

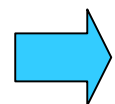


# **FYE 03/2003 Financial Results**

**April 21, 2003**

## 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.



# **I. Financial Results**

## II. Other Business

## III. Business Model and Future Development

**FYE 03/2003 Financial Summary**

(in million yen)

	FYE 03/2002	FYE 03/2003	Change
Operating Revenue	3,281	2,766	- 15.7%
Net Operating Revenue	3,280	2,712	- 17.3%
SG&A	4,516	4,477	- 0.9%
Operating loss	1,236	1,765	-
Ordinary Loss	1,200	1,758	-
Net Loss	1,406	2,046	-

(in million yen)

	FYE 03/2002	FYE 03/2003	Change
Total Assets	13,124	23,919	82.2%
Shareholders' Equity	10,323	8,363	- 19.0%
Capital Adequacy Ratio	860.5%	565.3%	-
Cash & Equiv (incl.CP)	8,333	7,391	- 11.3%
Lease O/S	3,209	2,460	- 23.3%

**FYE 03/2003 Financial Summary**

(in million yen)

	FYE 03/03 3 <sup>rd</sup> Quarter	FYE 03/03 4 <sup>th</sup> Quarter	Change
Operating Revenue	608	705	15.9%
Net Operating Revenue	601	658	9.6%
SG&A	1,099	1,093	- 0.5%
Operating loss	497	434	-
Ordinary Loss	497	432	-
Quarter Net Loss	509	677	-

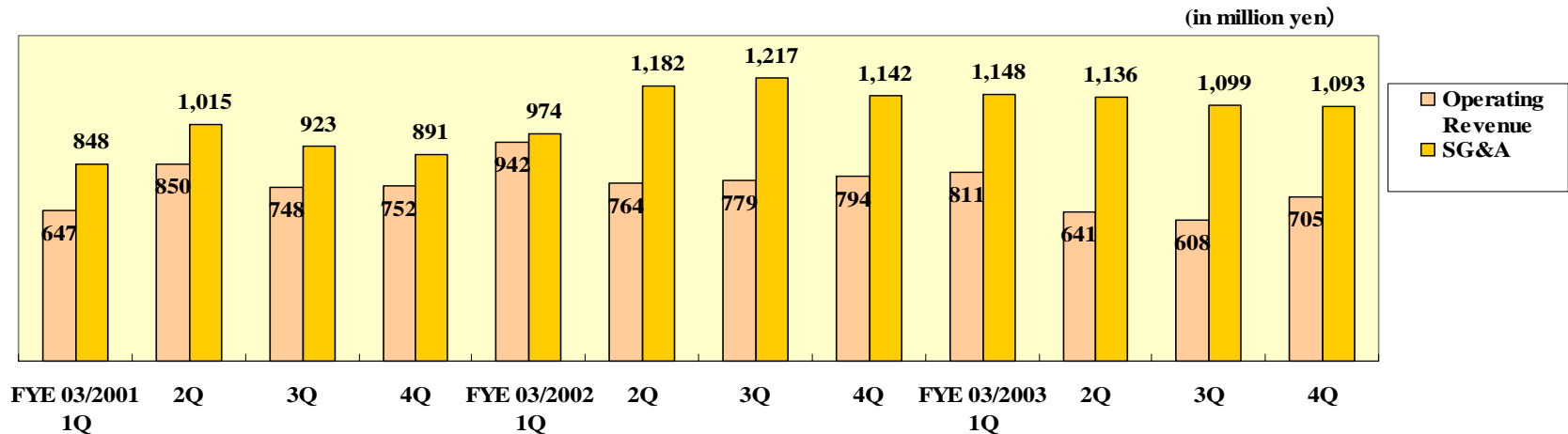
(Oct – Dec 02)

(Jan – Mar 03)

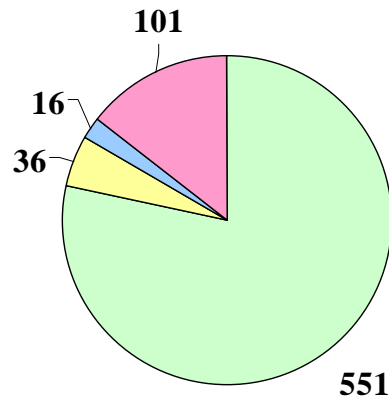
(in million yen)

	FYE 03/03 3 <sup>rd</sup> Quarter	FYE 03/03 4 <sup>th</sup> Quarter	Change
Total Assets	16,773	23,919	42.6%
Net Assets	9,040	8,363	- 7.5%
Capital Adequacy ratio	645.3%	565.3%	-
Cash & equiv. (incl. CP)	6,367	7,391	16.1%
Lease O/S	2,591	2,460	- 5.0%

# Operating Revenue vs. SG&A

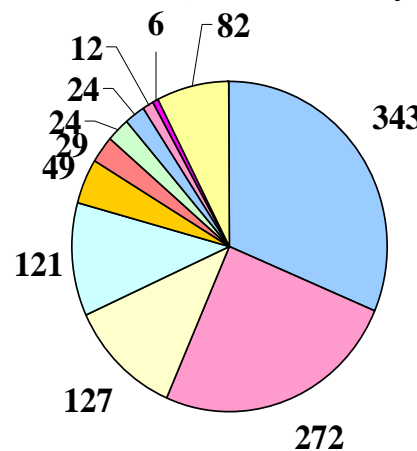


Operating Revenue breakdown 100% = 705 (million Yen)



■ Brokerage 
 ■ Investment Trusts 
 ■ Underwriting 
 ■ Others

SG&A Breakdown  
100% = 1,093 (in million yen)



- Outsourcing Expenses
- Equipment lease and maintenance
- Information
- Employee salaries
- Communication and freight
- Commission Paid
- Exchange and association fees
- Advertising
- Amortization of goodwill
- Directors compensation
- Others

# Break-even Analysis Spreadsheet

1. Divide major items of SG & A into 2 categories (1) Variable (trade volume or number of accounts base) and (2) Fixed.

After excluding one-time expenses, Outsourcing Expenses are divided into three categories.

(unit: million yen)

Major Items of SG and A	Variable / Fixed	FYE March 2001				FYE March 2002				FYE March 2003			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Commision paid	Variable (based on trading volume)	146	126	32	22	34	34	42	27	44	36	34	24
Exchange and Association fees	Fixed	12	17	22	19	24	22	22	20	21	19	24	29
Communication and Freight	Variable (based on trading volume)	66	76	69	59	75	79	87	66	62	53	59	49
Information expenses	Vairable (based on number of accounts)	57	81	67	72	78	79	122	120	123	125	126	127
Advertising Expense	Fixed	23	42	23	6	16	17	17	6	6	10	22	24
Directors' compensation	Fixed	2	7	7	7	7	7	7	7	6	6	6	6
Employees salaries	Fixed	95	107	109	103	93	143	141	139	115	118	122	118
Equipment, Furniture and Fixture	Variable (based on number of accounts)	157	200	231	250	250	285	306	327	317	307	312	342
Outsourcing Expense (1)	Fixed (30%)	71	78	80	82	83	97	107	100	95	92	76	74
Outsourcing Expense (2)	Variable (20%: based on trading volume)	47	52	53	54	56	64	71	67	63	61	50	49
Outsourcing Expense (3)	Variable (50%: based on number of account)	118	130	133	136	139	162	178	167	158	154	127	124
Outsourcing Expense (4)	One-time Expenses						79	14	5	13	0	13	23
Amortization of Goodwill	Fixed	10	10	10	10	10	10	10	10	10	10	11	12
Variable Cost (based on trading volume) (A)		259	254	154	135	165	179	201	160	170	151	145	123
Variable Cost (based on # of accounts) (B)		332	411	431	458	467	527	607	616	612	588	566	593
Fixed Cost (+ one-time cost) (C)		213	261	251	227	233	377	320	290	256	257	277	290
Total major items listed above		803	926	835	820	865	1,085	1,129	1,066	1,039	997	989	1,007
Ratio of major item of SG&A to total SG&A		95%	91%	90%	92%	88%	92%	93%	94%	91%	88%	90%	92%

2. Brokerage Commision takes major portion in Net Operating Revenue

Brokerage Commision	587	607	582	671	795	664	698	688	726	551	525	551
Operating Revenue	647	850	748	752	942	764	779	794	811	641	608	658
Brokerage Commision / Net Operating Revenue	91%	71%	78%	89%	84%	87%	90%	87%	90%	86%	86%	83%

3. Calculate "Variable cost per trade" and the others

Quarterly Trading Volume ('000 trades) (D)	369	414	378	441	518	441	465	461	482	372	362	415
Average Commision / Trade (Yen)	1,591	1,466	1,540	1,522	1,531	1,506	1,501	1,493	1,508	1,481	1,448	1,326
Variable (based on trading volume) / Tra (A)/(D) (Yen)	702	614	407	307	317	406	432	347	354	408	400	298
Average Commision / Trade - Variable (based on trading volume) / Trade (Yen)	889	853	1,132	1,215	1,214	1,100	1,069	1,146	1,154	1,073	1,048	1,028

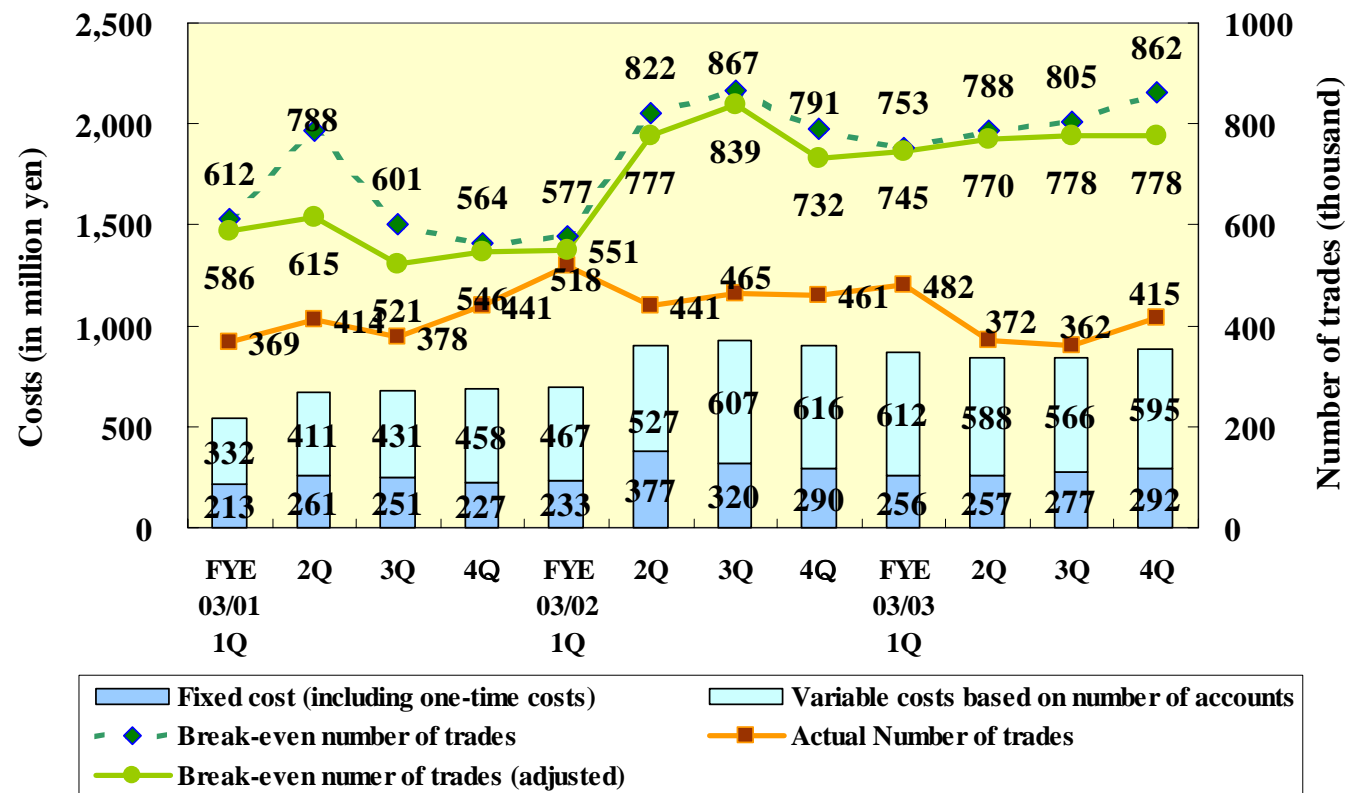
4. Calculate estimated Break-even point to cover both Fixed cost and Variable cost based on number of accounts

Break-even Point Estimate (Quaterly) ('000 trades)	612	788	601	564	577	822	867	791	753	788	805	859
Break-even Point Estimate (Monthly) ('000 trades)	204	263	200	188	195	274	289	264	251	262	268	286

5. Adjust the above numbers using the ratio of "Major items of SG & A" to "total SG & A" and the ratio of "revenue from brokerage" to "Net Operating Revenue".

Adjusted Break-even Point Estimate ('000 trades)	586	615	521	546	551	777	839	732	745	770	753	775
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# Break-even Analysis – Number of Trades



FYE 03/2003 4Q

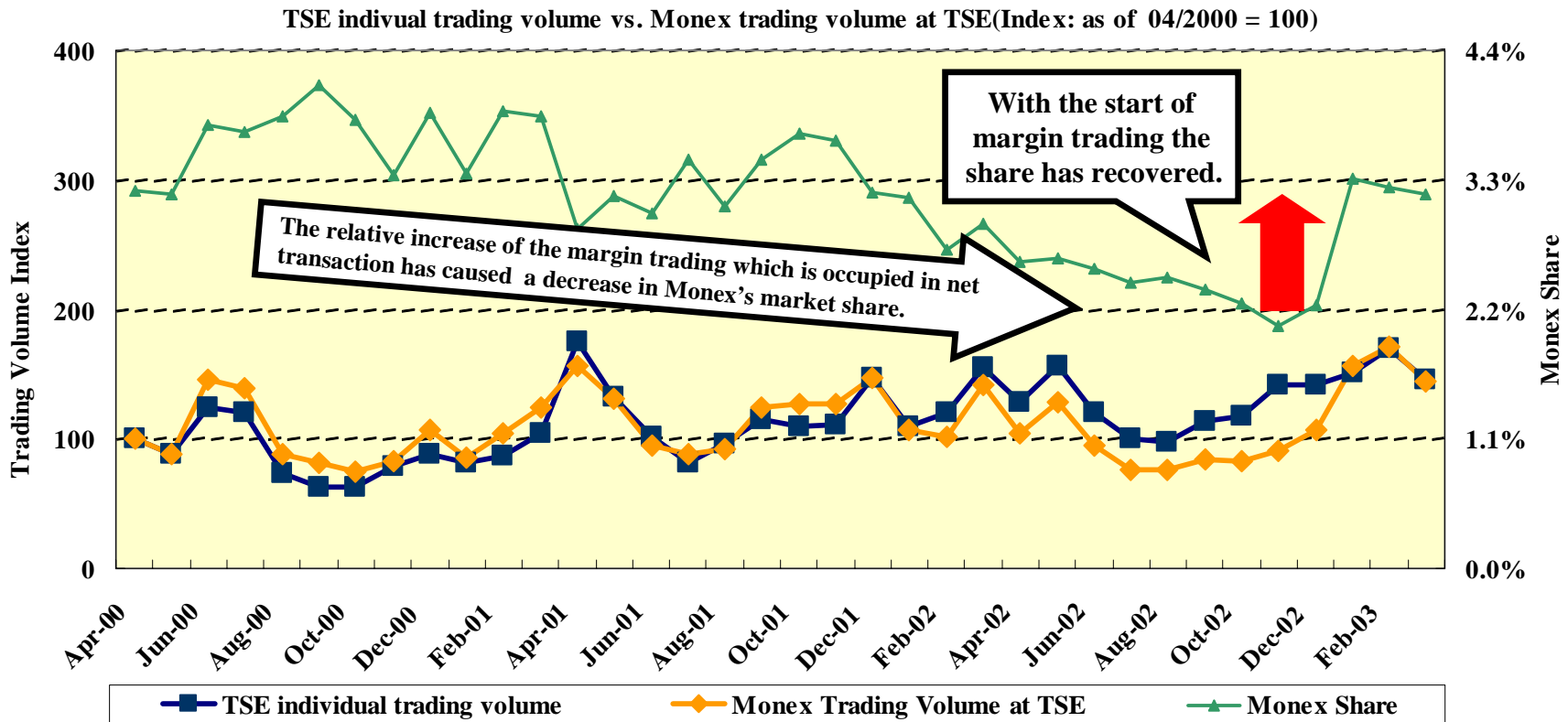
- The start of margin trading was accompanied by an increase in lease costs; however, total increase in SG&A has been limited.
- Revenue from other than stock brokerage business also increased, thus the adjusted break-even point did not change.
- The number of trades turned to increase because of contribution of margin trading.

Adjusted by a difference between

- 1) the ratio of “Major items of SGA” to “total SGA”, and
- 2) the ratio of revenue from Stock brokerage to Net Operating Revenue

It is expected that such difference would be increased from next FY, because of a possible increase of non-stock brokerage revenue.

# TSE individual trading volume vs. Monex trading volume



**[Ratio of Margin Trading volume and Cash Trading volume among total internet trading volume]**

	Apr-Sep 00	Oct 00-Mar 01	Apr-Sep 01	Oct 01-Mar 02	Apr -Sep 02	Oct 02-Mar 03
<b>Margin</b>	21%	29%	36%	43%	49%	?
<b>Cash</b>	79%	71%	64%	57%	51%	?

- Between April 2000 and September 2002, margin trading volume and cash trading volume has grown by about five times and about 1.4 times respectively.



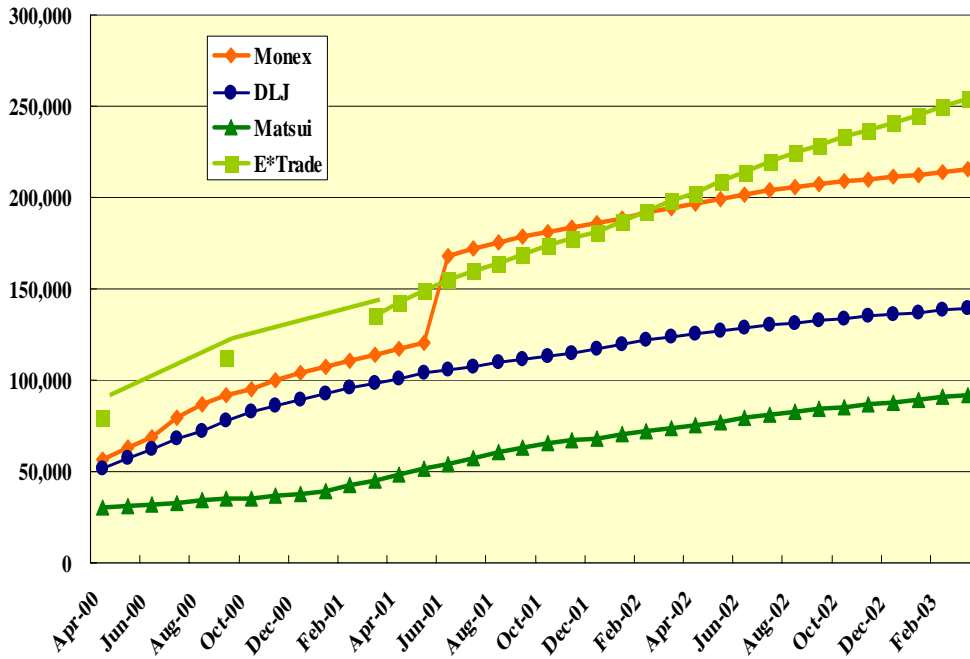
I. Financial Results

 **II. Other Business**

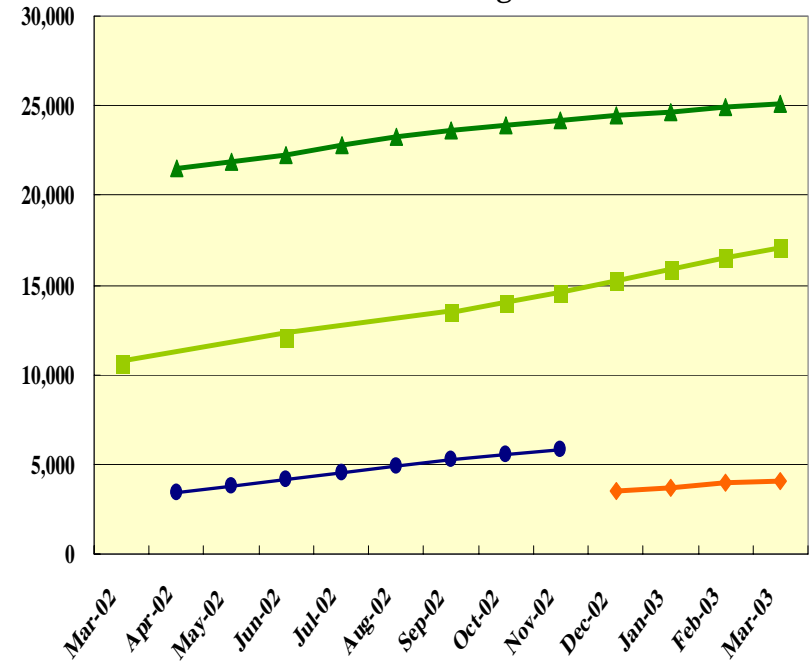
III. Business Model and Future  
Development

# Number of Customers' Accounts

Number of Customers' Accounts



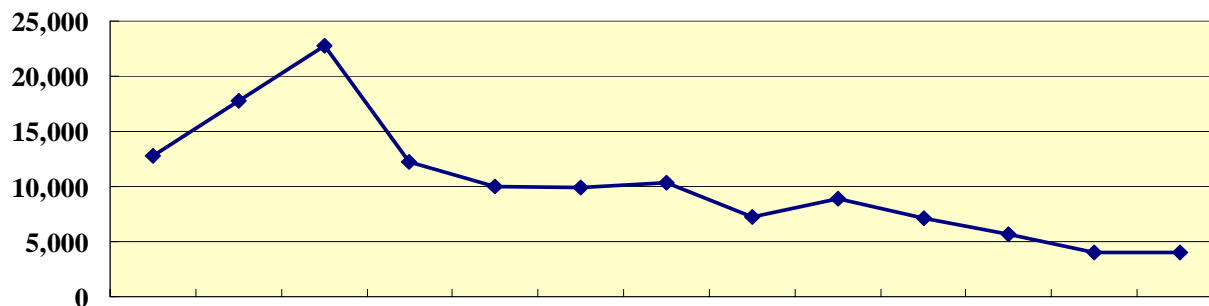
Number of Margin Accounts



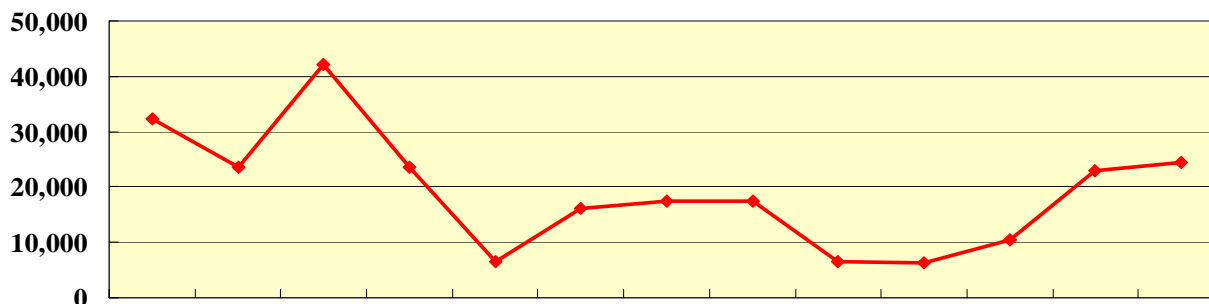
Source: Company IR Data

# Account Acquisition Costs

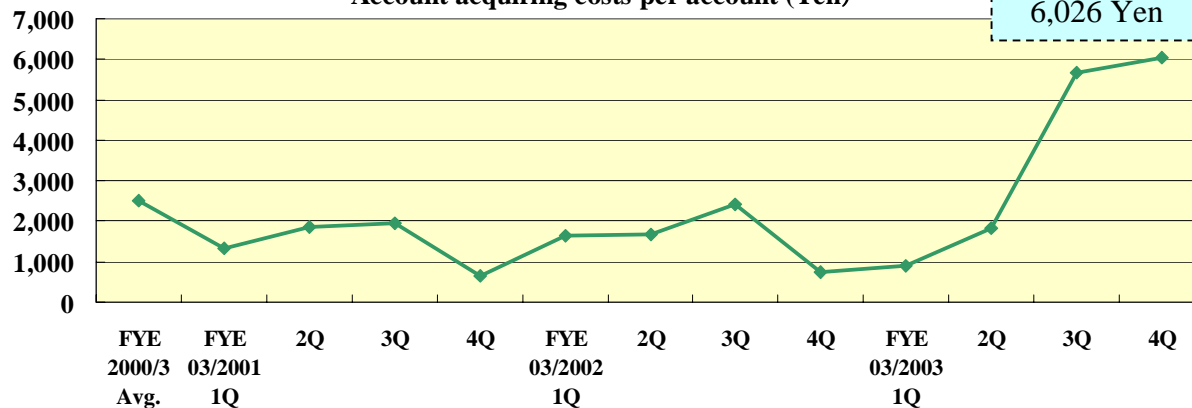
Newly acquired accounts



Advertising Costs (Yen thousand)



Account acquiring costs per account (Yen)



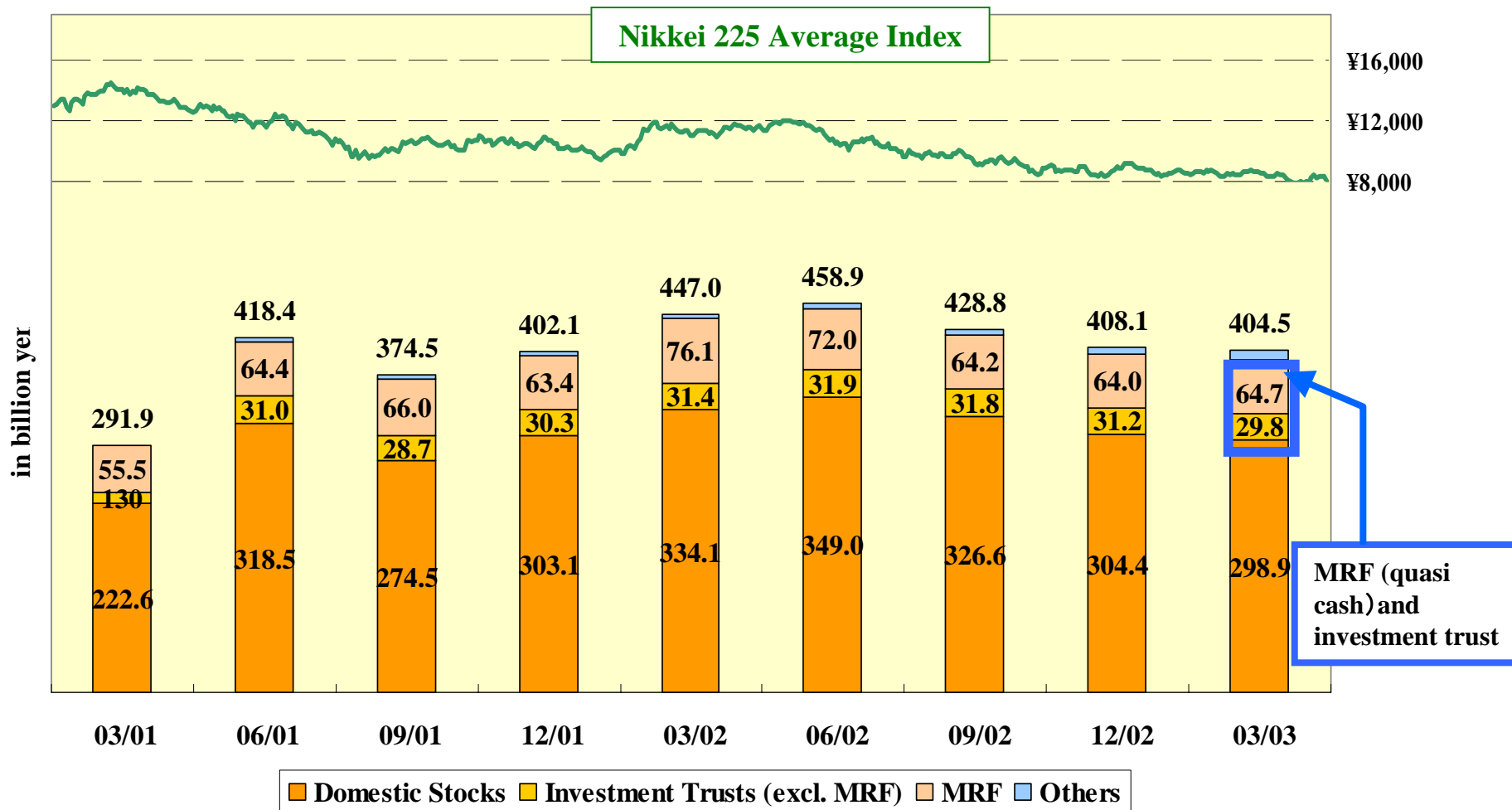
## FYE 03/2003 4Q

• The growth in customers' accounts has slowed.

• Because of the start of new services such as margin trading/stock lending service, advertising costs have increased; in result, the acquisition costs have increased.

• At the time of the interim closing announcement we anticipated 40 million yen increase in advertising costs for new service notification; actual increase has been within such plan.

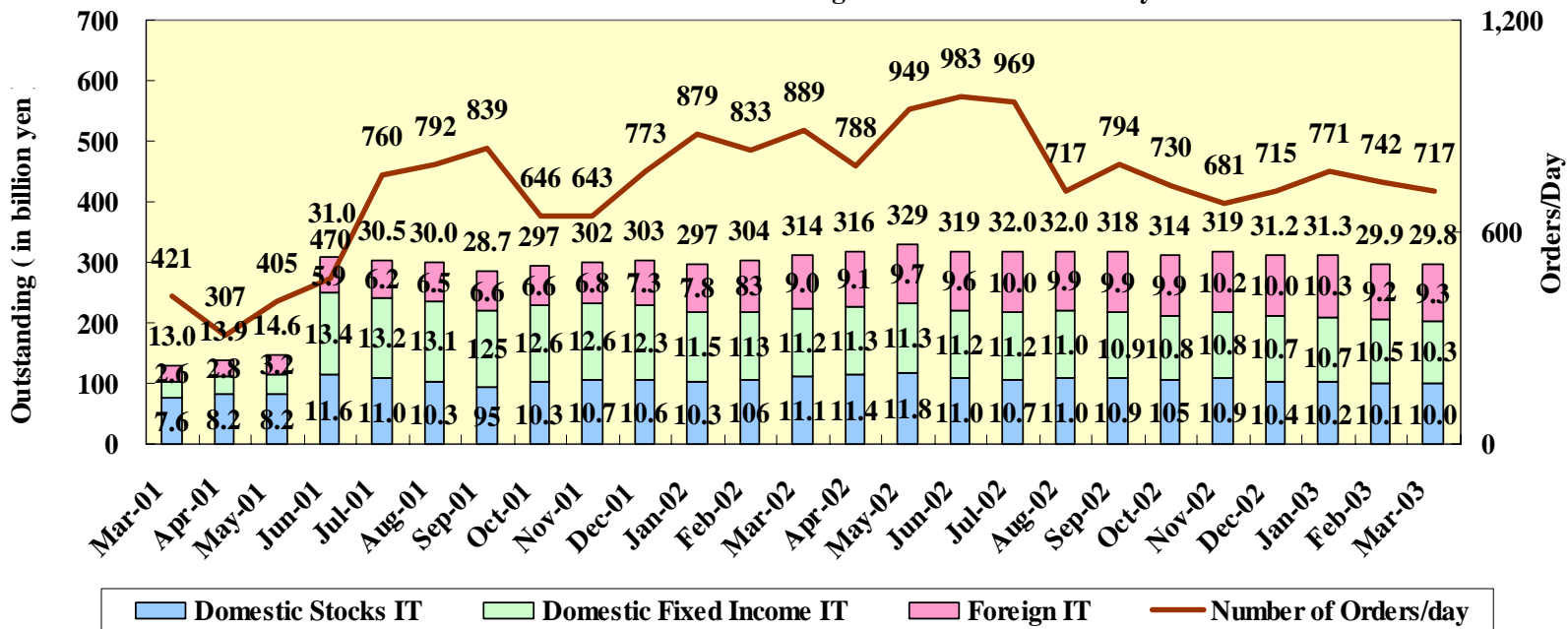
# Customers' Assets in Custody



- MRF outstanding (as of March 2003) 64,7 billion yen
- Cash inflow from customers has usually exceeded outflow since the first day of business (excluding 14 business days)
- Dec 2002→Mar 2003 Nikkei 225: -7.1%, Monex Clients' assets in custody: -0.9%

**Investment Trusts Business**

**Investment Trusts Outstanding and Number of Order/Day**

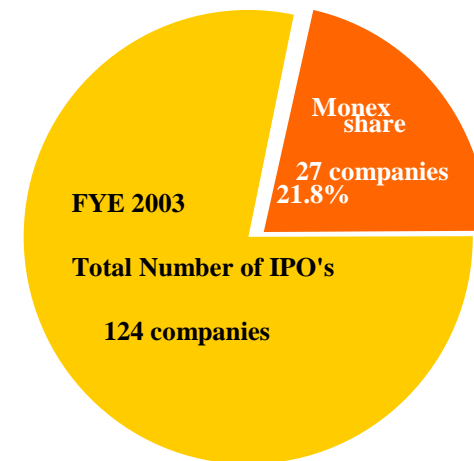
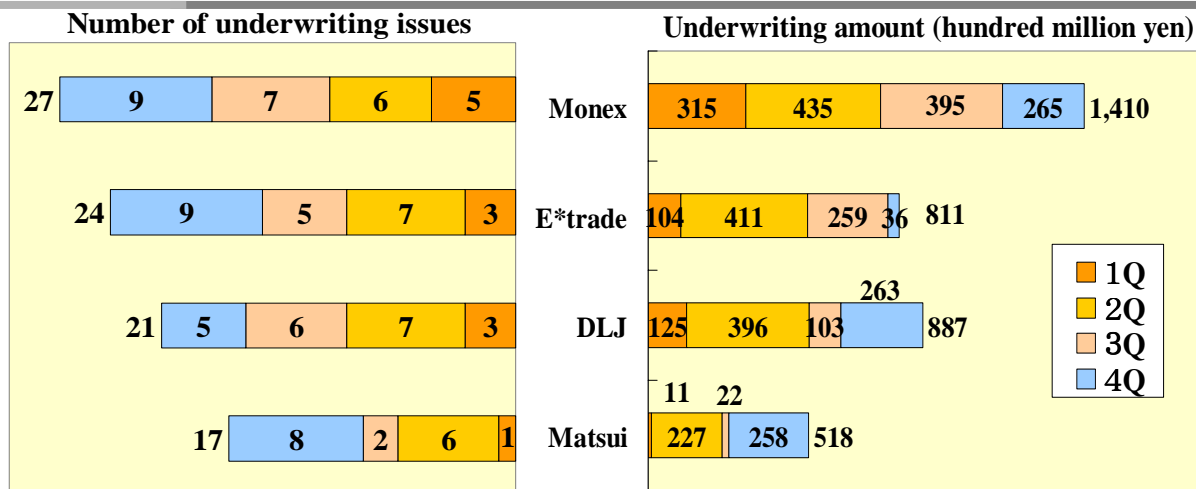


Monthly fixed amount purchase March 2003	Number of Orders	Monthly Purchase Amount
Teigaku Tsumitate (Direct withdrawal from MRF)	3,127	57 million yen
Card de Tsumitate (Direct withdrawal from bank account)	5,662	117 million yen

**Development of Investment Trusts business**

- “Euro MMF ” and “ Fidelity European Growth Fund ” started (March 2003)
- Investment trusts and Monex FX covers major currencies.
- Examination of “Chinese stocks fund ”
- After the redemption of “Game Fund <sup>TM</sup> tokimeki memorial”, new type of contents funds will be considered.

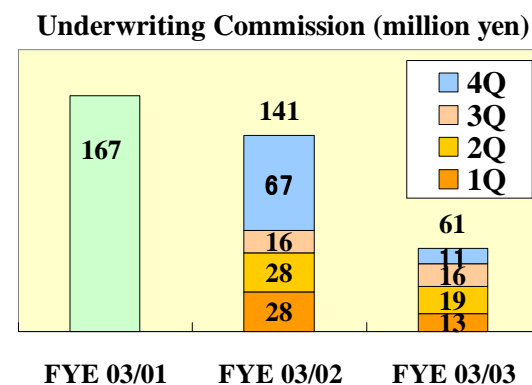
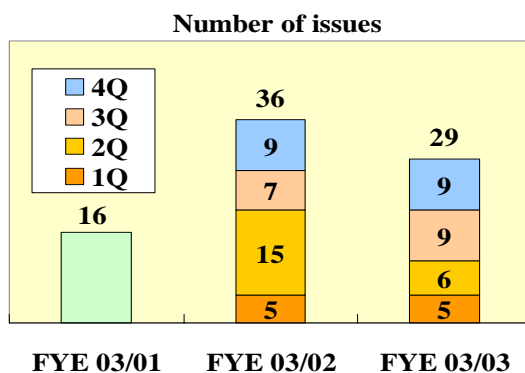
## Underwriting Business



•Underwriting commission and underwriting amount include over-allotment. •Finance of already-listed companies is excluded.

- During FYE March 2003, total number of IPOs was 124 companies, ( 28.7% decrease from last FY), total IPO amount was 318.6 million yen (65.3% down from last FY) .
- Monex joined in IPO of 27 companies (excluding issues of already listed companies), which accounts for 21.8% of total number, up from 20.7% of last FY)
- Monex accounts for 40% in terms of IPO amount, among the 4 online brokers; it remains top among them in terms of amount as well as and number of companies. \* (\* on the basis of contractual date)

Company Name	IPO Date	Share
GENTOSHA INC.	1/30	2.00%
y·Arriba.CORPORATION	2/4	1.00%
TELEWAVE, INC.	2/14	4.00%
C4 Technology, Inc	2/25	1.00%
SEGA TOYS, LTD	2/28	1.00%
Sun Japan Corporation	3/4	5.00%
ENDO MANUFACTURING CO., LTD	3/12	1.00%
Hiramatsu Inc.	3/13	8.00%
THE TAIYO MUTUAL LIFE INSURANCE COMPANY	4/1	0.20%



I. Financial Results

II. Other Business

 **III. Business Model and Future  
Development**

# Firm Value Concept

We continue focusing on the increase of E2, furthermore we pursue new profit opportunities.

$$R_e = P \times E_1 + P \times E_2 - \text{Expenses}$$

Expected Return  
(Firm value)

Probability of shift to direct finance

Our earnings under the scenario

Probability of no shift to direct finance

Our earnings under the scenario

### Expenses

【Continuously control costs】

Decrease System-related costs and Outsourcing expenses by reviewing unused and obsolete leased assets

### Basic Policy

- No major change in the basic business model
- Being well aware that the shift to direct finance is delayed and that severe circumstances continue
- Strengthen the strategy which will increase E2

### E1 Strategy

【improve functions as a daily life account】

- Continuous efforts to increase E1
- Improve “Money Series” i.e. account aggregation etc.
- Promote Monex Saison Card
- Started offering JGB for individual investors

### E2 Strategy

【Start Margin Trading】

- Increase activities and financial revenue
- Introduce useful investment technique under the stagnant market including utilization of long short model
- 【Retain highly active clients】
- Offer services focusing on highly active clients
- Improve information services
- Introduce new fee schedule

### New business opportunities

Seek new revenue opportunities which are not easily affected by stock market fluctuation, by utilizing the existing resources and holding down costs and risks: it appraises possibility of new investment banking business.

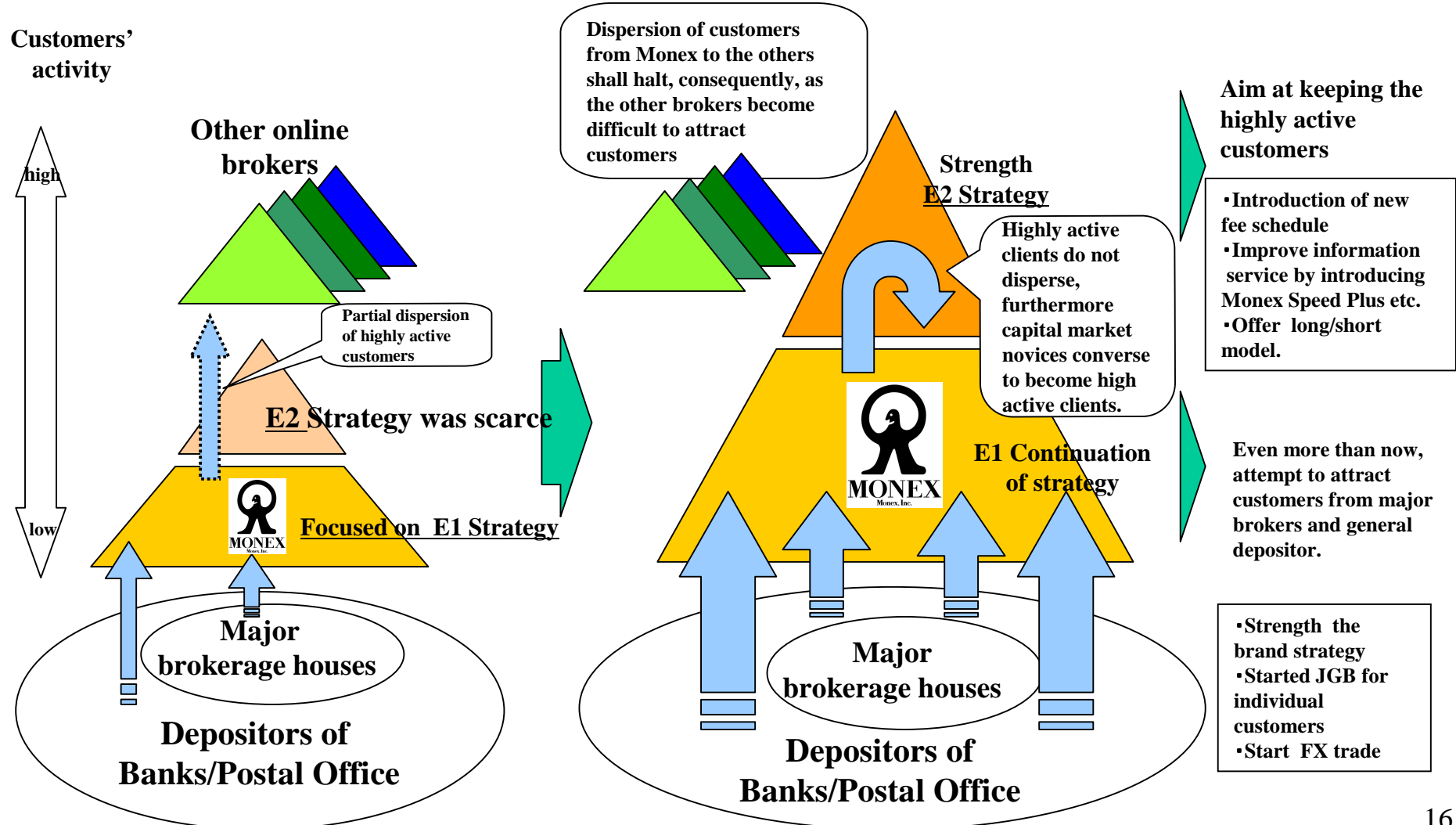
### New Services

- **Stock Lending** : Revenue source based on Customers’ assets in custody
- **FX**: Provide customers with a new profit opportunity from non-stock transactions.
- **Seminars**: Introduce various investment methods to improve financial literacy improvement for individual investors.



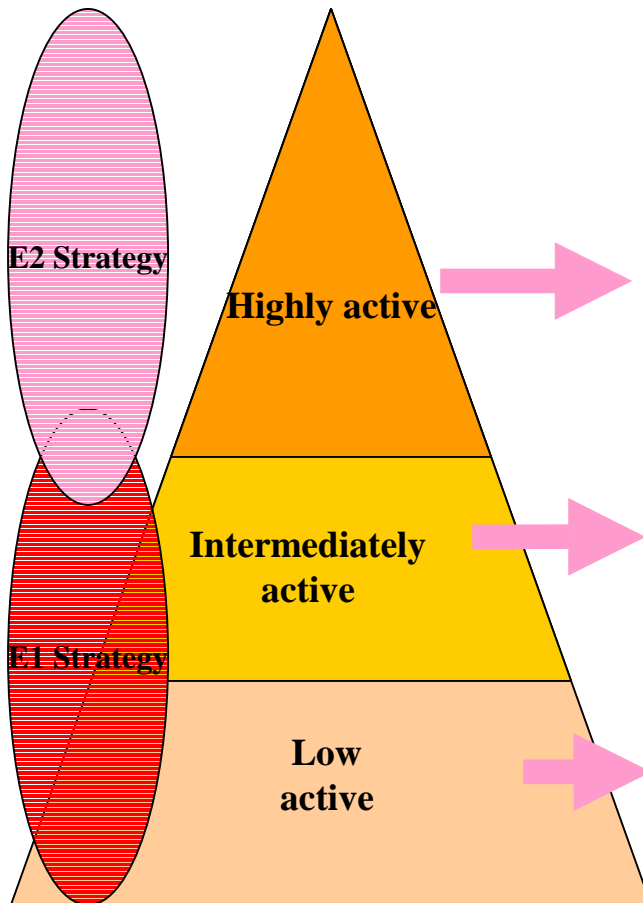
# Growth Strategy Concept

**Increase revenue by acquiring new customers as well as retaining highly active customers**



# Strategic line-up of Products and Services

Provide products and services which shall comply with various customer needs.



## Existing products and services

**【Margin trading】**  
Various services including Stop-loss order, e-mail alert, Accepting investment trusts collateral

**【Professional type information services】**  
JP Morgan analyst reports, various charts.

**【Monex Nighter -after hour trading】**  
One fixed price(closing price), available until 23:59 pm.

**【Investment trust service】**  
• Monthly fixed purchase plan  
• easy to understand “Select Shop”

**【Unique portfolio management tools】**  
Money Station, Money Planner

**【Monex Saison Card】**  
• Credit Card + Cash Card to be withdrawn from MRF a/c  
• About 1,000 nationwide Saison CD/ATM available for withdrawal from MRF  
• About 25,500 nationwide Post office ATM/CD available for deposit/withdrawal to/from MRF.

**【Various money deposit and withdrawal tools】**  
e.g. “Monex Express” linked to bank accounts

## New products and services

**【Provide Long-short trading tool】**  
The trading technique that Hedge fund and professional traders utilize is now available for individual investors.

**【Introduce new fee schedule】**  
On 04/14/2003, two types of “fixed rate commission plan” were added.

**【Monex Speed Plus】**  
Stock prices, daytime foot charts, market news producing “trading room”-like condition.

**【Improve screen for mobile devices】**  
Improve trading site for mobile phones; including margin trades and information service. (around this coming summer)

**【Foreign-exchange trading】**  
• Commission: 0.1 yen one way (as for day trade, no charge for closing position)  
• Proper 2 way rate ( US dollar spread 0.05 yen)  
• Transaction is available with 100,000,00 Yen .  
• Four currencies / 24 hour transaction

**【Expansion of Stock lending service】**  
Stock Selection (name and number of shares Function; scheduled to be released in June 2003

**【Release of new Investment trusts】**  
Euro MMF and Fidelity European Growth Fund ; released in March 2003

**【Floating-rate JGB for individual investors】**  
Suitable for depositors and Monex’s customers who hold large amount of MRF

# Stock Lending Service

**Expand the portfolio to assure stable revenue source and to improve the efficiency to raise funds**

**1. Provide customers with a unique service;**

- Customers may receive stable income, by lending out their own stocks to Monex .
- Out of the portfolio of over 2,000 issues borrowed from the customers, Monex lends them to the S/L market.
- Receiving sufficient collateral (mainly cash collateral) from the borrowers; it may improve efficiency of financing.

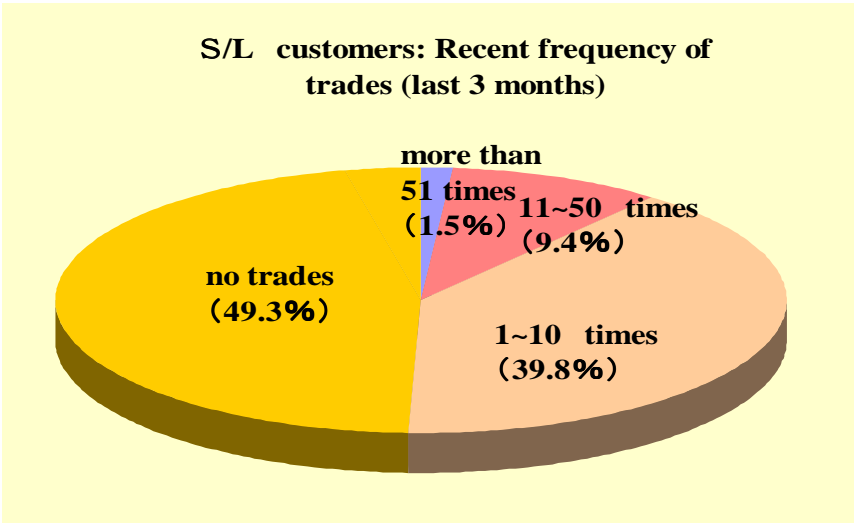
**2. Development**

- Increase number of borrowers (currently 5 borrowers)
- Portfolio expansion
  1. New function will be available, by which customers may select stocks to be lent and the number of shares. Scheduled to be released in June 2003.
  2. Strength Marketing (Efforts to attract stocks which are stored privately at home)

**3. Efficient utilization of received cash collateral**

- Control risks involved in cash collateral management in accordance to the internal guideline
- May reduce financing costs

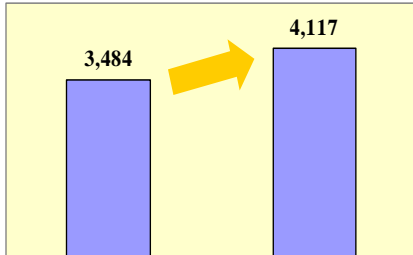
	number of S/L accounts	Customers' stock lending balance
at the end of early application period 12 /13/ 2002	1,660	approx. 7 billion yen
3Q announcement 01/21/2003	1,940	approx. 8 billion yen
present 04/ 18/2003	2,955	approx. 10 billion yen



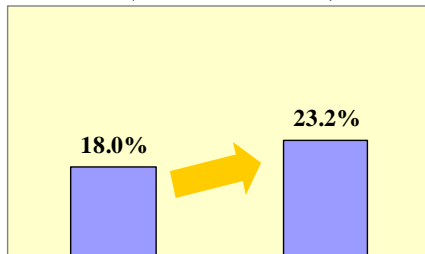
# Margin Trading

**Number of margin trades has been growing: it accounts for 23% of the total trades.**

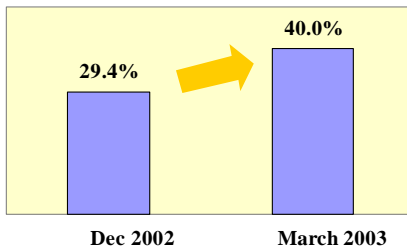
Margin accounts



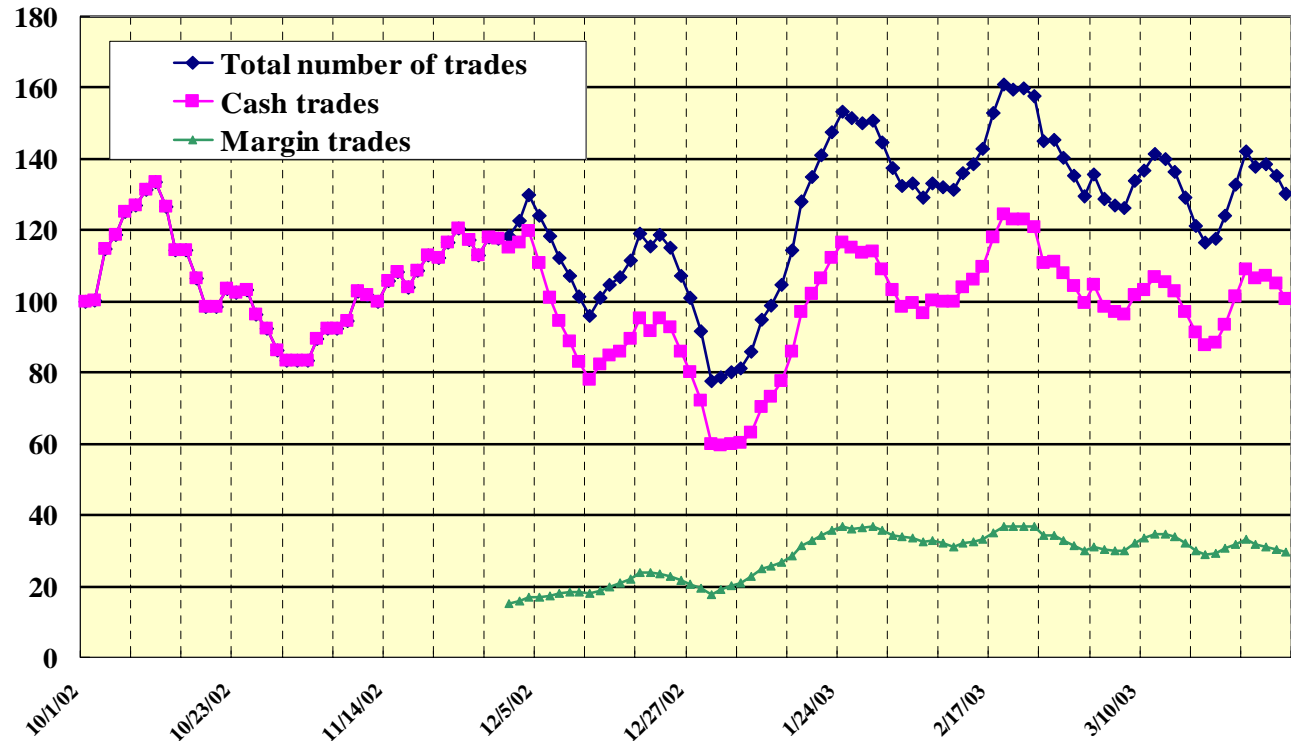
Margin Trades/Total trades  
(Number of trades)



Margin Trades /Total trades  
(Amount)



Trends in Number of trades (as of 10/1/ 2002 = 100 moving average of 5 BD)



# Establishment of Strategic Business Division

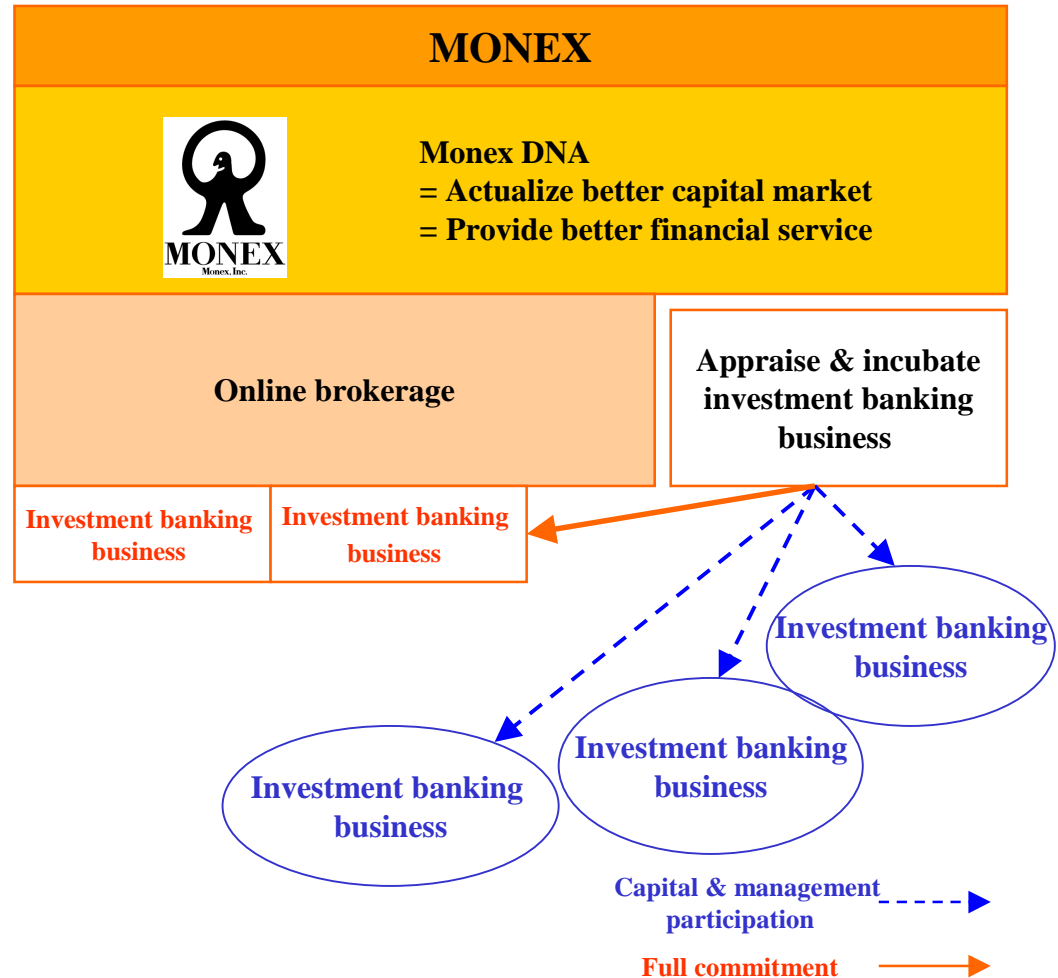
**Utilize latent resources; obtain another income source-not directly affected by the stock market**

## Objectives

1. Diversify income source
2. Effectively utilize management resources
3. Develop new appealing services

## Contents

1. Evaluate investment banking business
2. Incubate new business
3. Full commitment or capital and management participation
4. Currently 4 possible business ideas being appraised
5. Minimize additional costs and risk involved during appraisal period



**Recognition on present condition :**

**Recognizing that the stagnant stock market may continue and structural changes may not occur for the time being, due to continuous deflationary tendency with the bad debt problems, credit crunch caused by world situation, geopolitical risks derived from North Korea, and current domestic political situation.**

**Under such circumstances, Monex has to enhance firm value by achieving break even as early as possible.**

**Important Management issues for FYE March 2004:**

- 1. Enlarge Revenue: Increase number of trades by expanding margin trades and promoting various type of investment techniques**
- 2. Diversify income source : Stock lending service, FX trades, Strategic Businesses division**
- 3. Retain strong financial structure: Reduce SG&A; especially system related expenses, Effective cash collateral management related to Stock Lending services**
- 4. Branding/Credit: Streghten customer service, Timely Disclosure subject to the internal policy, effective PR**



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<http://www.monex.co.jp/>