### ◆ Steadily building up track records

Rank	Company	Count
1	Mitsubishi UFJ	114
2	Nikko Citi Group	98
3	Shinko	97
4	E*TRADE	93
5	Daiwa SMBC	92
6	Monex	89
6	Nomura	89
8	Okasan	60
9	Mizuho Investors	55
10	Takagi	53

Rank	Company	Count
1	Mitsubishi UFJ	31
2	SBI E*TRADE	28
3	Monex	23
3	Shinko	23
5	Nikko Citi Group	20
5	Nomura	20
5	Daiwa SMBC	20
8	Mizuho Investors	18
9	Okasan	17
10	Takagi	15

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

■ Source: I-N information systems, Ltd.  
■ Underwriting date basis

- Keeping the high IPO participation rate, and increasing underwriting shares
- While steadily building up track records, Monex has become a Top 10 company among all Japanese brokerage firms (FYI: Monex was out of Top 10 in FYE March 2005)

### Continuous Activities

#### ◆ Continuously obtaining lead manager mandates

- Efficiency of underwriting business has increased by hiring more staff and changing the organization in March 2006, which enables continuous focus on lead manager deals.

#### ◆ China Capital Markets Desk

- Underwriting support and research on IPOs for Chinese unlisted companies aiming for new listing in Japanese stock market.

### WR Hambrecht & Co Japan

A preparatory company to consider the implementation of OpenIPO<sup>®</sup> business in Japan already conducted in the United States such as Google and Morningstar IPOs.

**Fixed Income and FOREX Businesses : Making Fixed Income Investments More Familiar**

**Fixed Income**

**Strengthening Fixed Income Business as a major product next to Stocks and Mutual Funds**

**With signs of rising interest rates, Fixed Income Investment is one of the considerable measures as “the first step from savings to investment” in Japan**

**【 Foreign Bonds 】**

**◆“Monex Auction”**

- The unique auction system will enable more investor-driven issuance of World Bank Notes
- If interest rates rise during a subscription period, the notes could be issued with more advantageous conditions.

**◆Zero-coupon Notes in USD**

- Steady investment without reinvestment risk

**【 Domestic Bonds 】**

**◆JGB for Individuals**

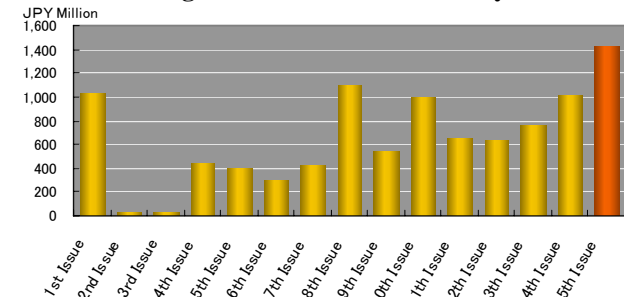
Excellent sales performance of 10yr-JGBs

Introduction of 5yr-JGBs for Individuals

**Comparison of World Bank Notes issued in April 2006**

	Currency	Term	Interest rate
<b>MONEX</b>	AUD	3 yrs	5.28%
A-Securities	AUD	approx.3 yrs	5.05%

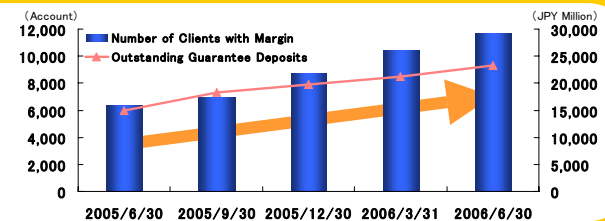
**A Change in the Sales Results of 10yr-JGBs**



**FOREX**

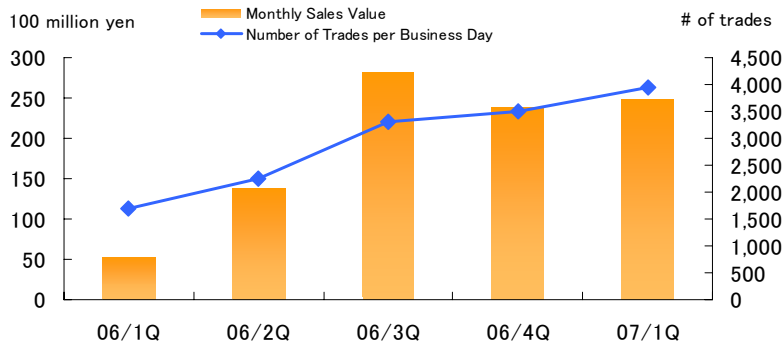
**◆One of the largest FX service providers in domestic retail business**

**◆Planning to provide a new platform system**



## Mutual Fund Business : Front- Runner among Online Distributors

### Steady Growth in Sales Value and Number of trades



### ◆ Highlights of 1Q of FYE March 2007

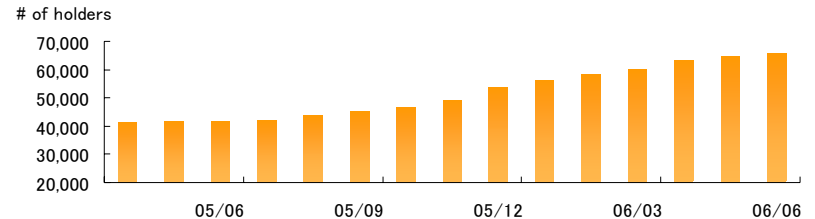
- 5 Additional No-Load Funds (May)
- “Zero Sales Commission Campaign” (June 1, to July 31)

⇒ Providing Monex’s popular selected funds free of sales commission

### ◆ Addition of Nissei’s Commodity Fund (June)

⇒ Sold well as a tool for portfolio diversification  
Sales performance : approx. 200 million yen (June)

### Huge Increase in Number of Mutual Fund Holders

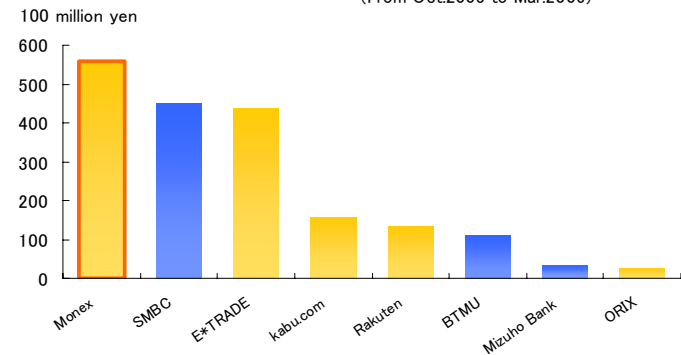


Monex has been offering Mutual Funds since its foundation.  
The number of funds offered is now 131 funds.

Monex has held various kinds of seminars, and approximately 2,200 people attended the “Asset Management Fair” held on April 16<sup>th</sup>, 2006.

### No.1 Online Distributor of Mutual Funds

Online sales performance of 5 online brokers and 3 megabanks  
(From Oct.2005 to Mar.2006)



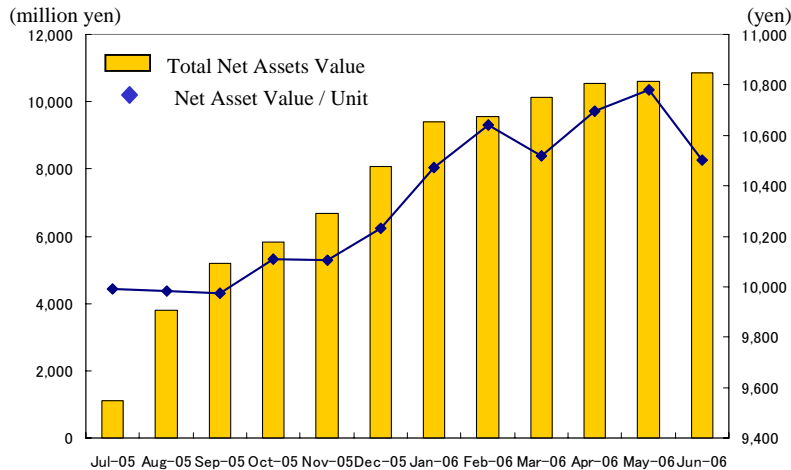
■ Source: Kinzai Research Institute

## New Asset Management Services: Innovative Investment Products for Passive Investors

### First Full-fledged Alternative Investment Fund

#### Investment Trust : “Asia Focus”

- ◆ **Total Fund Size : Approx. 10.9 billion yen**
- ◆ **Sharp Ratio : 1.25\*** [Jul. 2005 –Jun. 2006]
  - Pursuing absolute return, while controlling risk
  - Achieved stable positive returns so far, hardly affected by market trends



- ◆ **Strategic product mainly targeting baby-boomers**  
Ratio of elderly purchasers at least 50 years old is more than 35%
- ◆ **Promoting “Asia Focus” as our “Flagship” fund with total assets of multi 10 billion yen**
- ◆ **Developing new cutting-edge alternative funds**

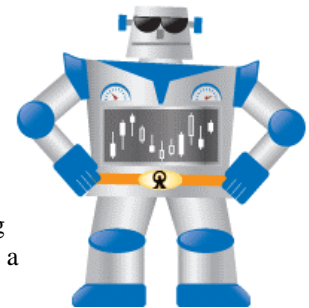
\*Returns of Aug.05 –Jun.06 are computed net of management and performance fees.

### “Kaburobo” / SMA

- ◆ **Establishment of algorithmic investment company**
  - Trade Science Corporation was jointly established with Waseda Information Technologies, which plans and develops investment advisory and asset management services by utilizing algorithmic investment.
- ◆ **New Trading Tool : “Kaburobo”**
  - A System Programming Trading Robot utilizing AI (Artificial Intelligence)

#### ◆ Super Kaburobo Contest

- Held from July 2006
- Aiming for dissemination of system trading
- Planning commercialization by utilizing selected high quality Kaburobos among a couple of thousand Kaburobos in this contest.



- **Make SMA/Wrap account services available with low commission to investors with small asset size.**
- **Appeal to passive investors.**

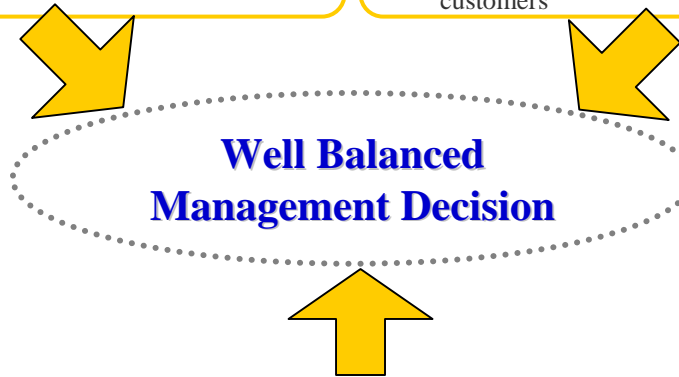
# Corporate Governance: Pursuit of Managing Various Risks concerning Business Model and Business Operations

## Strengthening Internal Control System

- ◆ **Enforcement of checking system of the management by increasing external board members**
  - 2 external board members were elected at the general shareholders meeting held in June 2006, totaling 3 external board members
- ◆ **Addressing internal control system required by new company law**
  - Policy on Internal Control System was resolved at the board meeting and has been put into practice

## Reinforcement of Crisis-Management System

- ◆ **Alliance with outside legal counsel**
  - Engaged an outside legal counsel for advices regarding establishing and enhancing internal control and addressing outside risks
  - Anonymous reporting system to outside legal counsel has been introduced for board members and employees
- ◆ **Business Continuity Plan**
  - Prepared a plan for unexpected system failure which includes explanation to customers



## Stakeholder Communication through Timely Disclosure

- ◆ **Timely financial information disclosure**
  - Monthly disclosure of ordinary income started in April 2006
  - Monthly disclosure of operating revenues and net operating revenues started in October 2005
- ◆ **Holding of quarterly MBH financial result presentation meeting for individual investors**
- ◆ **Daily E-Mail Message by CEO, Oki Matsumoto**
- ◆ **Communication with shareholders**
  - Holding general shareholders meeting on Saturdays for shareholders to attend easily
- ◆ **Holding of Advisory Board**
  - Reflect advice from Advisory Board members on management and services

## Recruitment and Human Capital Reallocation : Basis for Creating New Business Model

### Recruitment and Continuous Review of Operations

#### 1. Hiring personnel with origination capabilities

We recognize “products/services origination” as a key to survive in fiercer competition with entrants and deep discount brokerage firms

- ⇒ Recruiting product specialists in origination from other financial institutions
- ⇒ Keep hiring professionals who can share our spirits

#### 2. Reinforcement of internal control/compliance department

Addressing increasing demand for reinforcement of internal control, such as Japanese Sarbanes-Oxley Act

- ⇒ Hiring experienced personnel and collaborating with consulting firms

#### 3. General Review of operations and reallocation of human capital

Reallocating human resource to more growing areas

- ⇒ Increasing operational efficiency and reinforcing risk control
- ⇒ Laborsaving of operations and reorganization through investing in system infrastructures and outsourcing

### Controlling Personnel Costs

Monitoring key performance indicators such as “Personnel cost per net operating revenues”, etc.

Carrying out recruitments in a planned manner, while keeping our low-cost structure.



**Pursuing human capital allocation plan for “Premium Online Financial Service Firm”**



## To Our Investors

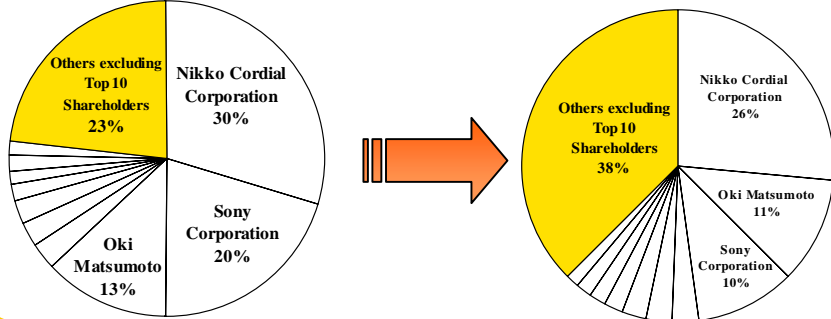
### Diversified Shareholder's Portfolio

【March 31, 2005】

Number of Shareholders: 38,425

【March 31, 2006】

Number of Shareholders: 48,941



### Open Shareholder's Meeting

#### ◆ June 24, 2006 Shareholder's Meeting

464 people attended and 861 voting rights were exercised through the internet

#### ◆ Dividends for Fiscal Year Ending March 2006

1,500 yen ← Triple of the previous dividend payment

※MBH's main source of revenue is dividend from Monex, Inc.

### Transparent Disclosure

#### ◆ Clear Disclosure Policy

Monthly Disclosure of Ordinary Income

- Weekly/Monthly Disclosure of Account Numbers, etc.
- Monthly Disclosure on Business Results

#### ◆ To our Individual Investors

- IR Workshop on Monex Beans Holdings, Inc.

#### ◆ To our Institutional Investors

- Telephone conference on the same day of Financial Announcement in both English and Japanese

### Numerical Targets

✓Capital Adequacy Ratio 300% or more  
(415.9% as of June 2006)

✓Obtaining Single A Rating  
(Currently BBB+)

✓Dividend Payout Ratio 50% or more

(Payout of FYE March 2006 :  
Payout amount of FYE March 2006 /

✓ROE 40% or more  
(1Q of FYE March 2007 : 29%)

Net Income of subsidiary Monex, Inc. of FYE March 2005)

1. Financial Results

2. Business Model and Future  
Development

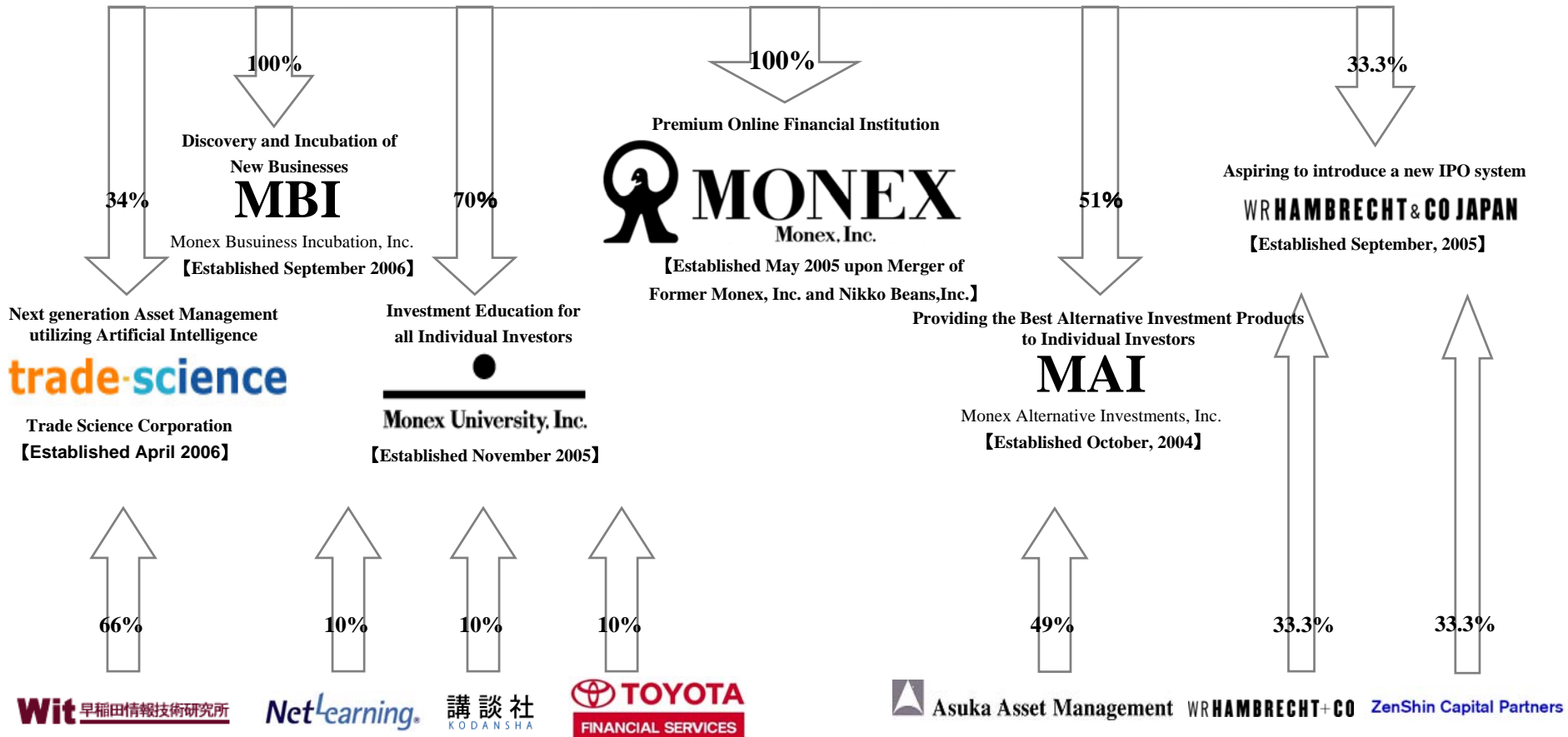
**➡ 3. Appendix**

The MBH Group

# MBH

## Monex Beans Holdings, Inc.

% = investment ratio



## < Reference > Individual Investor's Trend

### Individual Investors in Japan

Individual investors' trading is influenced easily from the trend of the stock market

Risk of depending only on stock brokerage for earnings

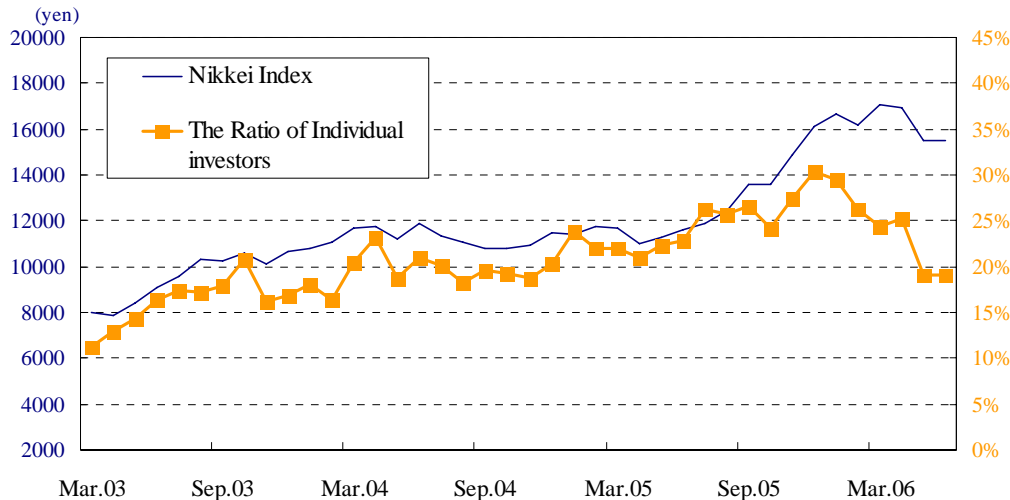
Online trading has become the main channel for individual investors

Possibility of further development of financial services utilizing IT

Household assets in Japan is still dominated by "Cash and deposits"

Possibility of financial services business including investment trusts and bonds, etc.

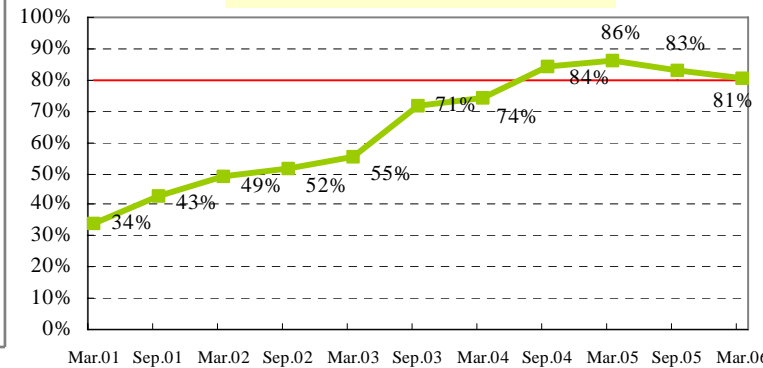
### Nikkei Index and The Ratio of Individual Investors



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

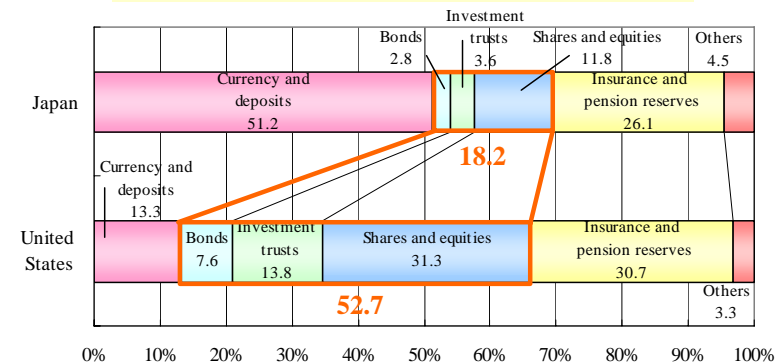
\* : The ratio of individual investors in the trading value in 3 major markets and Jasdaq

### The Ratio of Internet Trading Value in Individual Investors



Source: Tokyo Stock Exchange, Inc. Trading Value by Investor Type Tokyo, Osaka & Nagoya  
Jasdaq Securities Exchange, Inc. Monthly Report of trading by Investor type  
Japan Securities Dealers Association

### Financial Assets Held by Households (End of Mar. 2006)



Source: Research and Statistics Department Bank of Japan

## Expanding Our Customer Base: New Business Channels by Alliance

During FYE Mar. 2007, we plan to invest 7% of net operating income in marketing activities and will increase ads and promotional campaigns to develop our brand recognition

### Various measures

**Reaching various type of customers and conducting measures to improve brand recognition and foster brand image.**

#### ◆ Improving Brand recognition

- Giant bill boards and full page advertisements on newspapers
- Focusing on internet advertisement and actively utilizing affiliate marketing and search engine marketing
- Sponsoring “Yoshimoto-Shoken.com” which is administered by Yoshimoto Kogyo Co.,Ltd , a top Japanese entertainment company, to attract younger generation to investment.

#### ◆ Improving Recognition of Original Products

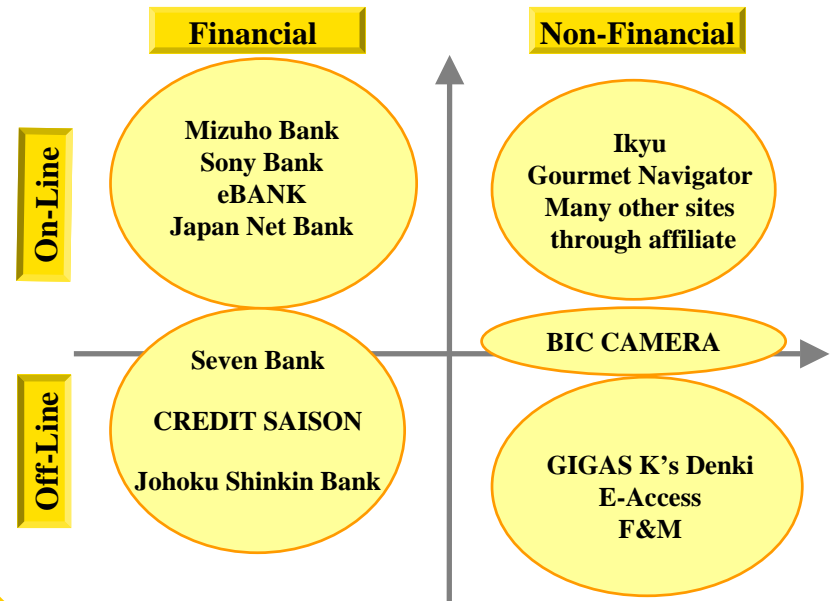
- Advertising in financial magazines regularly to improve recognition of our original products & services and our industry top-notch investment education services.

#### ◆ Monex Lounge@Ginza (small pilot branch)

- Communicating with customers to reflect their voices.

### Business Partners

- ◆ Stably acquiring new accounts through alliance with business partners by way of securities intermediary and account opening introduction.
- ◆ Aiming to reach new clients by expanding off-line marketing channels with business partners that have nationwide network branches



### Strategy of Securities Intermediary and Customer Referrals

- Developing new channels of industries related to financial and internet businesses.
- Mutual customer referrals and joint marketing with existing business partners to improve brand recognition and increase new accounts.

Competitive Services and Products: For All Customers' Satisfaction

[As of July 20, 2006]

	Equity						Stock Lending	Fixed Income		Mutual Fund		Alternative Investments		Others			
	In-house Margin Trading	Stop Loss Order	China Stock	U.S. Stock	Night Time Trading (PTS)	Small Unit Trading (MINI-KABU)		JGB /Foreign Bonds	Auction	Monthly Purchase Plan	China/India Equity Funds	High Diversified	Low Diversified	Commodities Futures	FOREX	ATM Access	Credit settlement thru MRF
<b>Monex</b>	○	○	○	×	◎	◎	◎	○	◎	○	○	◎	×	◎	○	○	○
<b>SBI E*TRADE</b>	○	×	○	○	×	×	×	○	×	○	○	×	○	×	○	○	○
<b>Matsui</b>	○	×	○	×	×	×	×	×	×	×	×	×	×	×	○	×	×
<b>Rakuten</b>	○	○	○	○	×	×	×	×	×	×	○	×	○	×	○	×	×
<b>Kabu.com</b>	○	○	×	×	×	×	×	×	×	○	○	×	×	×	×	×	×
<b>Joinvest</b>	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×	×

◎ : Available only at Monex among 5 brokers above ○ : Available × : Not Available

Source: Company IR data, etc.