

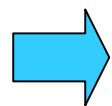


## **FYE03/2003 1H Financial Results**

**October 17, 2002**

### 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 . Newly introduced Services and our Business Model**

# FYE 03/2003 1H Financial Summary

(unit : Yen million)

	<b>FYE 03/2002 1H (Apr-Seo)</b>	<b>FYE 03/2003 1H (Apr-Seo)</b>	<b>change</b>
<b>Operating Revenue</b>	<b>1,707</b>	<b>1,452</b>	<b>-14.9%</b>
<b>(Commission Revenue)</b>	<b>1,679</b>	<b>1,425</b>	<b>-15.1%</b>
<b>Operating expense</b>	<b>2,156</b>	<b>2,285</b>	<b>6.0%</b>
<b>Operating loss</b>	<b>449</b>	<b>833</b>	<b>-</b>
<b>Ordinary loss</b>	<b>416</b>	<b>828</b>	<b>-</b>
<b>Net loss</b>	<b>468</b>	<b>859</b>	<b>-</b>

	<b>FYE 03/2002 March 2002</b>	<b>FYE 03/2003 1H September 2002</b>	<b>change</b>
<b>Total assets</b>	<b>13,124</b>	<b>11,741</b>	<b>-10.5%</b>
<b>Shareholders' equity</b>	<b>10,323</b>	<b>9,476</b>	<b>-8.2%</b>
<b>Capital adequacy ratio</b>	<b>860.5%</b>	<b>742.0%</b>	<b>-</b>
<b>Cash &amp; equiv. (incl. CP)</b>	<b>8,333</b>	<b>6,999</b>	<b>-16.0%</b>
<b>Lease O/S (over ¥3mil)</b>	<b>3,209</b>	<b>2,803</b>	<b>-12.6%</b>

Quarter to quarter

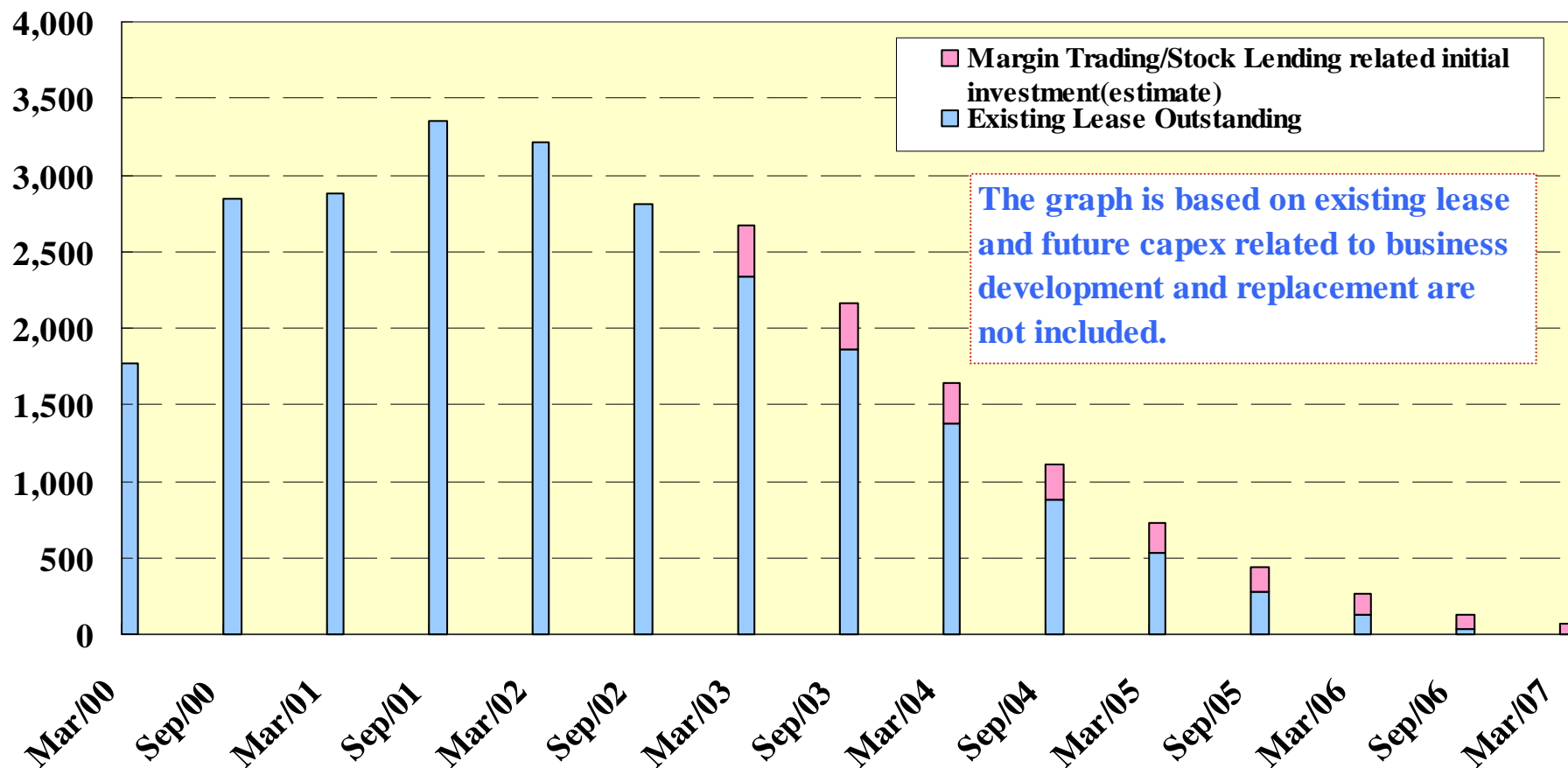
(unit: Yen million)

	FYE 03/2003 1Q(Apr-Jun)	FYE 03/2003 2Q(Jul-Sep)	Change
<b>Operating Revenue</b>	811	641	-21.0%
(Commission Revenue)	793	631	-20.5%
<b>Operating expense</b>	1,148	1,136	-1.0%
<b>Operating loss</b>	337	495	-
<b>Ordinary loss</b>	334	493	-
<b>Net loss</b>	349	509	-

	FYE 03/2003 1Q June 2002	FYE 03/2003 2Q September 2002	change
<b>Total assets</b>	12,979	11,741	-9.5%
<b>Shareholders' equity</b>	9,976	9,476	-5.0%
<b>Capital adequacy ratio</b>	790.9%	742.0%	-
<b>Cash &amp; equiv. (incl. CP)</b>	8,207	6,999	-14.7%
<b>Lease O/S (over ¥3mil)</b>	3,019	2,803	-7.1%

# Lease Outstanding

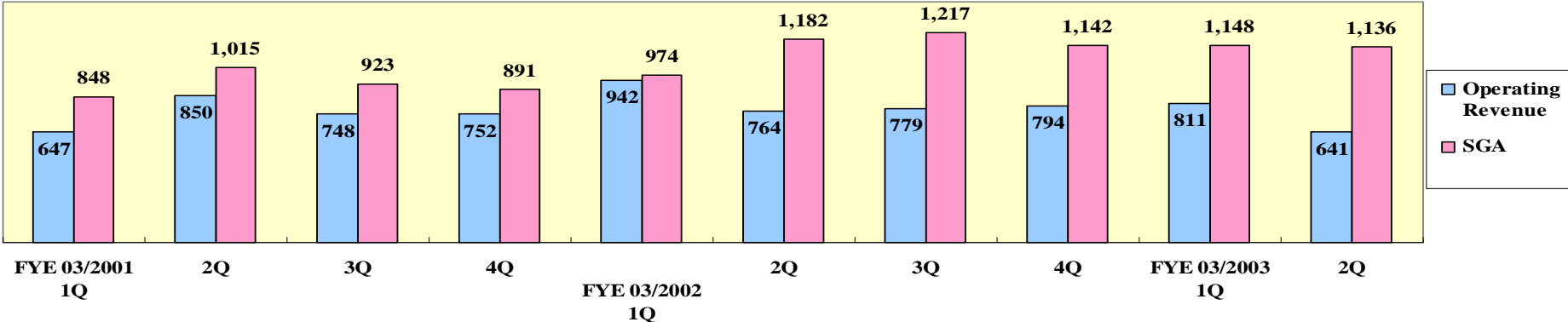
(¥ Million)



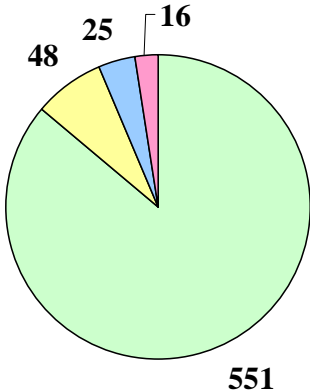
•The leased assets are regularly reviewed and written off if necessary; such effects are not included in the data above.

# Operating Revenue vs. SGA

(Yen million)

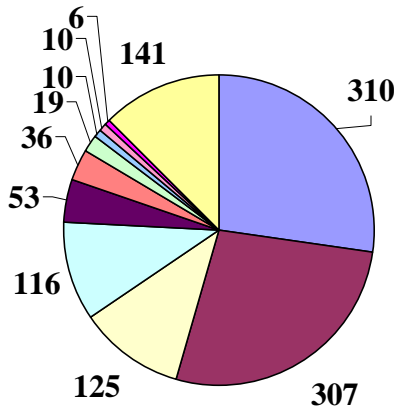


**Operating Revenue Breakdown**  
100%=641(Yen million)



■ Brokerage 
 ■ Investment Trusts 
 ■ Underwriting 
 ■ Others

**SGA Breakdown**  
100%=1,136 (Yen million)



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

## 2. Brokerage Commission takes major portion in Operating Revenue

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

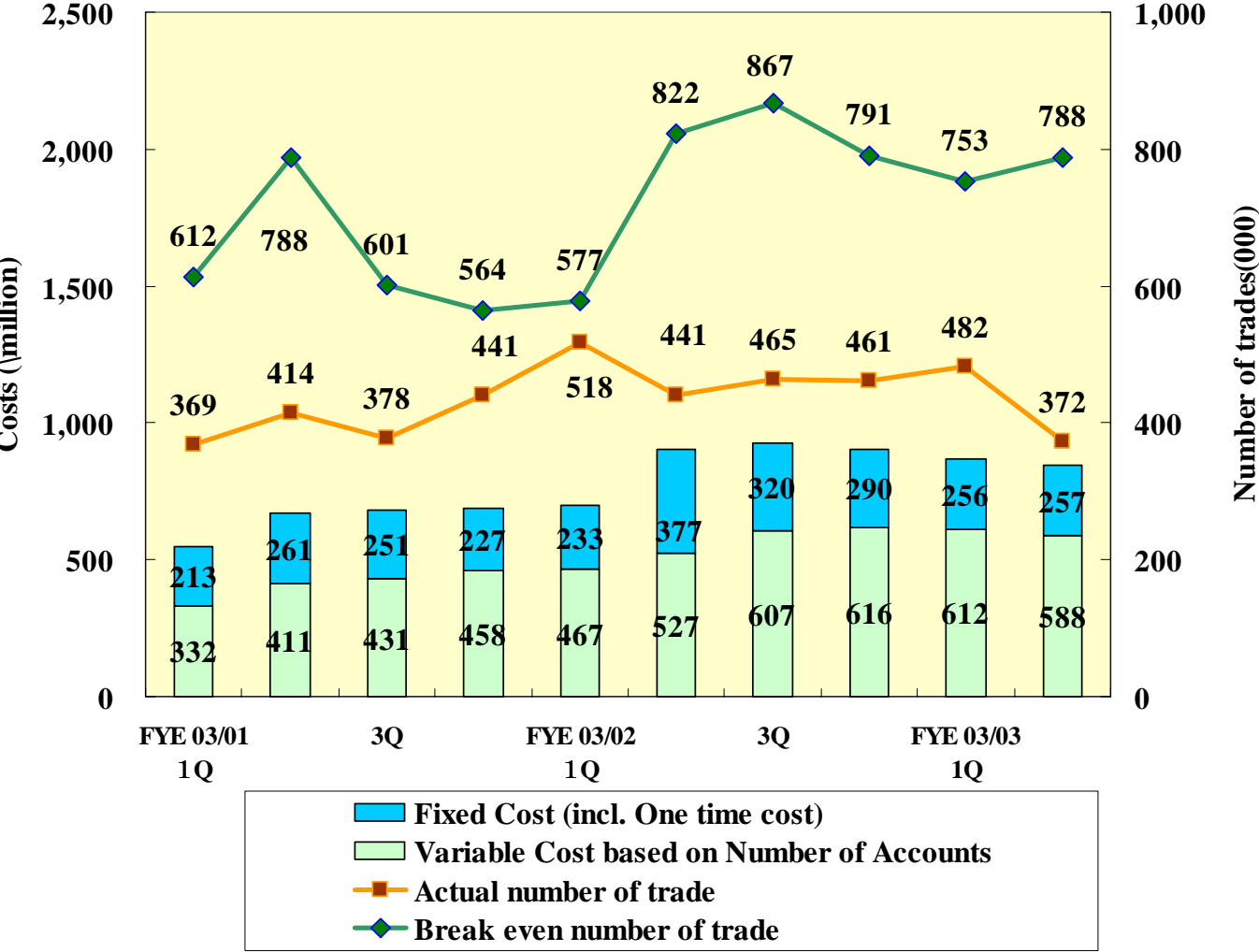
## 3. Calculate Variable cost per trade and the others

Quarterly Trading Volume ('000 trades) (D)	369	414	378	441	518	441	465	461	482	372
Average Commission / Trade (Yen)	1,591	1,466	1,540	1,522	1,531	1,506	1,501	1,493	1,508	1,481
Variable (based on trading volume) / Tra (A)/(D) (Yen)	702	614	407	307	317	406	432	347	354	408
Average Commission / 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

## 4. Calculation of estimated Break-Even point to cover both Fixed cost and Variable cost based on number of accounts

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

# Break-Even Analysis - Number of Trade

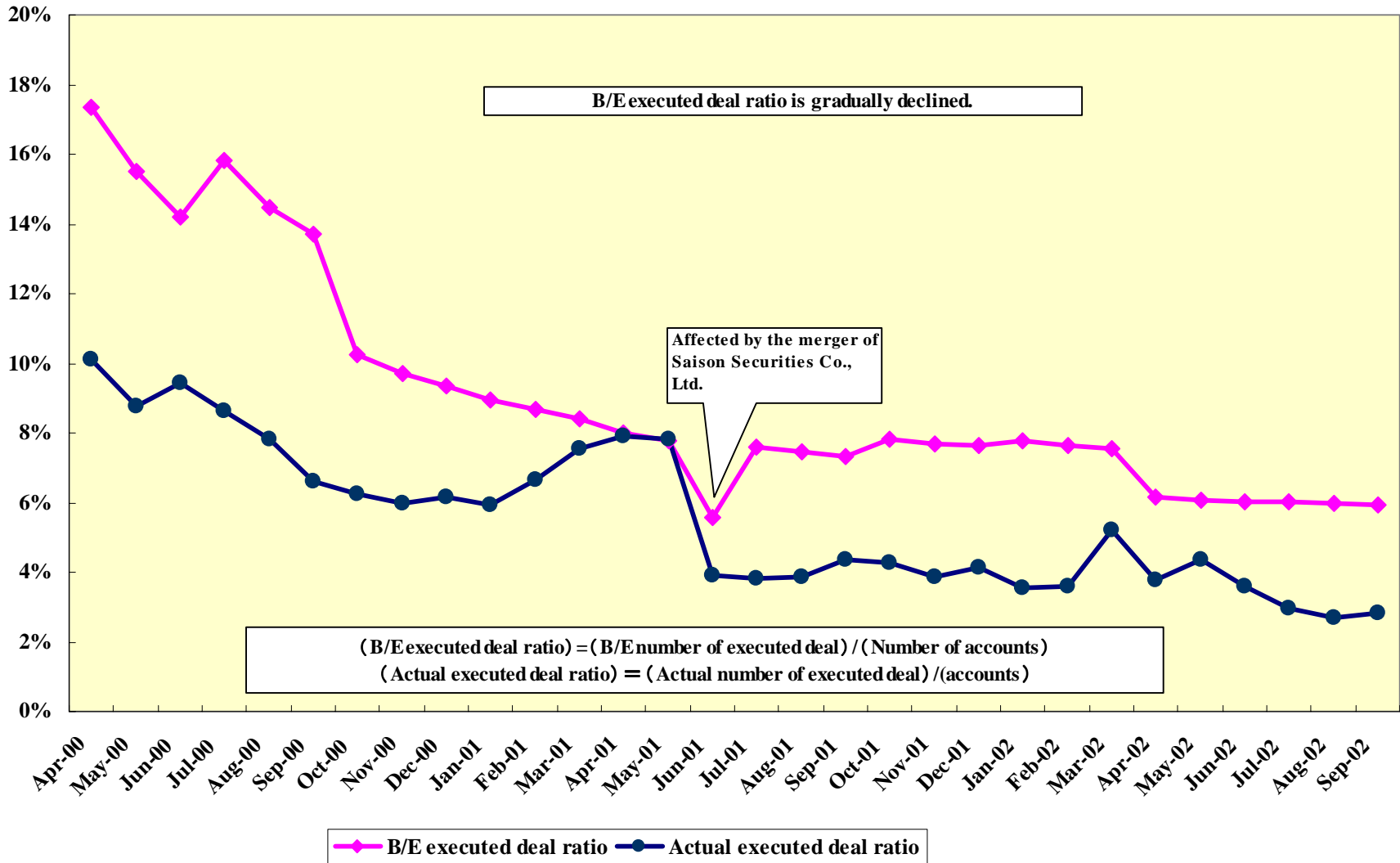


**FYE 2003/3 2Q**

- Costs are maintained relatively low; no material changes in break-even number of trade.
- Variance between “break-even” and “actual” has enlarged due to the shrink of number of trades affected by stagnant Japanese stock market

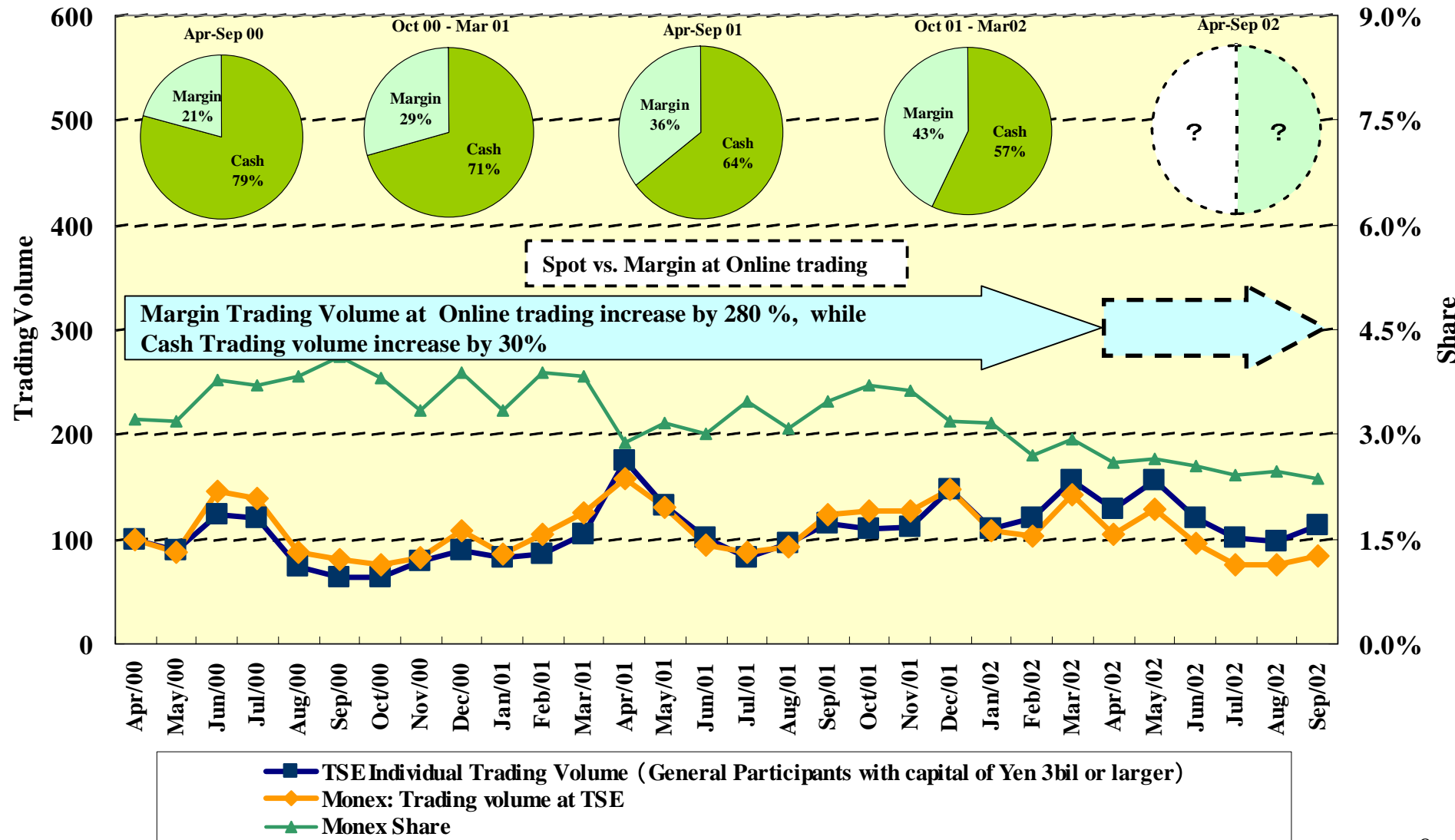


# Break-Even Analysis – Executed Deal Ratio



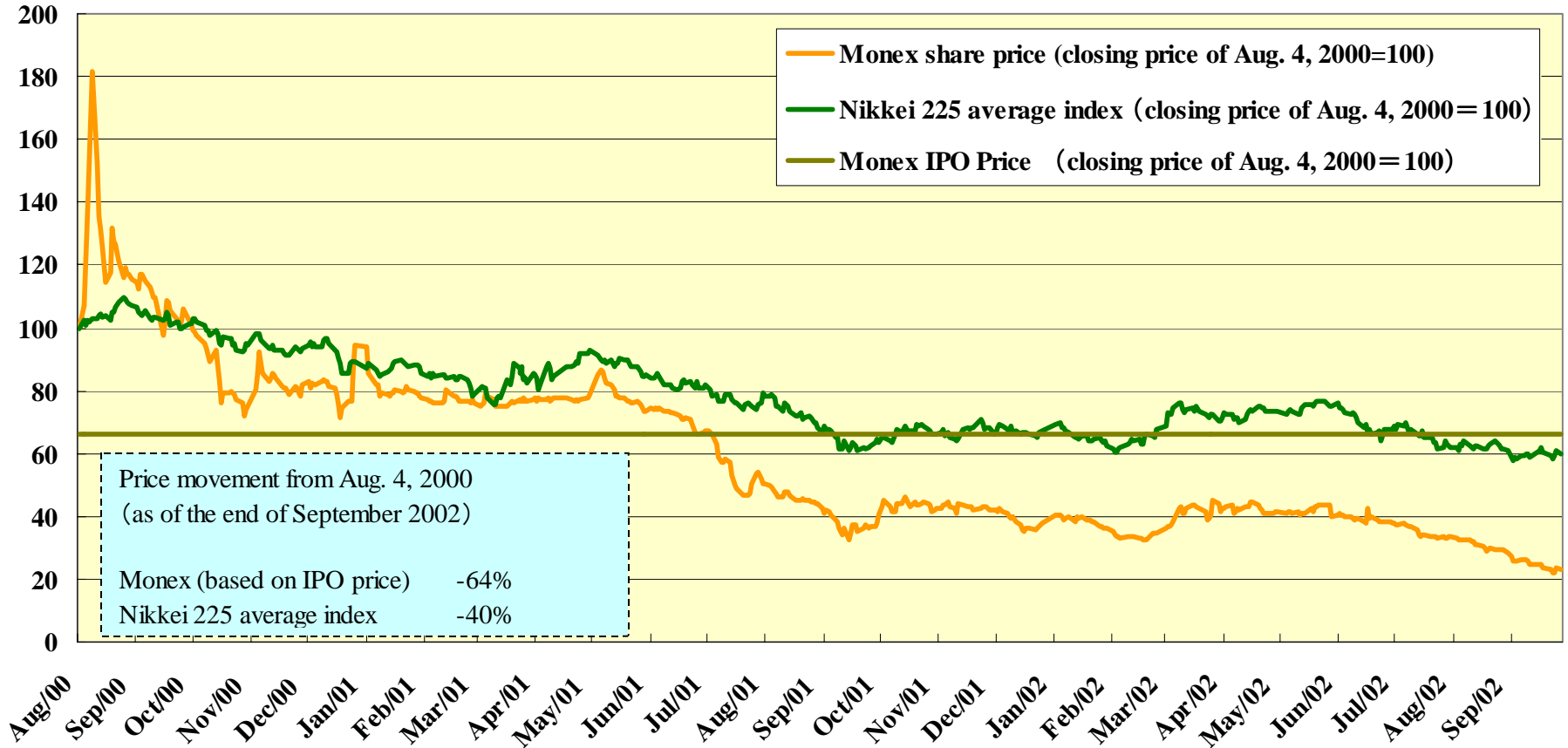
# TSE Trading Volume vs Monex Trading Volume

(Index: April 2000=100)



# Stock Price

## Monex vs. Nikkei 225 average Index (based on August 4, 2000)



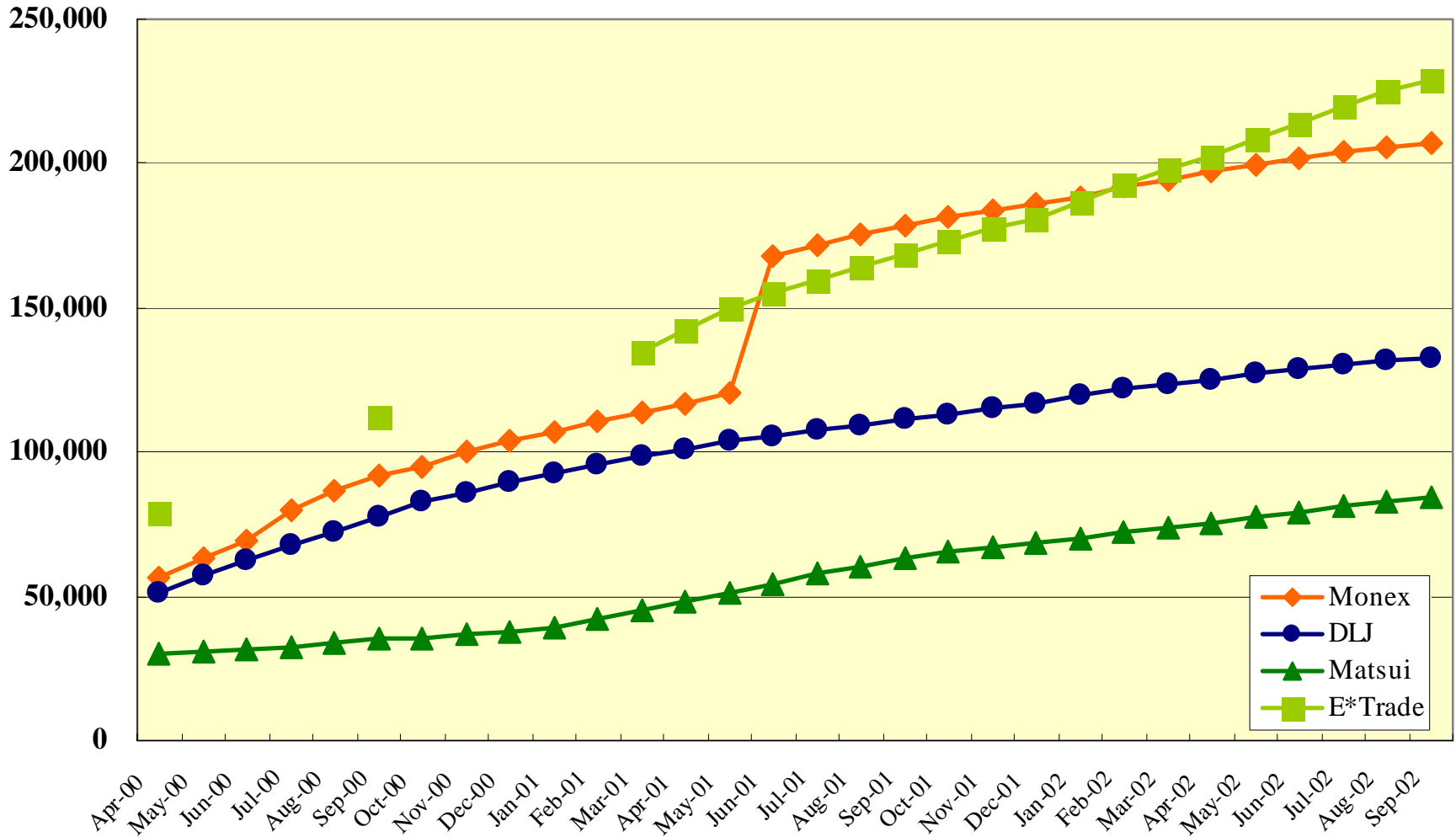
I . Financial Results

 II . **Other Business**

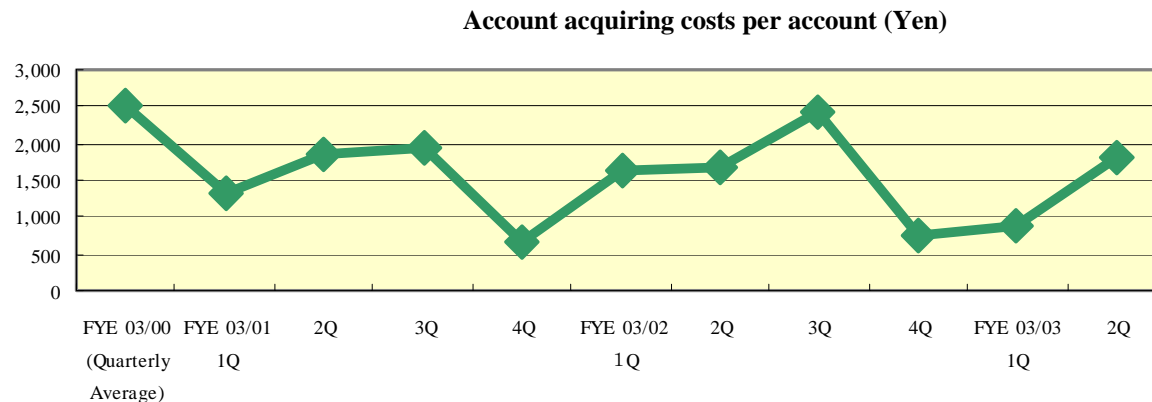
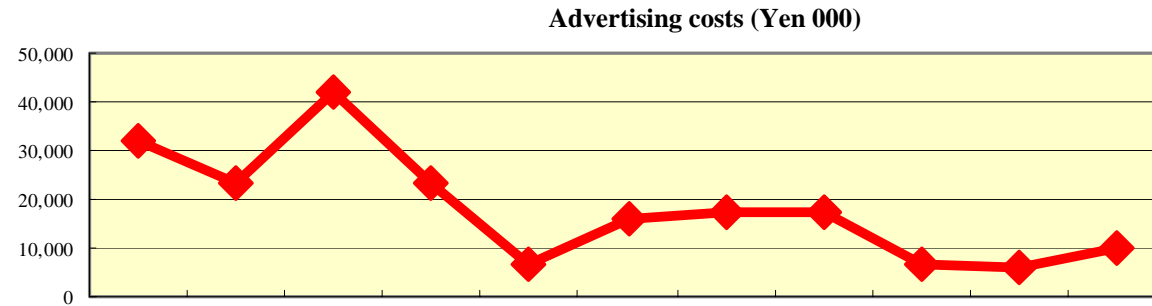
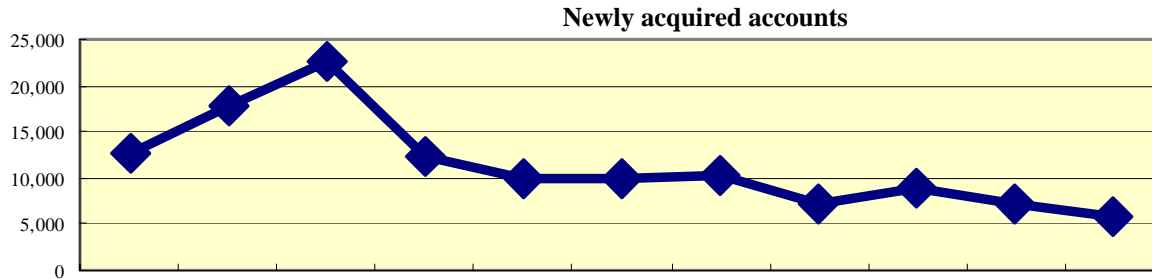
III . Newly introduced Services and  
our Business Model

# Number of customers' accounts

Number of accounts



# Account acquiring costs



**Two major initial costs**

- (1) System related costs
- (2) Account acquiring costs

Higher return on equity may be materialized by maintaining (2) AACosts low

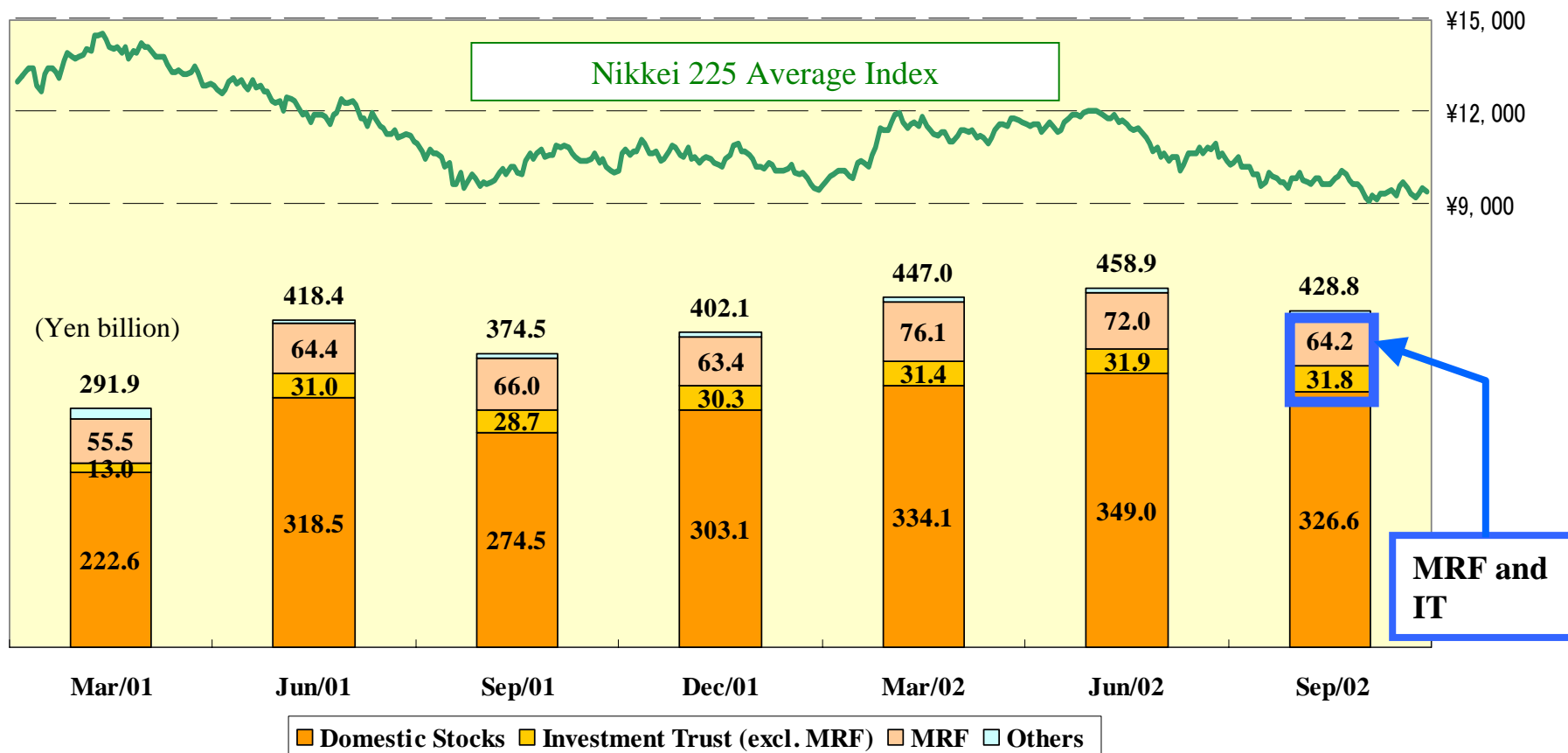
**FYE 03/2003**

- AA costs have been kept low:
- However, advertising costs are expected to rise during FYE03/2003 2H in order to promote newly introduced services.

**Comparison to the peers in 1Q**

	Monex	Matsui	DLJ	Etrade
Ad. Costs	6.3 mil yen	66 mil yen	29 mil yen	59 mil yen
A/C	7,080	5,120	5,086	15,904
A.A. costs	886 yen	12,891 yen	5,702 yen	3,710 yen

# Customers' assets in Custody



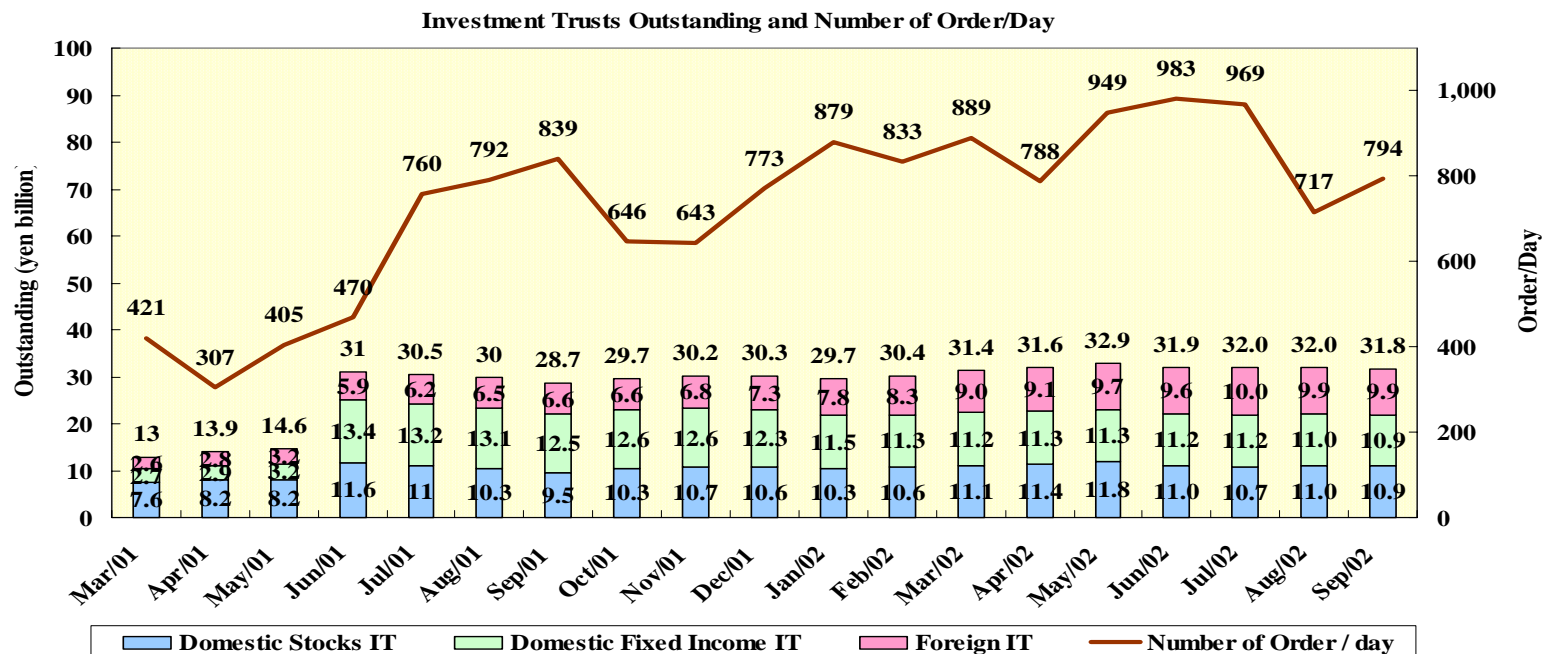
**MRF Outstanding (Sep 30, 2002)**

**64.2 billion Yen**

**Cash inflow from customers has always exceeded outflow since the first day of business (excluding only 5 business days.)**

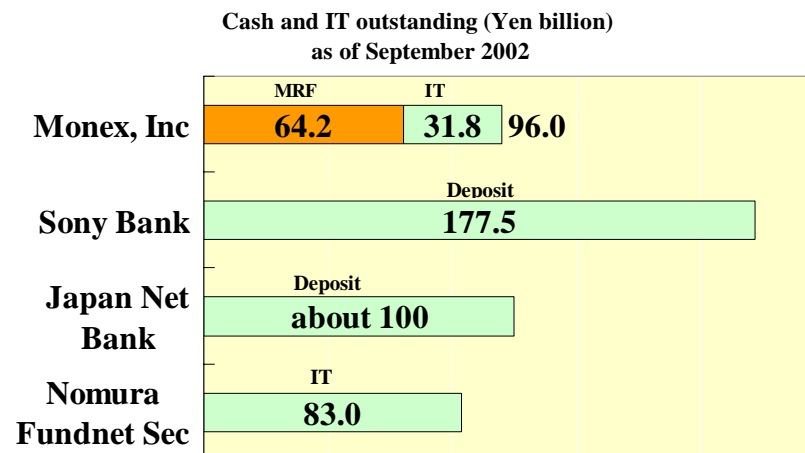
**Jun /02 to Sep/02: Nikkei 225 - 11.7% Monex Clients' Asset in Custody – 6.5%**

# Investment Trust Business



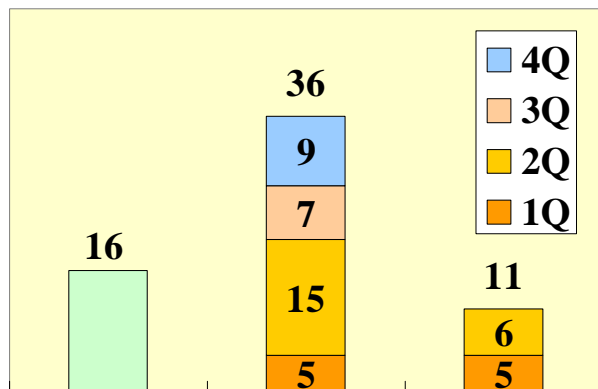
Monthly Fixed amount Purchase(as of Sep 2002)	Number of orders	Monthly Purchase Amount
Teigaku Tsumitate (Direct withdrawal from MRF)	3,154	61 mil yen
Card de JIDO Tsumitate (Withdrawal from bank account)	5,952	123 mil yen

Monthly Fixed amount Purchase(as of Jun 2002)	Number of orders	Monthly Purchase Amount
Teigaku Tsumitate (Direct withdrawal from MRF)	3,141	63 mil yen
Card de JIDO Tsumitate (Withdrawal from bank account)	5,442	115 mil yen



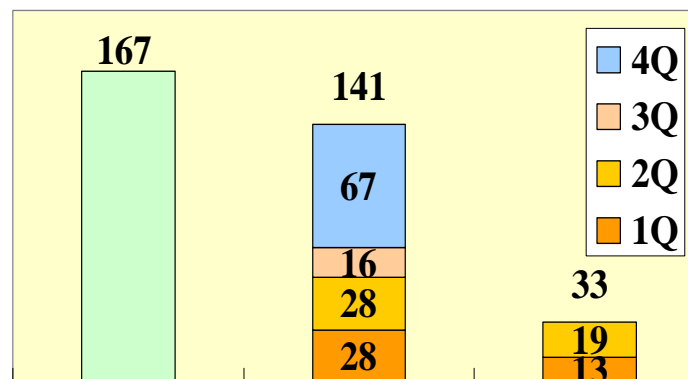


### Underwriting: number of issues



FYE 03/01 FYE 03/02 FYE 03/03

### Underwriting fee (Yen million)



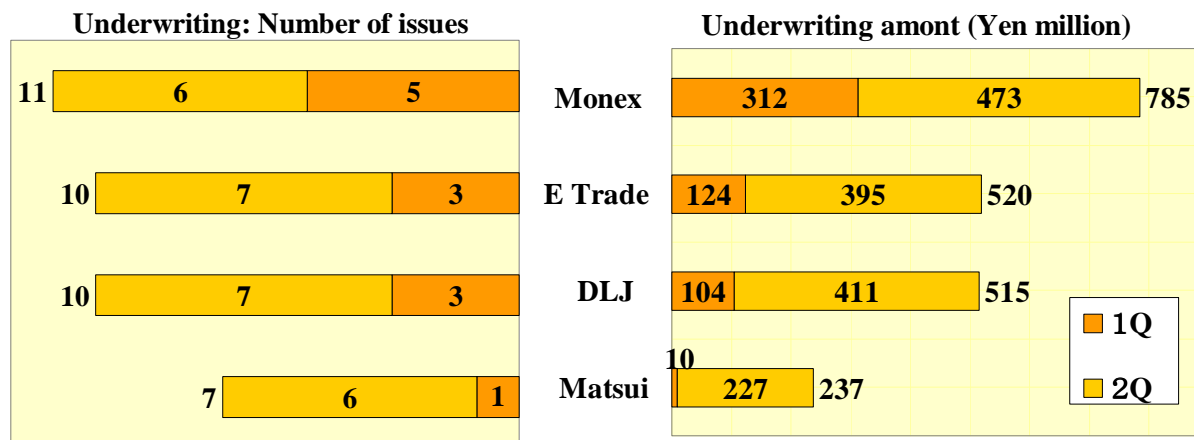
FYE 03/01 FYE 03/02 FYE 03/03

※excluding issues only involved in Sales, ie. Monex inc. (8626)

•We underwrote the followings (share) in 2Q:

- COMPUTER WAVE INC. (5%)
- RENTRAK JAPAN CO., LTD (4%)
- NIPPON HERALD FILMS, INC (2%)
- Soft front (3%)
- AnGes MG, Inc. (2%)
- NS Solutions (0.75%)

### Comparison with the others (FYE 3/2003 1Q and 2Q)



**The Japanese IPO market of 1H/FYE 03/2003 shrunk by about 75% in terms of amount compared to that of 1H of last FY.**  
(source: Nikkei)

\* Underwriting: number of issues and underwriting amount includes “over-allotment”.

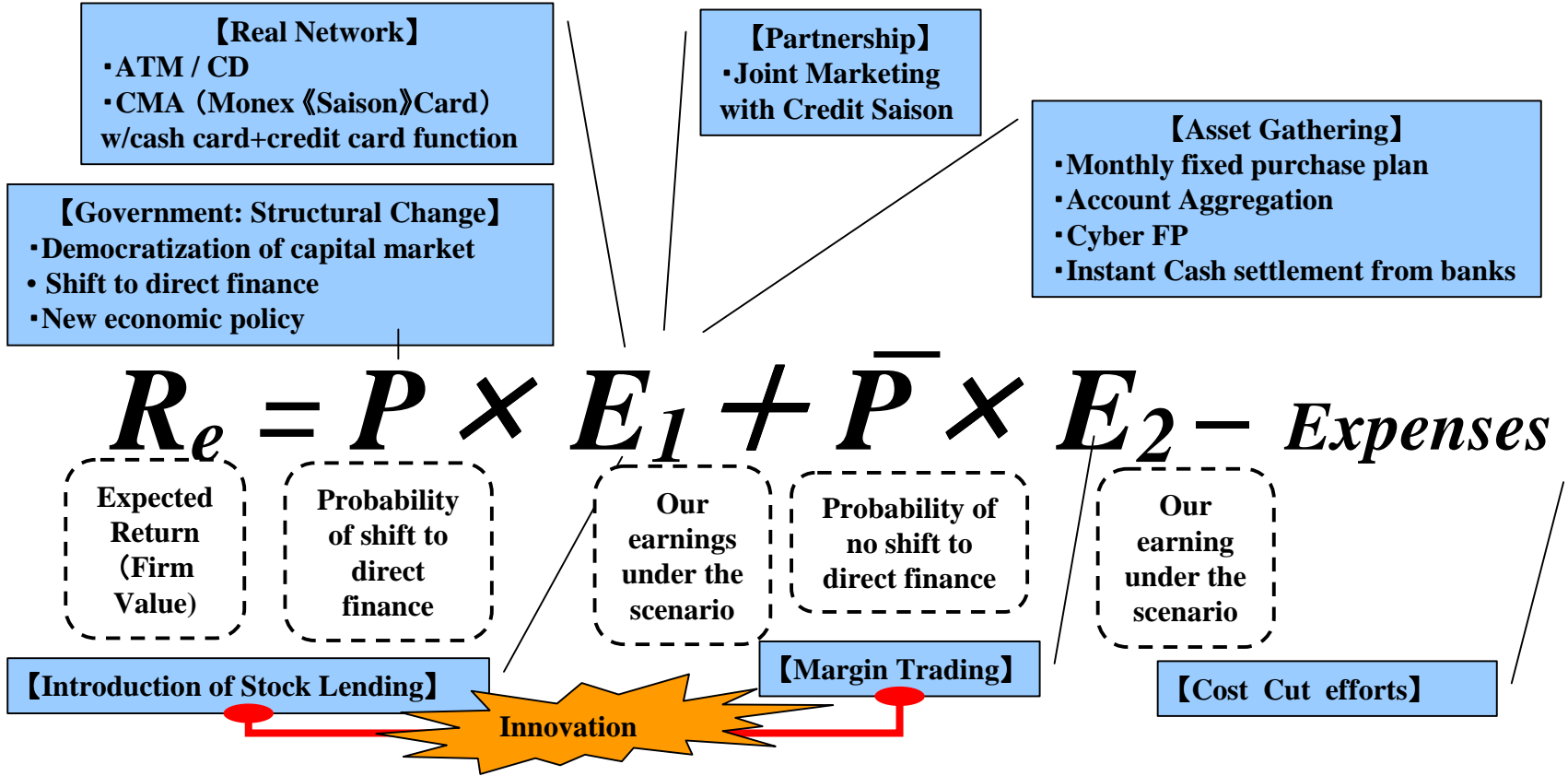
Source: Tokyo IPO

I . Financial Results

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our Business Model**

Business Model – Structural Changes would support our model



**Mid-and Long-term Plan: Grow to a new type of major financial institution**  
 We expect that the “structural changes” pursued by the Government would stimulate a “shift to direct finance”; we will obtain a large number of individual customers’ account.

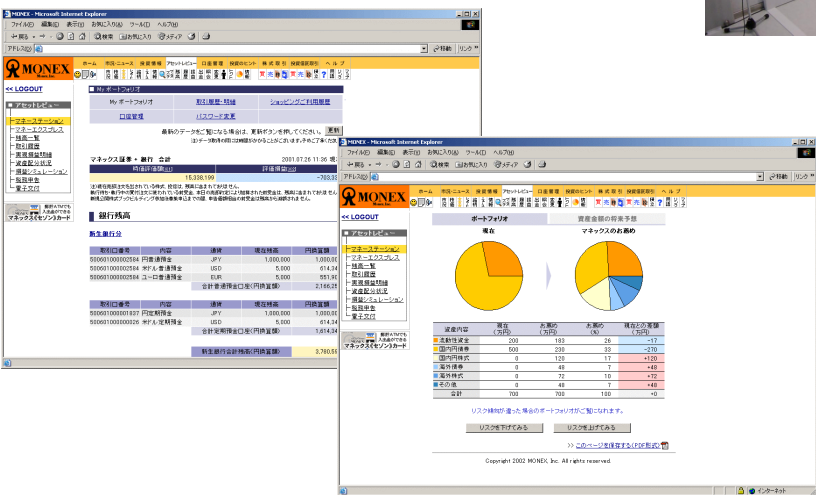
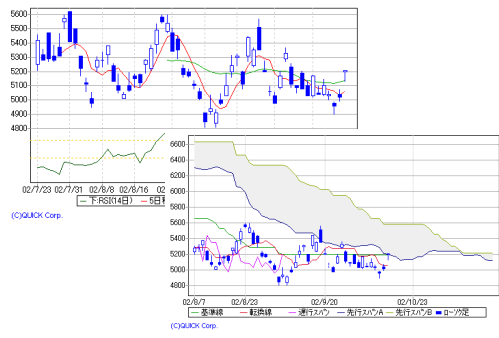
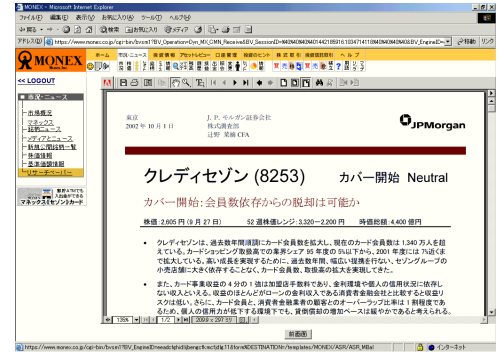
**Short term Plan: Improve profitability as early as possible by obtaining more revenue sources.**

*The above plans are supported by enough capital and liquidity.*

# Monex: unique Services



**【Cash management account】**  
**Credit Card settlement through MRF**  
**account at Monex.**  
**The nation wide ATM network of**  
**25,000 Postal Offices**  
**The instant cash settlement from banks**  
**on the website.**



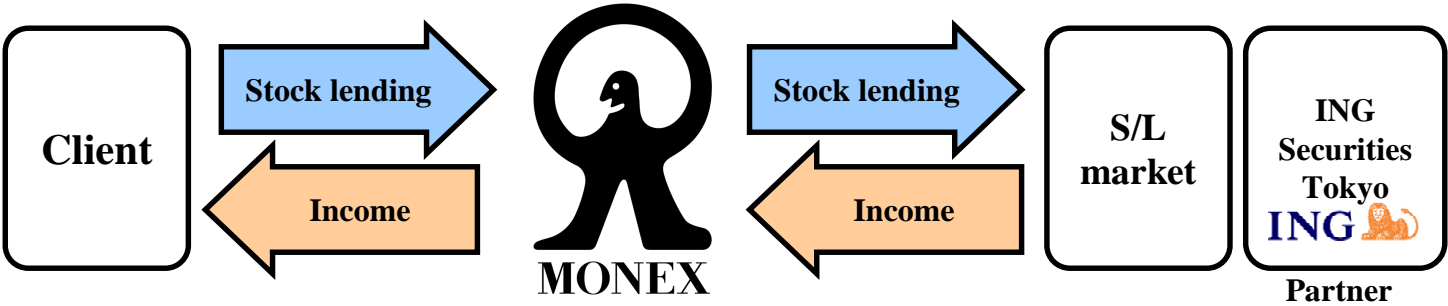
**【Information Service】**  
**Professional-use real time**  
**information system and various**  
**reports including JP Morgan**  
**analyst report**

**【The unique fund management tool】**  
**Account Aggregation service and Cyber FP on**  
**the website**

**Stock Lending**— a new tool to enhance return on clients' portfolio

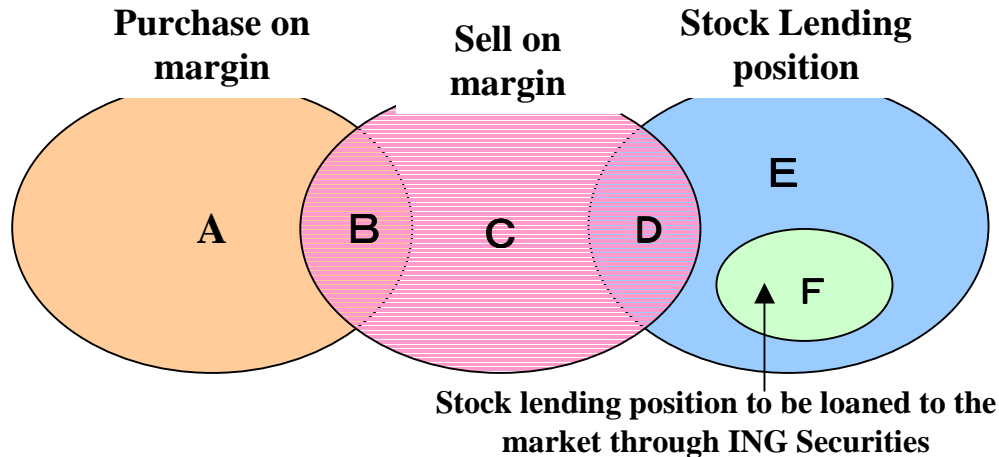
Securities Lending: Monex customers could enhance their portfolio return by lending their own stock portfolio to Monex and receiving income.  
 【Scheduled to start on January 15, 2003 / Application will be accepted from later October 2002】

【S/L Mechanism】

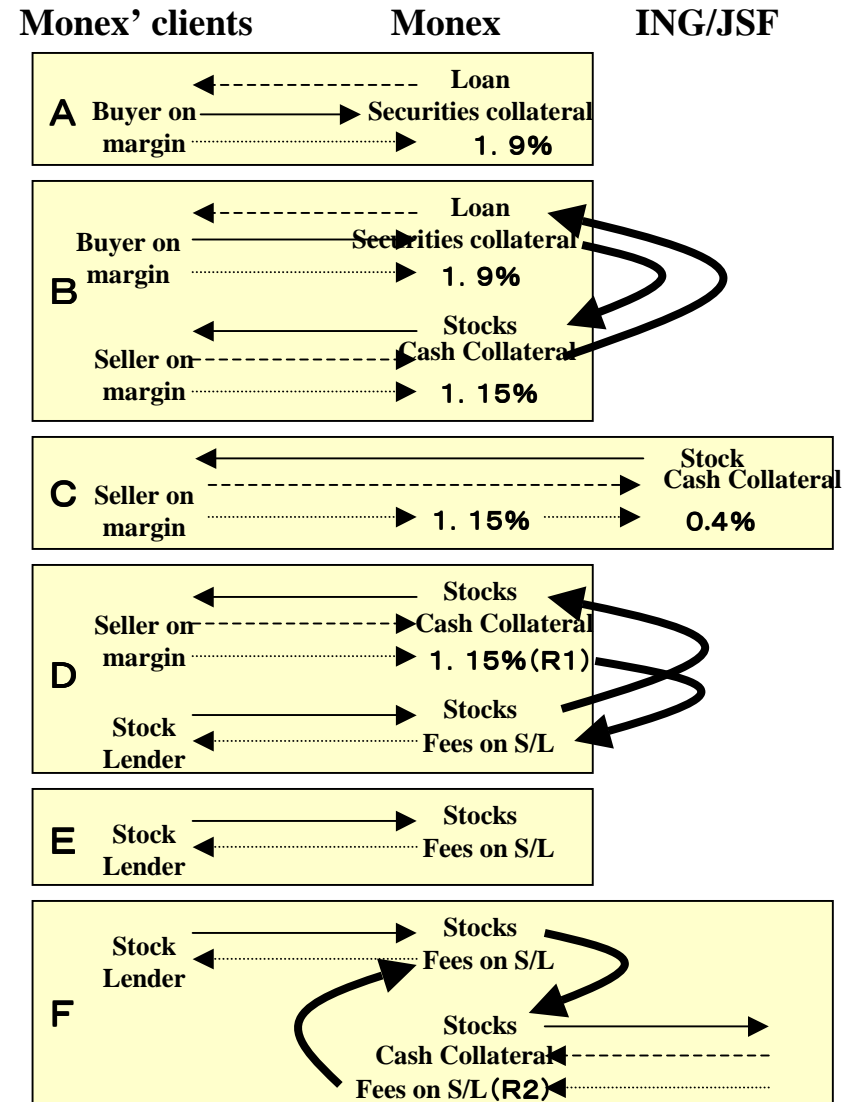


- **Monex S/L clients could automatically lend their stock portfolio to Monex while retaining right to trade securities anytime.**
- Yield on S/L is subject to the market situation.
- Legal title of the securities is temporarily transferred from a lender to a borrower. The lender could not retain the benefits of ownership such as the voting rights and shareholders' preference program.
- Instead, the lenders could receive the additional income equivalent to the dividend amount after withholding tax.
- **Special Campaign (until March 2003)**
  - Campaign Yield on S/L 0.20% p.a.
  - Clients applying by the end of October 0.40% p.a.
  - 《Saison》Card Holders complying with some conditions 0.50% p.a.

# Stock Lending structure



- Flow s of Stocks ( → ), Cash Collateral ( - → ), Interest on loan ( ⋯ → ), Fees on S/L ( ➔ )
- When there exists shortage of specific stocks at JSF, the Seller of such stocks on margin should pay the special fees on borrowing stocks to JSF, and such fees are granted to the buyer of such stocks on margin.
- Monex would earn profit when the sum of R1 and R2 is larger than the sum of fees on loaned stocks payable to the clients for the cases D, E and F.
- The cash collateral received in the case D and F, could be used for loans to the clients in case A. This loan is collateralized by stocks; in addition, maintenance margin is held at margin accounts.
- The stocks are loaned to the clients selling on margin ; which is collateralized by cash, in addition to margin maintenance.
- (In principle, when Monex loans cash or stocks to its clients and/or the S/L market, all loans are collateralized.)
- Stocks and Cash are efficiently reused within the scheme.



**Margin Trading**

■ To be released on December 2, 2002

■ Commission

▪ Internet Margin trading commission table: Same as spot trades※

▪ **Stop Loss Order    ¥ 750 / trade**

※ A new rate structure will be also introduced: ¥ 3,000 for unlimited number of trade up to yen 3,000,000 trade amount in total.

■ Interest charge on loan	for buying securities	<b>1.9%</b>
	for selling securities	<b>0.0%</b>

■ Charge for borrowing stocks	<b>1.15%</b>
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■ Minimum Margin	<b>¥ 300,000</b>
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■ Initial Margin	<b>33%</b>
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■ Maintenance Margin	<b>30%</b>
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■ Start-up Campaign

▪ ¥ 4,000 stamp duties will be reimbursed to clients who makes a margin trade by the end of December 2002

▪ Internet margin trade commission: ¥ 900/trade by the end of March 2003

## Margin trading: Impact on total number of trades

### ■ Estimate of activities level

Number of trades: Ratio of  
Prospective one margin account  
to one cash account @ Monex

Increase in number of trades  
when 1% of Monex customers  
open margin accounts A or B

**A. Margin accounts with  
higher activities (same as  
other competitors' clients)**

16:1 (Note 1)

15%

**B. Margin accounts with  
moderate activities (margin  
trading beginners)**

4:1

3%

### ■ Estimate of number of margin a/c

Ratio of number of  
margin a/c to current  
Monex Clients

Assumption

**A. Margin accounts with  
higher activities (same as  
other competitors' clients)**

4%

50% of Monex clients with  
experience of margin trading  
(Note 2): 8%

**B. Margin accounts with  
moderate activities (margin  
trading beginners)**

19%

50% of Monex clients  
interested in margin trading:  
38%

Note 1: Data from other online brokers' corporate data

Note 2: Monex' survey of clients during June 10 – 13, 2002.

Note 3: *The above calculations are made based on our current forecast and estimate; the actual results may differ materially from our estimate due to various factors.*



New services: Impact on Profitability 【Revenue】

**Revenue increase ⇒ expected from January 2003**

■ **Advertising and promotion** : An increase in number of new accounts as well as number of trades is expected.  
 Promotional price (Margin trading ¥900 and night trade ¥470 ): a decrease in revenue per trade is projected.

■ **Margin trading**: released on 12/02/2002, application for margin account being accepted from 10/01/2002

As of 10/16/2002: about 2000 application forms has been accepted.  
 Real increase in Revenue  
 ⇒ could defer until April 2003

Margin account and expected increase in trades

A※ \ B※	1%	2%	3%	4%
5%	30%	45%	60%	75%
10%	45%	60%	75%	90%
15%	60%	75%	90%	105%
20%	75%	90%	105%	120%

※see page 23

■ **Stock Lending** : To be released in January 2003

Could possibly be real revenue source after the promotional period.  
 Could also be used as an efficient way of financing; a possible decrease in financing costs  
 Could attract new customers and their stock assets into Monex.

*Note: The above statements are based on our current estimate and assumption; the actual results may differ materially from expected results due to various known and unknown factors*

## New service: Impact on Profitability 【Costs】

**Introduction of new services require the following costs**

⇒ **Costs to increase from 2H of this FY**

■ **Additional Personnel costs: for a few additional experienced employees**

■ **System related capital investment (5 year lease)**

Margin trading : ¥about 250 million

Stock lending: ¥about 80 million

⇒ **Costs in 2H of this FY**

■ **Marketing costs : about ¥70 million**

Advertising costs (newspaper, magazine, DM) about ¥30-40 million

Stamp tax ¥ 4,000 cash back campaign

ATM deposit : free commission campaign (at Post Office)

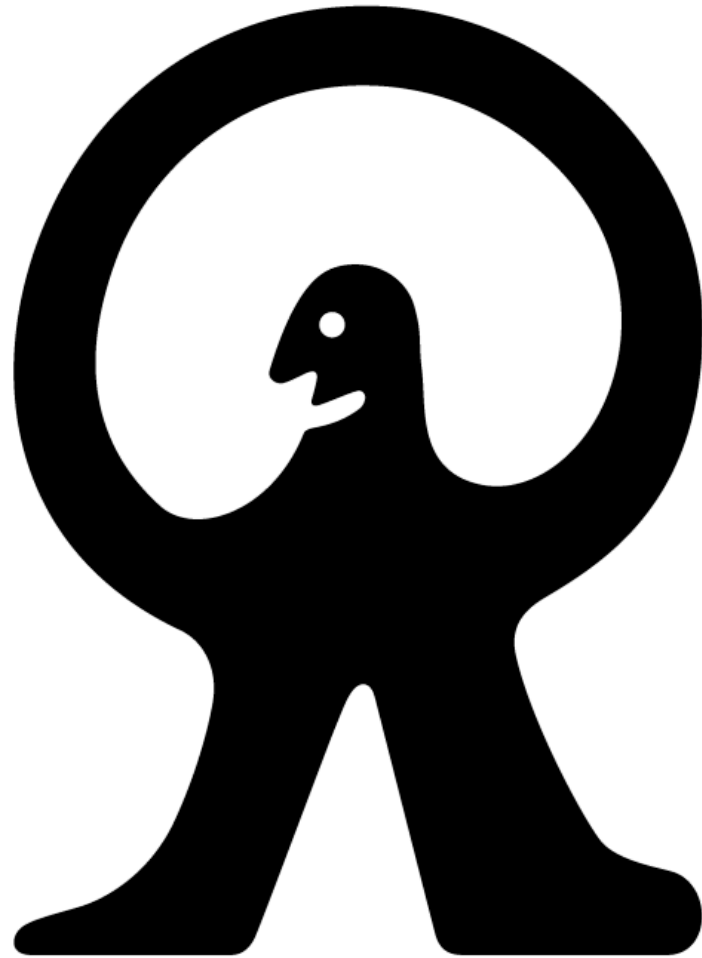
*Note: The above statements are based on our current estimate and assumption; the actual results may differ materially from expected results due to various known and unknown factors*

Corporate Governance

- **Board of Directors :** **4 external directors** among 6 directors
- **Auditors :** **One standing statutory auditor and 3 statutory auditors**  
(all four are **defined as “external auditors”** by Japanese Commercial Code)
- **Advisory Board :** **Consists of respected individuals- being quarterly held**
- **Orientation Committee :** **quarterly meetings consisting of about 20 customer representatives and the Company’s officers.**

Disclosure

- **Disclosure Policy :** **Formulated a disclosure policy to eliminate arbitrariness and avoid selective disclosures. The disclosure policy is publicly available on the Company’s website (<http://www.monex.co.jp/>).**
- **Monthly and Weekly disclosure:** **Regularly disclose the data with the same format**
- **”Monex Mail”(e-mail magazine):** **CEO’s view is exposed to the readers every business day**
- ⇒ **Monex is well aware of the current movement after the Enron and Worldcom shock in the U.S. regarding Corporate Governance and Disclosure, including Sarbanes-Oxley act of 2002 as well as the new standards of NYSE and NASDAQ; Monex continuously makes efforts to establish management and monitoring system and pursue disclosure that is acceptable to overseas investors**



**MONEX**

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