



ANNUAL REPORT 2009

For the year ended March 31, 2009

Monex Group, Inc.





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



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, Monex Group will continue to employ its flexible thinking and exceptional foresight to pioneer new forms of financial business.

Oki Matsumoto

Representative Director,
President & CEO
Monex Group, Inc.

Monex will

PURSUE THE SPIRIT OF INNOVATION

We will constantly strive to pioneer new fields in finance and propose new approaches to managing money.

STAY CUSTOMER FOCUSED

We believe that the best guide to our corporate activities is the voice of our customers.
With this guide, we will continue to create financial services truly needed by individuals.

CHALLENGE FOR THE BEST

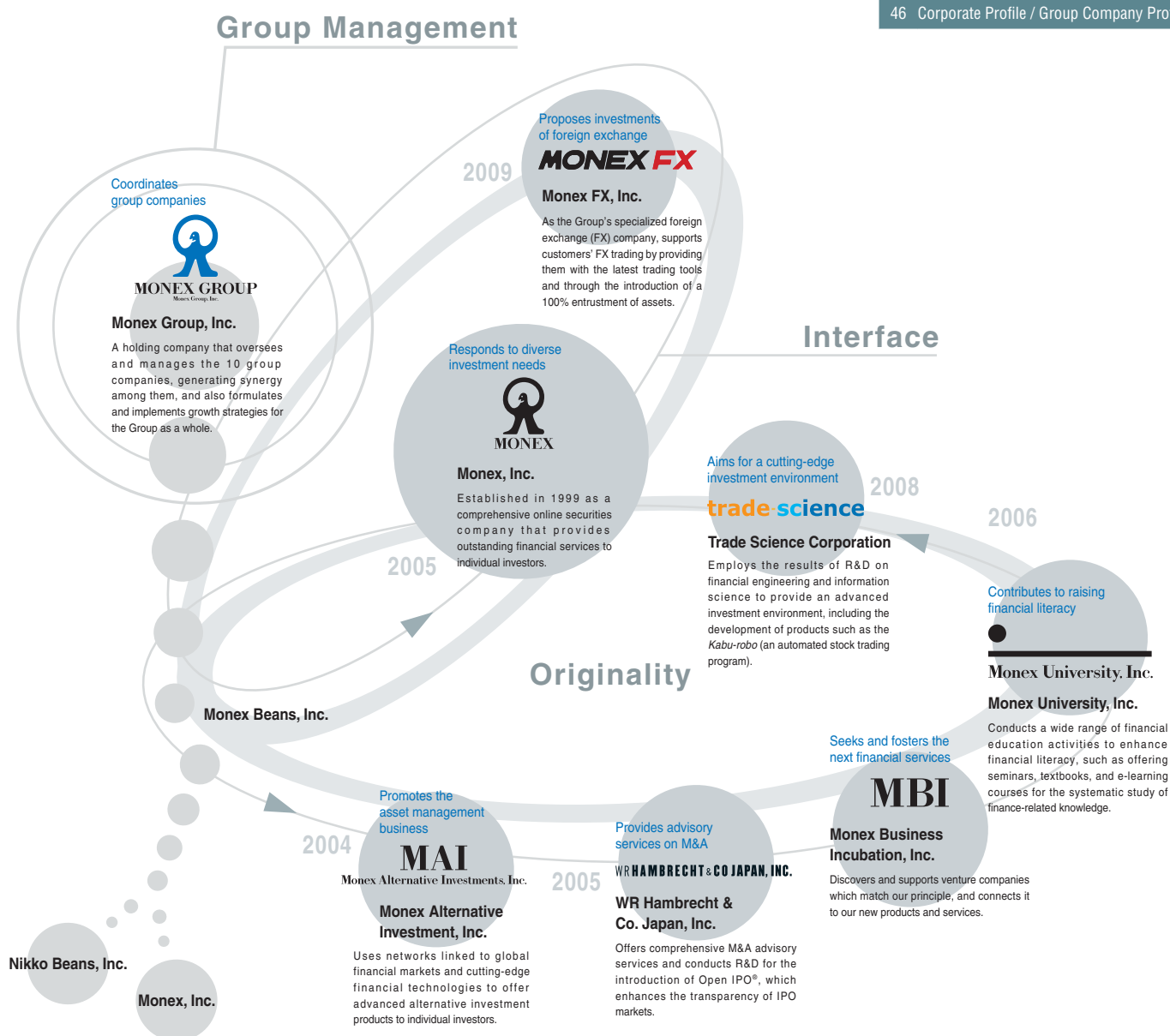
We will continue to provide the best products and services for our customers always thinking outside the box.

● Leading to Growth

Ten years have passed since Monex, Inc. was established in April 1999 and Nikko Online, Inc. (name changed to Nikko Beans, Inc. the same year) was established in May 1999. They established a new business model in Japan centered on online securities trading. Monex was listed on the Mothers market of the Tokyo Stock Exchange the following year. When Monex Beans, Inc. was established in 2005 through the merger of Monex, Inc. and Nikko Beans, Inc., its shares were listed on the First Section of the Tokyo Stock Exchange the same year. Today, the holding company Monex Group, Inc. has nine subsidiaries and one affiliate, and is progressing towards becoming a comprehensive online financial institution.

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This is an English translation of Annual Report 2009 of Monex Group, Inc. ("the Company"). The descriptions herein concerning the products, services, etc. which are handled by the Company's group companies ("the Group Companies"), are made only for disclosure purposes and are given to describe matters which 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 or foreign exchange margin trading. 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.

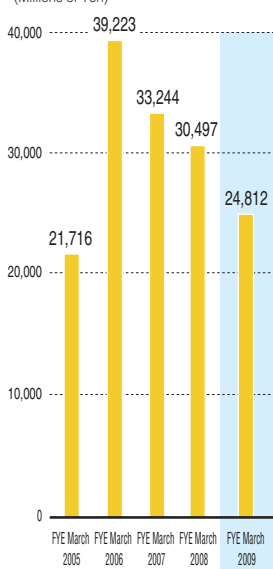
● Consolidated Financial Highlights

(Millions of Yen)

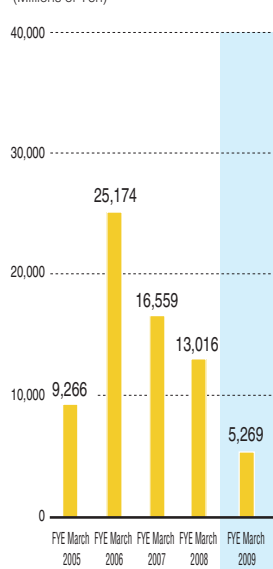
	FYE March 2005	FYE March 2006	FYE March 2007	FYE March 2008	FYE March 2009
Operating revenues	21,716	39,223	33,244	30,497	24,812
Operating income	9,266	25,174	16,559	13,016	5,269
Net income (loss)	7,079	13,617	9,534	7,206	(2,144)
Total assets	232,091	430,299	379,988	335,016	235,694
Net assets	29,811	41,588	47,562	45,554	40,066
EBITDA*	8,796	23,773	16,454	12,892	6,668
Net assets per share (yen)	12,695	17,607	20,253	19,665	17,235
Net income (loss) per share (yen)	3,001	5,677	4,066	3,081	(929)
Dividend per share (yen)	500	1,500	2,900	1,550	400

*Formula: Net income + interest cost (excluding financial expenses caused by margin trading) + corporate tax + depreciation expenses

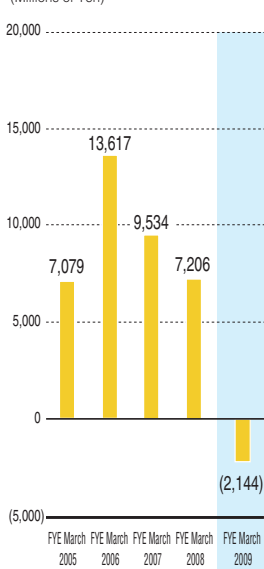
Operating revenues
(Millions of Yen)



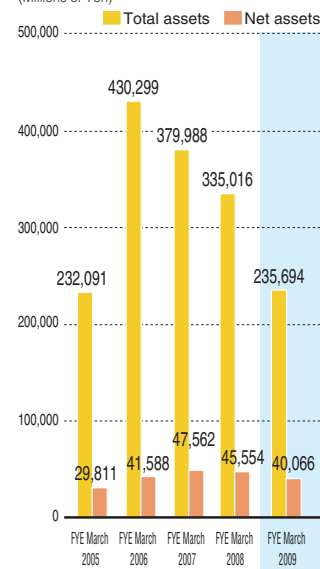
Operating income
(Millions of Yen)



Net income
(Millions of Yen)



Total assets and net assets
(Millions of Yen)



● Letter to Shareholders and Investors

The Group made steady progress towards implementing its medium-term management plan in the fiscal year ended March 2009, but on the other hand, it was also a year in which various issues that must be addressed in order to continue that implementation became clear.



Stock markets in Japan have slumped and the volume of trading among individual investors has decreased, but our own revenue decline has not been as steep as the overall market decline due to the successful diversification of our products and services. In addition, we were able to achieve notable results with respect to the short, medium, and long-term quantitative targets we set for the medium-term management plan announced in 2008.

The rapid deterioration of market conditions, however, requires management to undertake a drastic review of strategy regarding cost. We will make every effort to build optimal cost structures and establish a solid financial foundation.

Monex Group, Inc.
Representative Director, President & CEO

Oki Matsumoto

Biography

April 1987	Joined Salomon Brothers Asia, Ltd.
April 1990	Joined Goldman Sachs (Japan) Ltd.
November 1994	General Partner The Goldman Sachs Group, L.P.
April 1999 to present	President & CEO, Monex, Inc.
August 2004 to present	President & CEO, Monex Beans Holdings, Inc. (Currently Monex Group, Inc.)
April 2008	External Director of Tokyo Stock Exchange Group, Inc., Tokyo Stock Exchange, Inc. and Shinsei Bank, Limited.

Stock market trends in the fiscal year ended March 2009 and their impact

Benefits from successful revenue diversification in the midst of the stock-market slump >>>

● Trend of Monthly Trading Volume & Nikkei Stock Average



Source: The Tokyo Stock Exchange, Inc.

Stock markets for the fiscal year ended March 2009 in Japan began with the Nikkei Stock Average in the ¥12,000 level around April 2008, before rising to the ¥14,000 level in May and June. The increasingly severe financial instability, starting in mid-September, combined with the rapid global economic slowdown, caused the Nikkei Stock Average to sink below ¥7,000 in late October, although it made a moderate recovery to the ¥8,000 level by the end of March 2009. The average one-day amount of trading by individual investors on the Tokyo, Osaka, Nagoya, and the JASDAQ stock exchanges fell 32.6% compared to the previous year, and Monex, Inc.'s revenues from stock brokerage commissions decreased 29.4%.

Operating revenues for the Group, however, decreased only 18.6% compared to the previous year. The Group has worked to diversify its income and secure revenue sources of other than stock brokerage commissions, and I believe that the results of these efforts have begun to be felt.

Consolidated earnings results for the fiscal year ended March 2009

Despite the fall in profit margin, reviving the high-income structure will not be difficult >>>

The consolidated financial results for the fiscal year ended March 2009 are as follows: operating revenues were ¥24,812 million (down 18.6% from the previous year); net operating revenues were ¥21,053 million (down 22.0%); operating income was ¥5,269 million (down 59.5%); ordinary income was ¥5,231 million (down 59.2%); and net loss was ¥2,144 million. The profit margin, which the Group has positioned as a key earnings indicator, was 25.0%, which is 23.2 percentage points lower than the previous year.

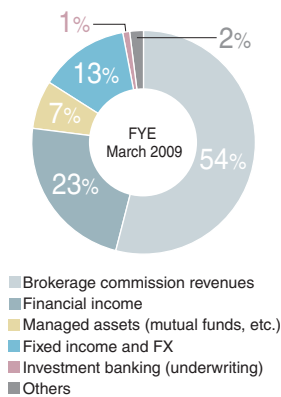
The main reasons for the larger decline in operating income compared to operating revenues were the increases in personnel expenses in conjunction with Monex FX, Inc. (formerly Tokyo Forex, Co., Ltd.) becoming a subsidiary in April 2008 and Trade Science Corporation becoming a wholly-owned subsidiary in July as well as the increase in information systems costs in relation to the provision of new products. The main factor underlying the net loss was the write-off of a loss on revaluation of investment securities as a result of the poor performance of eBank Corporation, whose shares the Company owns. Other than personnel expenses, all of these factors are temporary, and we believe that it will not be difficult for us to revive our high-revenue structure.

At the end of the reporting year, the number of accounts at Monex, Inc. stood at 906,699, up 71,768 from the end of the previous year. Assets in custody, however, fell to ¥1,395.8 billion, down ¥356.2 billion due to the stock market slump.

Changes in the revenue structure

Notes, foreign exchange, mutual funds, and alternative investments business growing >>>

● Structure of revenues (Fiscal year ended March 2009)



We are working to expand our field of business and to diversify our products and services to minimize the impact of stock-market changes on financial performance and to ensure stable revenues.

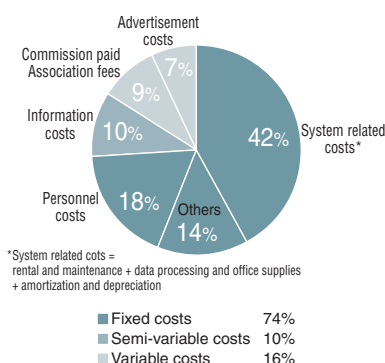
For the fiscal year ended March 2009, revenues from stock brokerage commissions and financial income accounted for 77% of total revenues (down 2 percentage points from the previous year), revenues from notes and foreign exchange (FX) accounted for 13% (up 4 percentage points), and fees from managed assets such as mutual funds and alternative investments accounted for 7% (down 3 percentage points). Assets in custody, such as mutual funds, fell as a result of the downturn in stock prices during the fiscal year under review, causing the percentage of fees from managed assets to decline, but looking over the past several years, revenues from notes, FX, mutual funds, and alternative investments has been increasing.

In the managed assets business, we began offering the Kabu-robot Fund in July 2009, which is an automated computer-managed mutual fund that uses algorithm-based trading methods. Going forward, we will use our industry-leading online mutual fund sales capabilities to continue expanding the managed assets business.

Strategic cost-cutting measures

Maintaining the fixed cost ratio in preparation for improvements in the business environment >>>

● Cost structure



The Company seeks to establish a low-cost asset management business model by limiting SG&A per unit of assets in custody. The Group has been able to establish a structure with costs that are relatively low compared to other online securities companies, with expenses of 1.1% of assets in custody in the fiscal year ended March 2009. Our goal is to achieve a level of 0.5%, which is the same level as the three major offline securities companies.

With respect to cost structures, we maintain the ratio of fixed cost and variable cost under our management strategy at 74% for the fiscal year ended March 2009. One of the ironclad rules of online businesses is to generate high income during growth periods. If the fixed cost ratio is pushed down through system outsourcing and reducing personnel expenses, it will be difficult to raise income when the business environment improves. A high fixed cost ratio is a substantial burden during a stock-market slump, but we have a solid financial foundation, enabling us to maintain this strategic cost structure.

Striving to be an online financial institution for individual investors around the world >>>



The Group aims to become a global online financial institution that provides the world's most advanced technologies and global-class products and services to individual investors. To achieve this goal, we have adopted business strategies for the short-term (current), medium-term (five years), and long-term (seven to ten years).

Short-term Strategy

Under our short-term strategy, we have positioned online trading as the main area of growth. We are striving to attract active traders and bolster the FX business while strengthening the foundations of businesses that are less susceptible to fluctuations in the business environment. Measures targeting active traders engaged in frequent trading include the acquisition of Trade Science Corporation in July 2008, which engages in the commercialization of the automated stock trading program and the development of trading tools. The Kabu-robot Fund was introduced in July 2009, which is the result of R&D carried out by Trade Science.

The FX business has been strengthened by making Monex FX, Inc. a subsidiary in April 2008 and launching a new business model for which Monex FX acts as a specialized FX company within the Group. Previously, cover transactions were outsourced, but in November 2008 those transactions were brought within the Group and contracted to Monex FX. This has made it possible to maintain trading income that had previously flowed outside within the Group, and in the fourth quarter of the fiscal year ended March 2009 Monex FX achieved a surplus profit.

In light of the worsening financial crisis and market downturn that began in September 2008, the Group prepared a budget for the fiscal year ending March 2010 that cuts costs by ¥1 billion as a short-term strategy for strengthening the business foundation. This will enable the Group to establish a low-cost structure under which it can generate income, even if the average daily trading volume by individual investors on the four major stock exchanges falls to ¥450 billion a day.

Medium-term Strategy

Under the medium-term strategy, the asset management business has been positioned as the major growth area. The Group is establishing a lineup of products and services carefully selected from around the world and aims to use its Intelligence Infrastructure to provide information to individual investors at the same level as those provided to institutional investors, while also offering them investment advice.

Enhancements to the product lineup during the fiscal year under review include the handling of U.S. ETFs (exchange traded funds; mutual funds that are traded on major stock exchanges in the U.S.) and individual U.S. stocks starting in August 2008, the handling of Monex Short-Term Notes for Individuals (six-month notes) from February 2009, and notes linked to the Nikkei Stock Average, starting in March 2009.

The Group is constructing its original Intelligence Infrastructure to raise investment returns for customers. Monex, Inc. established the Financial Intelligence Department in September 2008 and is collaborating with Monex University, Inc. to add investment and product information as well as investment education to its investment strategy, and construct a more systematic, multi-layer information distribution structure. We are also working to develop investment advisory services that use cutting-edge financial engineering and can be provided online as soon as possible.

Long-term Strategy

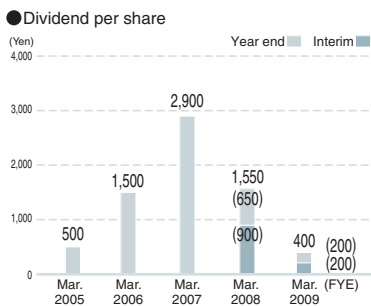
Overseas markets, including China and India, have been positioned as the main area of growth for the long-term strategy. We will develop our business in high-growth overseas markets by offering our lineup of world-leading products and services, as well as the unique online investment advisory functions currently being created by the Company. By expanding our overseas business, we aim to establish a revenue base under which "brokerage revenues," "management fees" and "earnings from overseas business" each account for one-third of income.

The Group established a representative office in Beijing in March 2008 and has sought to launch a business in China, where the segment of individual investors continues to expand. In March 2009, we reached an agreement with a member-

company of the Stock Exchange Executive Council with regard to the establishment of a joint venture company. That company, which is scheduled to be established in 2009, will offer a variety of services related to financial training for the Chinese financial industry and individual investors. The Company has positioned this project as a bridgehead for the full-scale development of business overseas and plans to investigate additional business development in the future.

Returning profits to shareholders

¥400 per-share annual dividend to be paid despite the Company posting a net loss >>>



The Company believes that actively returning profits to shareholders while maintaining a growth strategy focused on the long-term enhancement of corporate value is a key management task, and has positioned the payment of dividends linked to financial performance, with an emphasis on the payout ratio, as its fundamental policy regarding the return of profits to shareholders. Starting in the fiscal year ended March 2008, the Company adopted a dividend payout ratio policy calling for 50% of consolidated net income in the fiscal year in question to be paid as dividends. This basic policy could not be followed in the fiscal year ended March 2009, because the Company posted a net loss as a result of valuation losses of investment securities and other factors; but the Company did pay an annual dividend of ¥400 per share (consisting of a ¥200 interim dividend and a ¥200 year-end dividend).

The Company plans to return to its basic policy of maintaining a dividend payout ratio of 50% as its financial performance recovers in the fiscal year ending March 2010 and beyond. The Company will maintain the payment of dividends linked to financial performance, with an emphasis on the dividend payout ratio as its fundamental policy concerning the return of profits to shareholders. However, if a net loss is posted, the Company will make a management decision to pay a dividend of a certain amount, taking into consideration internal reserves, financial standing, the business environment, business plans, and other factors.

Future prospects

Seeking products and services that customers truly want >>>

The Company's origins can be traced back to the establishment of Monex, Inc. ("Kabushiki Kaisha Monex") in April 1999, which means that this April marked the Group's 10th anniversary. The Group, thanks to the support of its shareholders and investors, has grown into a comprehensive online financial institution with a wide range of group companies, centered on Monex, Inc., and also including Monex FX, Inc., the asset-management business Monex Alternative Investments, Inc., the investment-education business Monex University, Inc., the M&A business WR Hambrecht & Co. Japan, Inc., and algorithm trading research firm Trade Science Corporation.

The Group has already begun to address the challenges of the upcoming 10 years. We have handed down, as a part of our corporate DNA, our founding principle of providing individual investors with global-class financial services, and we will continue our efforts to identify and offer the products and services that customers truly want. In addition, our fundamental principle remains to continuously raise our corporate value and maintain outstanding relations with shareholders and investors. I look forward to your continued understanding and support.

Oki Matsumoto

Representative Director, President and CEO
Monex Group, Inc.

● Growth Strategies & Achievements

The Monex Group seeks to be a global online financial institution for individual investors, providing them with global-class products and services through the use of cutting-edge technologies. As the roadmap for achieving that goal, we adopt strategies that span the short-term (current period), medium-term (five years in the future), as well as the long-term (seven to ten years in the future). Currently, stock brokerage

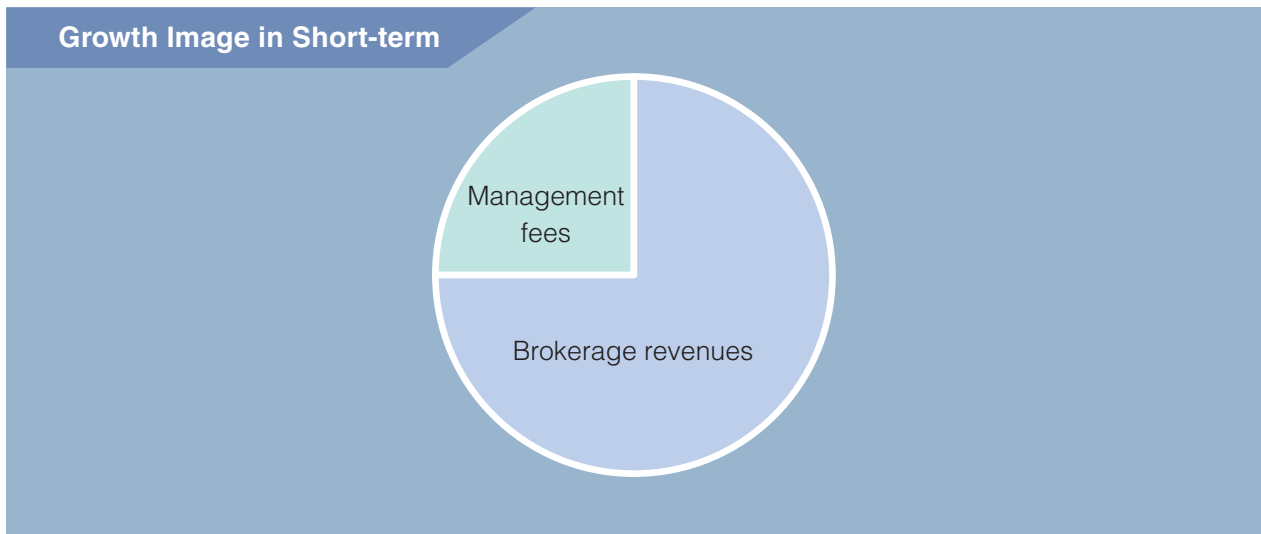
commissions account for the bulk of overall revenues, but in 10 years time, once our long-term strategy has been implemented, we hope to have in place a balanced structure wherein “brokerage revenues,” “management fees from mutual funds and other services,” and “earnings from overseas businesses in China, India, and other countries” each account for one-third of revenues.



The earnings from overseas operations include revenues generated in China, India, and other countries where future economic growth is expected from stock brokerage commissions, management fees from mutual funds, and investor-education services. In those high-growth overseas markets, we will seek to further develop businesses that draw on the strengths of the Monex Group, with the aim of expanding revenue-earning opportunities and fostering those businesses until they become key revenue sources.

Management fees include the fees for managing mutual funds, fees and trading revenues from the foreign exchange transactions, income from interest-earning investments such as notes, and income from investment banking such as underwriting. We aim to expand our management fees through capital acquisition resulting from an enhanced product-line of mutual funds and the offering of online investment advice.

Brokerage revenues are the fundamental income source for the Company, which include stock brokerage commissions as well as financial income related to margin transactions. In the future, we will steadily expand the volume of brokerage revenue by increasing the trading of U.S. ETFs and stocks as well as futures and options, but we anticipate that the proportion of brokerage revenue to overall revenue will gradually decrease.



Short-term Strategy

An area for growth under the short-term strategy is online trading. The Group is developing investment advisory services that use automated stock trading programs to attract active traders who conduct frequent trading. At the same time, we are seeking to reinforce our FX business through collaboration of Monex, Inc. and Monex FX, Inc.

● **Attracting Active Traders**
Trade Science Corporation becomes a wholly-owned subsidiary and develops unique trading services

In April 2006, the Monex Group and WIT Corporation established Trade Science Corporation as a joint venture to provide program-based investment consulting. In July 2008, Trade Science became a wholly-owned subsidiary of the Monex Group to engage in integrated development for the Group. Currently, Trade Science serves as the Group’s internal research and development organization and offers investment consulting using “*Kabu-robot*.” Trade Science is also engaged in the planning and developing for cutting-edge products and services, including trading tools for individual investors such as order-placing functions.

2008
 July: Monex Group’s acquisition of the shares of Trade Science is announced (Trade Science becomes the Group’s wholly-owned subsidiary)

● **Reinforcing the FX Business**
Monex, Inc. and Monex FX, Inc. each provide different FX services

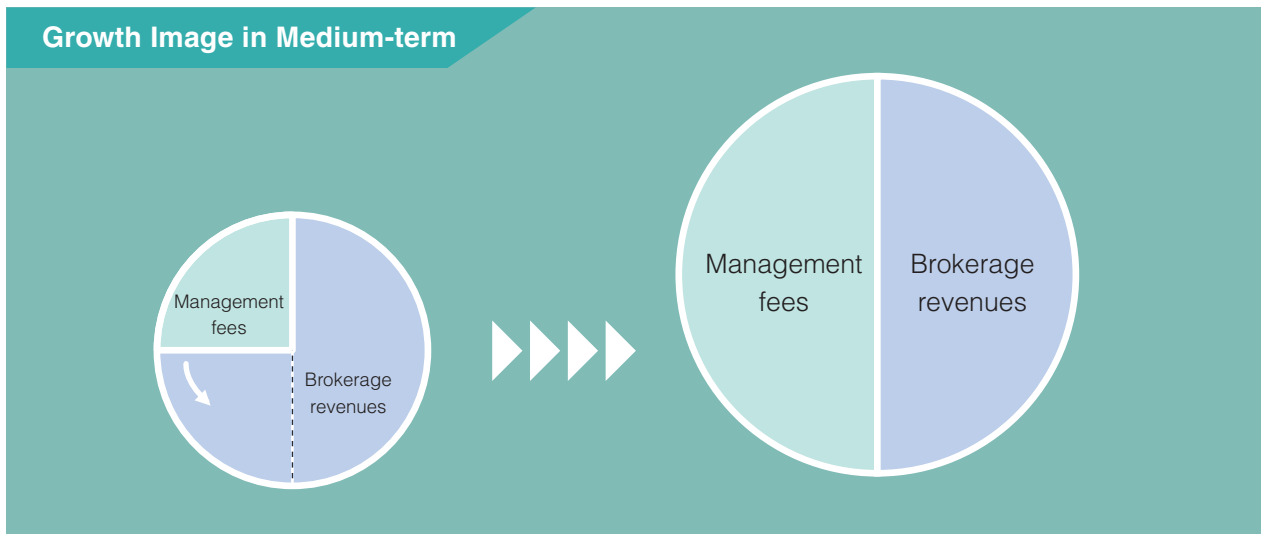
In April 2008, Tokyo Forex Co., Ltd. became a subsidiary of Monex Group and its name was changed to Monex FX, Inc., engaging in a new business as the foreign exchange specialist within the Group. Both Monex, Inc. and Monex FX, Inc. will provide FX services in line with their respective aims, with the former offering the services as one aspect of diversified investment assets, and the latter providing services to investors who are concentrating mainly on FX trading.

Monex, Inc. lowered its fees in November 2008 and began offering a new service known as “FX PLUS” that features outstanding user-friendliness. Meanwhile, Monex FX has begun providing Monex, Inc. with infrastructure and services related to FX PLUS and reporting its revenues from foreign currency exchange transactions within the Group.

As a result, the Group’s consolidated trading income increased, and Monex FX reported a profit in the fourth quarter of the fiscal year ended March 2009.

2008
 April: Tokyo Forex Co., Ltd. becomes a subsidiary of the Monex Group and its capital is increased
 June: Tokyo Forex Co., Ltd. changes its name to Monex FX, Inc.
 November: Monex, Inc. launches the FX PLUS service

2009
 May: Monex FX, Inc. becomes a wholly-owned subsidiary of Monex Group through a simplified stock exchange



Medium-term Strategy

The asset management business is the area of growth under the medium-term strategy. We will enhance the lineup of mutual funds, which has been leading the online industry in terms of sales performance, by offering carefully selected funds from Europe, Asia, and the United States, with the aim of increasing the global diversity of investment. In addition, investment advisory tools will be put into practical use as a part of the Group’s effort to put in place an “Intelligence Infrastructure” for providing a broad range of investment information to customers.

● **Enhancing Products and Services**
Product lineup reinforced

To build a lineup of products from around the world, the Group began handling U.S. exchange traded funds (ETFs) and stocks in August 2008, thereby opening the path to investment that is globally diverse. For the interest-earning investments such as notes, the Company added six-month notes to the Monex Short-Term Notes for Individuals series in February 2009, which has been extremely well received; began handling Nikkei average-linked notes; and took other measures to increase product diversity.

2008

July: Started investment advisory service by *Kabu-robot* (Trade Science)

August: Started foreign exchange settlement services (Monex, Inc.)

August: Started offering US ETFs and stocks

2009

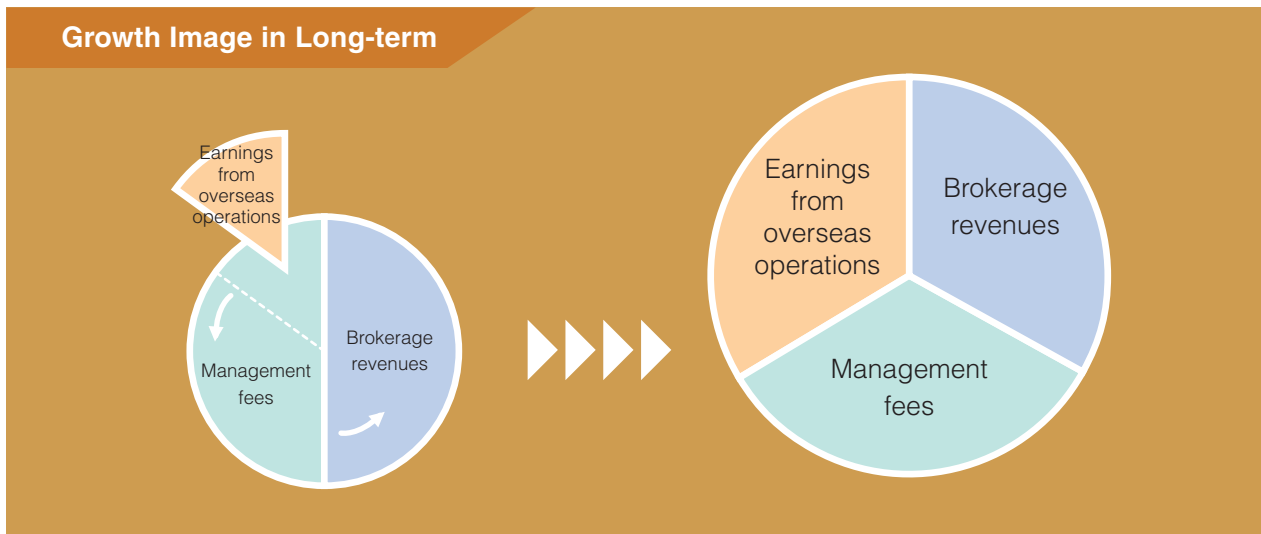
February: Offered a six-month note and Nikkei 225 index linked note in the “Monex Notes for Individuals” series (Monex, Inc.)

● **Intelligence Infrastructure**
Monex Group is building an “Intelligence Infrastructure” to support customer’s asset management

The “Intelligence Infrastructure” is a concept developed by the Group that combines investment information and theory with online investment advisory functions, in order to improve customer returns on investments. As a part of this initiative, Monex, Inc. hired an economist who began providing the same level of information to individual investors that is provided to institutional investors from September 2008, and established a complex, multi-layered information distribution structure. In addition, the development efforts for the provision of online investment advisory functions based on cutting-edge theories and technologies were accelerated, with the aim of introducing the first stage of those services as soon as possible.

2008

September: Strengthened its investment information platform on “Intelligence Infrastructure” (Monex, Inc., Monex University, Inc.)



Long-term Strategy

Under the long-term strategy, overseas markets, such as China and India, are positioned as the major areas of growth. China, India and other emerging countries have shown rapid economic growth in recent years, becoming a driving force for global financial markets. China in particular has been registering steady growth for the individual investor segment in line with developing capital markets there, while its securities accounts have also seen a dramatic rise. The Monex Group is actively developing business in those overseas markets and is seeking to establish, within seven to ten years, a revenue structure wherein “brokerage revenues,” “management fees” and “earnings from overseas business” each accounts for one-third of total income.



● Development of Overseas Business

Development of business in China and the next steps

The Company opened a representative office in Beijing, China in March 2008 and began preparations for the establishment of business in China. In March 2009, an agreement was reached with a group company of the Stock Exchange Executive Council (SEEC) concerning the establishment of a joint venture company (the Company plans to invest 49%). The new company will be based in Beijing and will conduct specialized training programs to develop human resources for the Chinese financial industry as the first step for the Group to develop its business in China.

We also view India as a potential high-growth market and have begun investigating economic trends and financial markets there, viewing the country as the next potential area for business development after China.

2008

March: Beijing representative office opened

2009

March: Agreement reached with SEEC concerning the establishment of a joint venture company in China

● Brand Strategy



Principles

Our brand design expresses the direction we should take

The name “Monex” was derived by replacing the letter “Y” in “money” with the letter “X” that is one step ahead, and it means “finance that is always one step into the future.” Monex was established based on the principle of creating global-class, cutting-edge online financial services primarily for individual investors and providing new value to society.

In July 2008, our corporate name was changed to Monex Group, Inc. to create a greater sense of unity among the affiliated companies. In addition, the website, which is the most common point of contact with Monex customers, was updated in terms of design in order to further develop the Monex brand image.

Web site: Monex, Inc.

Clear and easy-to-use website

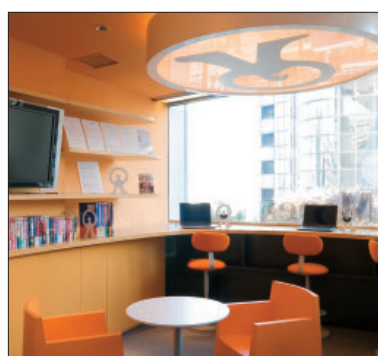
In the online securities ranking by Gomez Consulting Co., Ltd., announced in October 2006, Monex, Inc. ranked first among 27 companies for its website's ease of use and convenient functions and services, and second for its financial products and market information. Instead of becoming complacent after receiving this high ranking, Monex, Inc. has continued to improve its website and expand its lineup of original products and services, with the aim of achieving further progress as an online securities company.



Monex Lounge @ Ginza

A space for generating ideas with customers

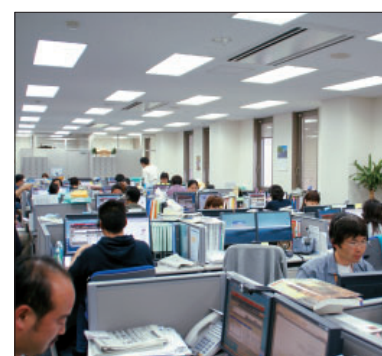
In July 2005, Monex, Inc. opened the Monex Lounge @ Ginza in Tokyo to serve as a space to attempt different services for customers. In addition to offering explanations of services and products, the lounge functions as a library, stocked with numerous books and DVDs on investing. The space is also used occasionally for seminars led by Monex employees or distinguished individuals from the investing world, in order to communicate directly with customers.



Contact Center

Customer support via telephone and e-mail

Monex, Inc. began providing telephone and e-mail-based customer support in September 2008 at its Contact Center located in Hachinohe City, Aomori Prefecture. The creation of this new center, in addition to the one that already existed in Tokyo, further raises the quality of service provided. In the future, Monex, Inc. will seek to develop them into next-generation centers that are able to provide cutting-edge services, including investment advice, in order to establish a closer relationship with customers.



Corporate Advertising

Disseminating a corporate message for branding

The economic environment went under a major change with the widening of the financial crisis that broke out in the United States in September 2008. In response to this situation, the Monex Group ran weekly newspaper advertisements in *Nihon Keizai Shimbun* and *Asahi*

Shimbun for approximately six months in order to disseminate our corporate message, emphasize our sound financial basis and raise recognition of the Company, and bolster the investment principles of individual investors in the midst of a chaotic situation.

今日の株価より、
10年後のあなたがどうであるか。

MONEX GROUP



マネックスグループ株式会社 証券コード: 1993 <http://www.monexgroup.jp/>

Nov. 11 (Tue.), 2008 Asahi NP
Nov. 12 (Wed.), 2008 Nikkei NP

Translation: What your future looks like in 10 years,
rather than today's stock market.

Dec. 10 (Wed.), 2008 Nikkei NP
Dec. 10 (Wed.), 2008 Asahi NP

次、来る波に乗るための
準備をしておこう。

MONEX GROUP



マネックスグループ株式会社 証券コード: 1993 <http://www.monexgroup.jp/>

Translation: Be prepared to be able to ride the next wave.

変化は怯えるものじゃない。
みずから起こすものだ。

MONEX GROUP



個人のためのオンライン総合金融グループ
マネックスグループ株式会社 証券コード: 1993 <http://www.monexgroup.jp/>

Jan. 20 (Tue.), 2009 Nikkei NP
Jan. 21 (Wed.), 2009 Asahi NP

Translation: Change is not something to fear.
It is an action to cause on your own.

Mar. 17 (Tue.), 2009 Nikkei NP
Mar. 18 (Wed.), 2009 Asahi NP

向かい風か、追い風か。
それは、あなたの見ている方向で決まる。

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Translation: A head wind or tail wind.
It all depends on which direction you are facing.

嵐が過ぎたあとの空は、
青く澄んでいるはずだ。

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Apr. 9 (Thur.), 2009 Nikkei NP

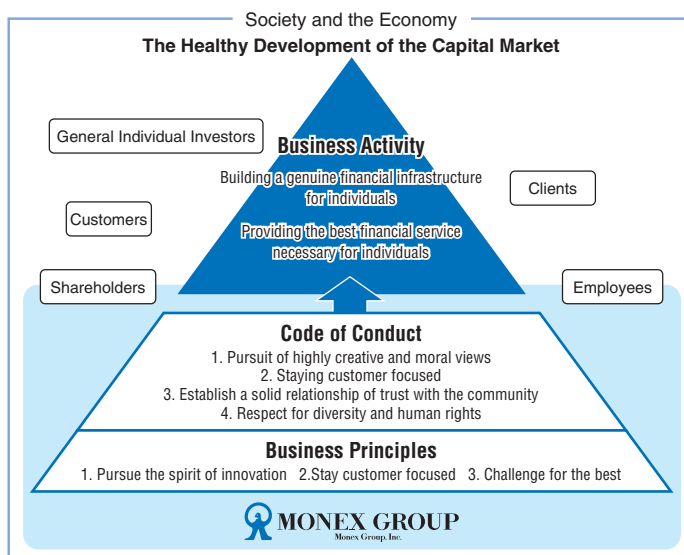
Translation: The sky after a storm should be blue and clear.

● Corporate Social Responsibility at Monex

Monex Group seeks to fulfill our responsibilities as a corporate group by contributing to society through our business operations, based on the corporate philosophy 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.

Monex 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 Monex Group Initiatives

Initiatives for the Sound Development of Capital Markets

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

The Monex 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.

• “Monex Night Time Trading”

Japan’s first proprietary trading system for individual investors, launched in January 2001.

• “Stock Lending Services”

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 which invest in private equity funds and hedge funds that 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, thereby raising the investment literacy of individual investors. 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 in order to help to raise the investment literacy of the public.

Social Initiatives

● Social and Cultural Activities

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

● Donated Courses at University

Hachinohe University, located in the city of Hachinohe in Aomori Prefecture, the site of the Monex Contact Center, organized a Business Theory course. We dispatched financial experts from the Group to provide lectures focused on both theory and practical issues. 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, deputy president, and a cross section of employees from different divisions, as an opportunity to directly hear feedback from customers. As of August 2009, the Orientation Committee has met 39 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. The first scholarship was awarded in 2009 to an employee who will study at a distinguished university in the United States.

- 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 11 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
**Mimeguri Animation:
A Movie Nobody Knows**

Monex Group, Inc. started the ART IN THE OFFICE program in 2008 as part of its social and cultural activities with the aim to support young contemporary artists. Under this program, Monex Group, Inc. chooses one artist from an open invitation to provide an exhibition space inside the company's meeting room for a certain period of time, covering expenses and providing an award. This year, Mr. Chikara Matsumoto was selected from a large number of applicants.

Chikara Matsumoto

Profile

Born in Tokyo in 1967.
Graduated from the Tama Art University in 1991 with a degree in graphic design.

He aims to express himself through videos of his artwork by producing low-tech animation, hand-drawing each frame.

He often collaborates with artists from different genres, and is widely active in directing shows and stage performances. He has been working to express musical sound images by continuously joining the electronika band "organ-orouge" since 2001. He actively exhibits his "picture scrolling machine" which is an original animation and video equipment along with his artwork, and conducts workshops using this machine at shops, hospitals, schools, etc.



● 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 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.

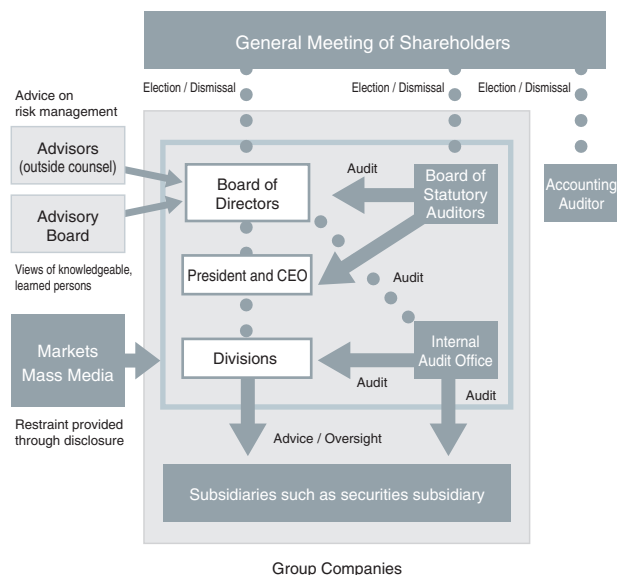
To verify whether the internal control system is operating as intended, the Board of Directors and auditors conduct regular checks. In addition, the Group is able to obtain advice as necessary from the attorney, who is our advisor on issues regarding the establishment and enforcement of internal discipline 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 30, 2009, the Board of Directors is comprised of nine directors, of which three are external directors. 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 30, 2009, its board of auditors comprises 4 members including two external auditors and one statutory auditor.



4. Proactive Disclosure

Monex 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, net operating revenues, and ordinary income. Monex, Inc. also undertakes active disclosure, including weekly and monthly 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 each individual working for a company in the Monex 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 all employees, sharing Q&As after quarterly financial disclosures through 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., publishes 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.

■ 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 starting in 2009, 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 have also begun disclosing the results of voting to the public.

• Investor Relations

We hold a meeting to explain our financial results to individual investors on the first business day following 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 and a briefing is held on the day financial results are announced for the second quarter and the fiscal year end. 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 email 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 Monex 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 Monex'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)



● Board of Directors & Advisory Board

■ Board of Directors

Representative Director, President and CEO

Okii Matsumoto

Representative Director,
President and CEO of Monex,
Inc.



After graduating from the University of Tokyo's Faculty of Law in 1987, Okii 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 became the Representative Director, President and CEO.

In addition, Matsumoto currently serves as an External Director for the Tokyo Stock Exchange Group, Inc., Tokyo Stock Exchange, Inc. and Shinsei Bank, Limited. He is also a commissioner of the Securities Industry Council of Japan Securities Dealers Association and a member of the Board of Governors of the Financial Futures Association of Japan.

Representative Director, Deputy President and CFO

Kyoko Kudo

Representative Director,
Deputy President and COO of
Monex, Inc.
Director, Chairman of Monex
FX, Inc.



Kyoko Kudo graduated from the University of Tokyo's Faculty of Law in 1987 and took a position with Citibank, N.A., where she engaged in currency options trading. After being qualified as a certified public accountant and doing a stint with Coopers and Lybrand International, Kudo joined Goldman Sachs Japan Co., Ltd. In April 1999, Kudo became the Director of (the former) Monex, Inc. as a founding member. She assumed her current position in August 2004, at the time Monex Group, Inc. was established.

Managing Director

Tsutomu Nakajima

Senior Managing Director of
Monex, Inc.



After graduating from the University of Tokyo's Faculty of Economics in 1980, Tsutomu Nakajima joined The Long-Term Credit Bank of Japan. During his time with the bank, he studied at Boston University's School of Management (graduate program) and went on to serve as a member of the Financial Products Planning Department, Secretary to the President, and Director of the Securities Products Planning Section. In August 1998, he joined Goldman Sachs Japan Co., Ltd. as Director of the Structured Finance Department and the General Manager of the Financial Products Department. His involvement in the development of financial products spanned more than 10 years, during which time he focused particularly on securitization and liquidation business. In April 2004, Nakajima joined Monex, Inc. After serving as Director of the Strategic Business Department and Head of the CEO's Office, Nakajima assumed his current position at Monex Group, Inc. in June 2006.

eventually became

Managing Director

Hisashi Tanaami

Senior Managing Director of
Monex, Inc.



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 his current position in June 2007.

Managing Director

Tadasu Kawai

Director of Monex FX, Inc.



Tadasu Kawai graduated from Keio University's Faculty of Economics in 1964. He entered Sony Corporation in 1970, and spent 26 years working at Sony subsidiaries overseas. Positions he held include Chief Manager of Sony Overseas S.A. (Switzerland), Executive Deputy President of Sony Deutschland G.m.b.H., President of Sony of Canada Ltd., and Executive Deputy President of Sony Corp. of America, and his track record covers a wide range of business fields including sales, marketing and management.

Back in Japan, he was assigned Officer and Managing Director, Officer in charge of Business Operation and Senior Managing Director and Full-time Corporate Auditor. In August 2004, when Monex Group, Inc. was established, Kawai was appointed as a full-time member of the Board of Auditors. He assumed his current position in June, 2009.

Managing Director

Shoji Kuwashima

Managing Director, Senior
Advisor of Monex, Inc.



Shoji Kuwashima graduated from the Faculty of Engineering at Tokyo Institute of Technology in 1977. He joined Nikko Securities Co., Ltd., and was appointed as Executive Officer in 1999. Became Director of Nikko Cordial Corporation in October 2001, and directed the Group's technology department. He 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. He participated in Monex's management from June 2006 to December of the same year as an outside Member of the Board, and has been in his current position since June 2009.

Director (External and Part-time)

Yuko Kawamoto

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). After completing her postgraduate study at the University of Oxford, Kawamoto joined 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 time 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., Resona Holdings, Inc. and Yamaha Motor Co., Ltd., and is a Corporate Auditor of Tokio Marine Holdings, Inc.

Director (External and Part-time)

Jun Makihara

Chairman, Neoteny Co., Ltd.

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 2008.

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

Director (External and Part-time)

Takeo Kato

Advisor of Fuji Electric
Holdings Co., Ltd.

Takeo Kato graduated from the University of Tokyo Faculty of Law in 1961. He entered Fuji Electric Manufacturing Co., Ltd. (currently Fuji Electric Holdings 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 was appointed Executive Vice President (and Representative Director) in June 1998 and to Chairman and Director in June 2000, and has served as Advisor since June 2004. 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 assumed his current position in June 2009.

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

Takeshi Tamaki

Statutory (External) Auditor of
Monex, Inc.
Statutory Auditor of Monex
FX, Inc.



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.

Besides the aforementioned positions, Tamaki served as an external member of Monex, Inc.'s Board of Auditors.

Member of the Board of Auditors

Takehiko Moriyama

Full-time Member of the Board
of Auditors of Monex, Inc.

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.

Member of the Board of Auditors (External)

Tetsuo Ozawa

Statutory (External) Auditor of
Monex, Inc.

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 Monex, Inc., LAWSON, INC. and CEMEDINE CO., LTD.

Member of the Board of Auditors

Masakazu Sasaki

Statutory Auditor of Monex,
Inc.

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 & Co.), he established the Office of Sasaki Certified Public Accountant in October 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.

■ Advisory Board Members

Nobuyuki Idei (CEO, Quantum Leaps Corporation)

Motoshige Itoh (Head of the Faculty of Economics, Graduate School of Economics, The University of Tokyo)

Shoichiro Iwata (President & CEO, ASKUL Corporation)

Eiko Ohya (Journalist and commentator)

Makoto Naruke (Founder and Director, Inspire Corporation)

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Key Indicators

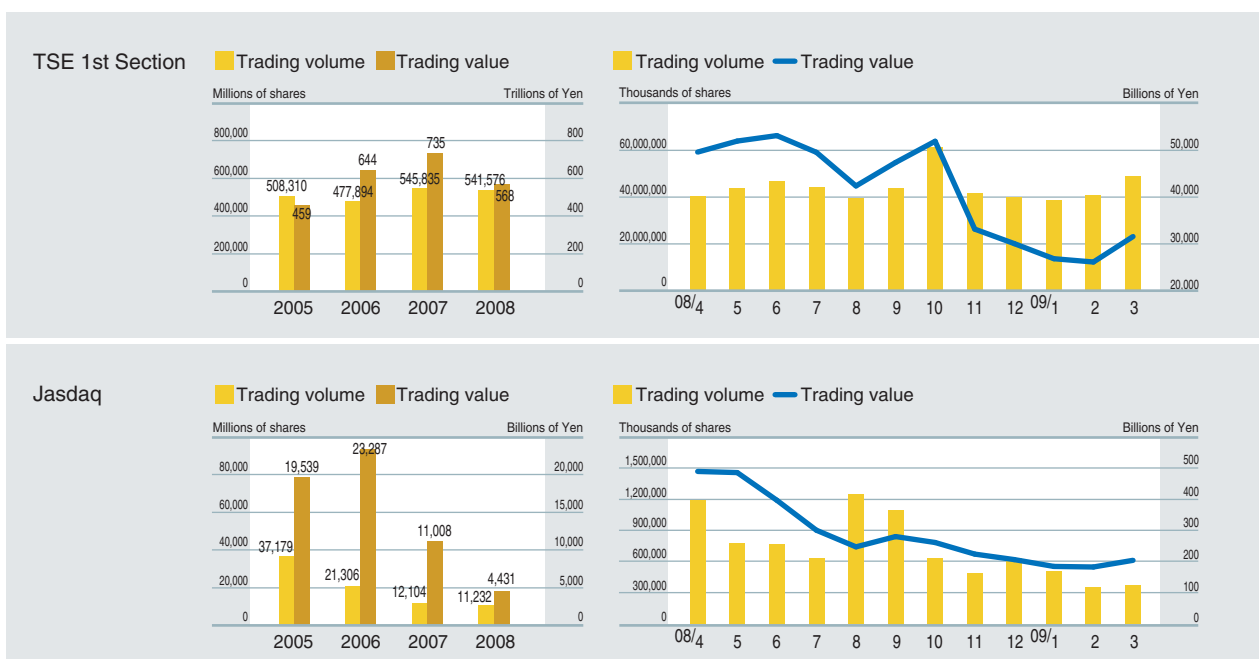
	FYE March 2005	FYE March 2006	FYE March 2007	FYE March 2008	FYE March 2009
Operating revenues (Millions of Yen)	21,716	39,223	33,244	30,497	24,812
Net operating revenues (Millions of Yen)	20,690	37,811	31,099	26,988	21,053
Operating income (Millions of Yen)	9,266	25,174	16,559	13,016	5,269
Profit margin* (%)	44.8	66.6	53.2	48.2	25.0
Ordinary income (Millions of Yen)	9,180	24,938	16,688	12,811	5,231
Income before income taxes and minority interests (Millions of Yen)	8,634	23,695	16,350	12,620	48
Net income (Millions of Yen)	7,079	13,617	9,534	7,206	(2,144)
Net assets per share (Yen)	12,695	17,607	20,253	19,665	17,235
Net income per share (Yen)	3,001	5,677	4,066	3,081	(929)
Dividend per share (Yen)	500	1,500	2,900	1,550	400
ROE (%)	27.1	38.1	21.4	15.5	(5.0)
ROA (%)	—	4.11	2.35	2.02	(0.75)
Equity ratio (%)	12.8	9.7	12.5	13.6	16.9
Number of employees	96	118	145	163	252

*Profit margin = Operating income / Net operating revenues

Financial Indicators



Market Information



● Financial Review



Kyoko Kudo

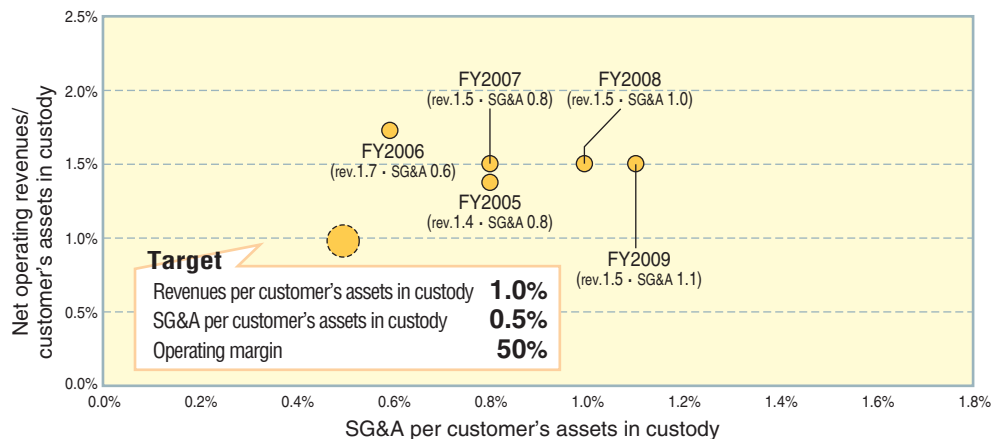
Representative Director,
Deputy President & CFO
Monex Group, Inc.

The Monex Group is a comprehensive online financial institution. In order to strengthen our low-cost structure as a specialized online business company, we strategically decide the ratio of fixed cost and variable cost. Consequently, we can be expected to generate substantial income when the external environment is favorable. We are bolstering this strength by working to reduce fixed costs to the point where structures can be established to generate stable income even during a market downturn.

During the fiscal year ended March 2009, the stock market in Japan was bearish because of the impact of the global economic slowdown that had been worsening since September 2008. At the end of March 2009, the Nikkei Stock Average was in the ¥8,000 level. Average daily trading value by individual investors on the four major stock exchanges (Tokyo, Osaka, Nagoya, and JASDAQ) was approximately ¥670 billion, down about 30% from the prior consolidated fiscal year. As a result, stock brokerage commissions, which are our major source of income, fell substantially. This was the major underlying factor for the downturn in our financial performance.

In response to these developments, the Group is accelerating existing measures to diversify revenue sources and reduce the reliance on stock-brokerage commissions. At the same time, we have been conducting a thorough review of costs, including the suspension of obsolete services, so that income can be generated even if individual trading revenues decline. The budget for the fiscal year ending March 2010 reduces SG&A expenses by about ¥1 billion and brings the Company one step closer to a low-cost asset-management business model. This model is based on increasing revenue per asset in custody by expanding managed asset products such as mutual funds, while seeking to create a low-cost management and operational structure to limit the rise in expenditures as assets in custody increase. Quantitative targets include revenue per asset in custody (net operating revenues divided by assets in custody) of 1.0% and expenses per asset in custody (SG&A expenses divided by assets in custody) of 0.5%. We will continue to take measures to strengthen our financial foundation to achieve continuous growth in the future.

■ Revenues/SG&A per customer's assets in custody



Profit and Loss

Operating Revenues

The Group's operating revenues consist primarily of commissions, trading revenues, and financial revenues.

During the fiscal year under review (April 1, 2008 to March 31, 2009), commission revenues were ¥14,900 million (down 30.8% from the prior fiscal year). Brokerage commissions, which account for the bulk of commissions, fell to ¥11,372 million (down 29.4%) because of the downturn in the volume of shares traded as a result of the slump in stock markets in Japan. Commissions from underwriting, distribution, and sales solicitations to specified investors fell sharply to ¥5 million (down 95.3%) due to there being only nine IPOs. Commissions from subscription, distribution, and sales solicitations to specified investors were ¥334 million (down 68.9%). Other commissions were ¥3,188 million (down 25.0%) as a result of lower mutual fund commissions and foreign exchange trading (FX) commissions.

Trading gains increased sharply to ¥1,100 million (up 666.2%) as a result of the transfer of the FX cover transactions from Monex, Inc. to Monex FX, and other factors.

Although revenues relating to margin trading were ¥3,322 million (down 38.4%), operating profit for cash and others segregated for customers increased, thus financial revenues overall were ¥8,611 million (up 0.4%). Financial expenses were ¥3,758 million (up 7.1%), and net financial income (financial revenues minus financial expenses) was ¥4,852 million (down 4.2%).

As a result, operating revenues were ¥24,812 million (down 18.6%), and net operating revenues, which equal operating revenues minus financial expenses, were ¥21,053

million (down 22.0%).

Selling, General and Administrative Expenses

Commissions paid and exchange and association dues fell to ¥1,355 million (down 16.3% from the prior fiscal year) in conjunction with a lower volume of shares traded. Monex FX and Trade Science became wholly-owned subsidiaries during the fiscal year under review, and as a result the number of employees increased, raising personnel expenses to ¥2,907 million (up 9.7%). In addition, outsourcing expenses for back office work were ¥4,156 million (up 6.6%), resulting in sales, general and administrative expenses for the fiscal year under review of ¥15,784 million (up 13.0%).

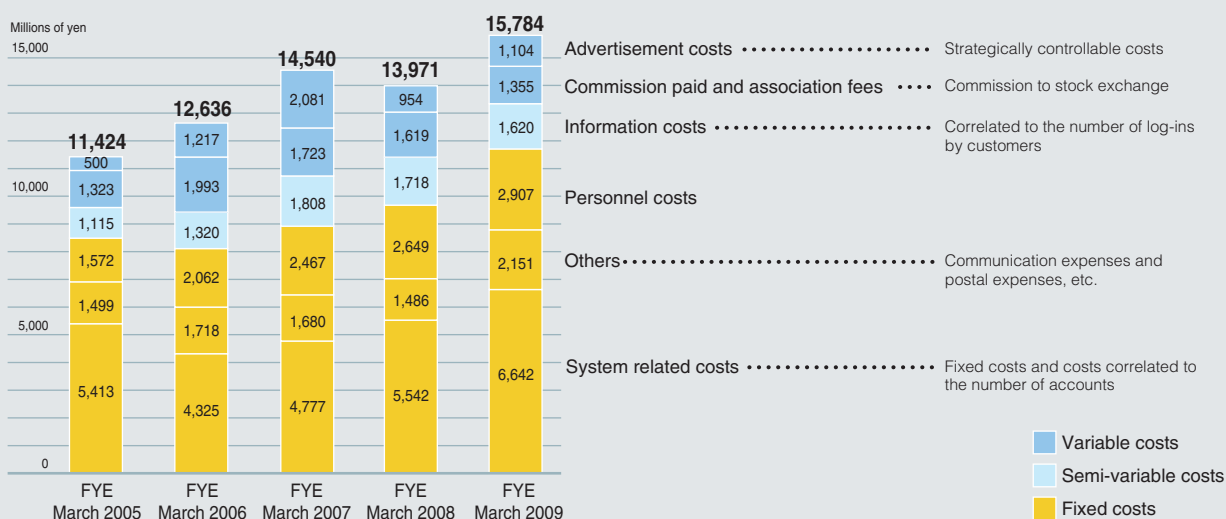
The cost structure for the fiscal year under review is as indicated in the graph below. The main reason for the increase in system-related costs was an increase in expenses related to system development due to the incorporation of FX cover transactions within the Group.

Operating Income, Ordinary Income, and Net Income

Operating income was ¥5,269 million (down 59.5% from the prior fiscal year) and ordinary income was ¥5,231 million (down 59.2%).

Extraordinary income of ¥991 million was also recorded during the fiscal year under review, of which ¥952 million was returned from the financial instruments transactions reserve, which is allocated to cover losses in the event of a default by the securities company (in accordance with the Financial Instruments and Exchange Law of Japan). Monex has not had any defaults resulting in allocations from these reserves,

Cost structure



● Financial Review

and the fiscal years subject to the calculation of reserves changed with the passage of time. As a result, the reserve limit was reduced and the excess portion was returned.

The Monex Group also recorded an extraordinary loss of ¥6,187 million. We performed a market valuation of our holdings of shares of eBank Corporation, resulting in a ¥4,940 million loss from the revaluation of investment securities. In addition, we recorded a one-time depreciation of ¥873 million for goodwill with respect to Trade Science Corporation, which became a wholly-owned subsidiary in July 2008, as a result of delays in the original business plan and consideration of future revenue plans.

As a result, income before income taxes and minority interests was ¥48 million (down 99.6%) and net losses were ¥2,144 million (compared to net income of ¥7,206 million in the prior fiscal year).

Review of Major Businesses

Stock Brokerage

The Group's stock brokerage business was adversely affected by the downturn in Japanese stock markets, with brokerage commissions down 29.4% from the prior fiscal year, to ¥11,372 million. As of the end of March 2009, Monex, Inc. had 906,699 accounts, up by 71,768 accounts compared to the end of the prior fiscal year, and customer assets in custody totaled ¥1,395.8 billion, down ¥356.2 billion.

U.S. exchange traded funds (ETFs) and U.S. stocks that the Group began handling in August 2008 got off to a solid

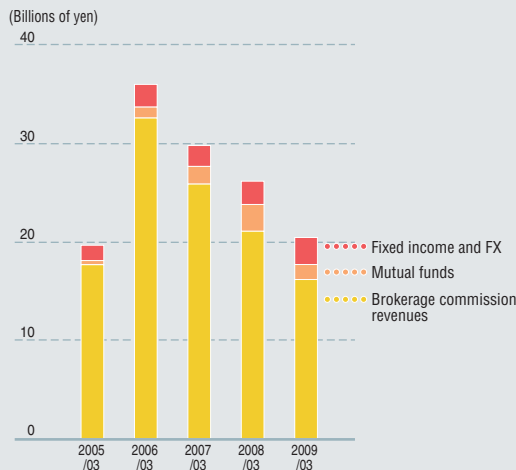
start, with 14,379 accounts and \$37.5 million in trading volume as of the end of March 2009. The introduction of low commissions for futures and option transactions was successful. During the fiscal year under review, the Group's trading share of the Nikkei 225 Futures, which is the number of transactions handled by the Company divided by the number of transactions by individuals, increased by approximately three-fold to 9%, while trading volume was ¥5,514.6 billion (down 1.5%). Total turnover (purchases and sales) of Monex Night Time Trading was ¥64,500 million (down 38.3%). Stock trading via mobile phone continues to grow, and the sum of stock transactions during the fiscal year under review was approximately ¥1,490.4 billion (down 17.0%). The number of accounts in the stock lending service, which is an interest-bearing product business, grew favorably by approximately 10,000 accounts to around 40,000 accounts in total as of the end of March 2009.

Net operating revenues in the stock brokerage business were ¥16,225 million (down 23.4%).

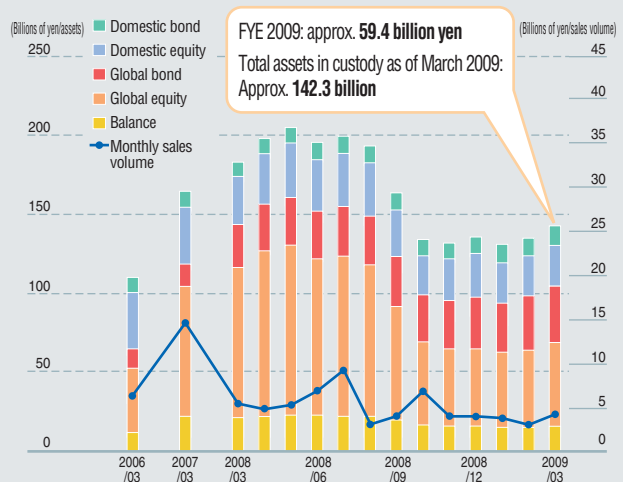
Mutual Funds and Alternative Investment Business

During the fiscal year under review, the Company added 66 funds to its mutual fund business to establish a product lineup that allows for the global diversification of investments, bringing the total number to 193 funds as of the end of March 2009. However, with the deterioration of individual investor sentiment as a result of the stock market slump, the total sales of mutual funds fell to ¥59,400 million (down 76.2% from the prior fiscal year), and mutual fund sales commissions were ¥323 million (down 69.0%). Agency commissions also fell to ¥1,116 million (down 26.7%), as customer assets in custody declined along with the drop in

Revenues by product category



Assets in custody by category and monthly sales volume



*Total assets in custody: MRF excluded *Sales volume: Sum of equity mutual funds sales

base prices.

In the alternative investment business handled by Monex Alternative Investments, stable operating performance has been maintained despite the confusion in financial markets. The net assets of the four alternative investment products that it has launched so far were approximately ¥14.3 billion as of the end of March 2009, reaching 10% of mutual fund assets and contributing to making a name for the Group's original products.

As a result, the net operating revenues of the mutual fund and alternative investment business was ¥1,537 million (down 43.7%).

Fixed Income Investment and Foreign Exchange Margin Trading Business

The Group's fixed income investment business grew steadily, supported by the needs of individual investors seeking financial products with a high degree of stability. The Monex Short-Term Notes for Individuals series' three-month maturity yen-denominated bonds have been issued a total of 16 times as of the end of March 2009, and cumulative sales were approximately ¥71,700 million. The Group also released six-month maturity yen-denominated bonds and Nikkei average-linked bonds during the fiscal year under review.

The FX business conducted by Monex, Inc. and Monex FX, Inc. also grew at a steady pace. In November 2008, Monex, Inc. launched FX PLUS, a new service that includes expanded foreign exchange pairs. As of the end of March 2009, there were around 88,000 foreign exchange margin trading accounts. Monex FX enhanced its competitiveness by reducing the dollar-yen spread to 0.02 yen and increased stability in the trading environment by introducing 100%

entrustment of assets. As a result of these efforts, even though the two companies' FX commission income fell to ¥1,590 million (down 25.7% from the prior fiscal year), total FX commission and trading revenues increased substantially to ¥2,690 million (up 17.8%).

As a result, net operating revenues from the fixed income investment and FX business was ¥2,704 million (up 14.8%).

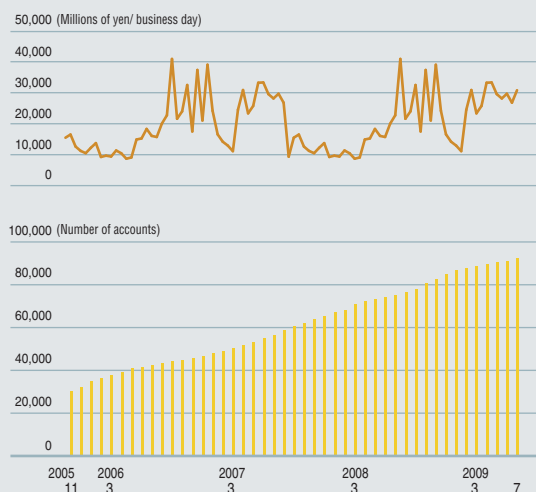
Financial Conditions

Assets, Liabilities, and Net Assets

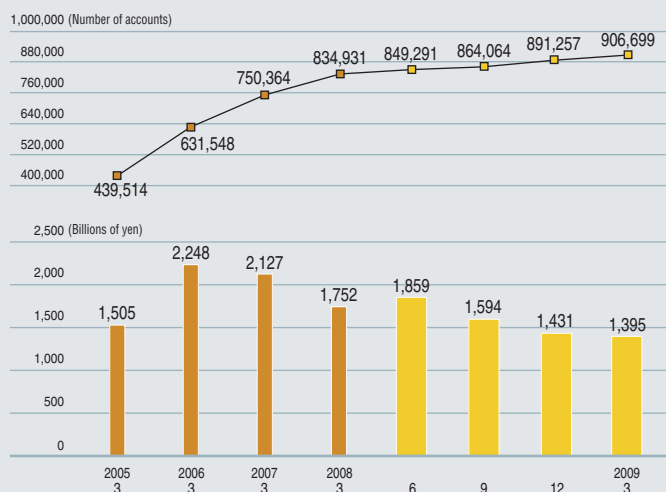
The Group's assets as of the end of the fiscal year under review decreased by ¥99,322 million to ¥235,694 million. The decline was the result of a ¥44,471 million decrease in loans on margin transactions and a ¥15,066 million decrease in short-term loans. Liabilities decreased by ¥93,834 million from the end of the prior fiscal year to ¥195,628 million. The main factors behind the decrease were a ¥36,000 million decline in borrowings from banks and a ¥32,506 million decline in cash collateral for securities loaned.

Net assets as of the end of the fiscal year under review declined by ¥5,487 million from the end of the prior fiscal year, to ¥40,066 million, as a result of a ¥2,144 million net loss and a ¥1,963 million distribution of surplus. Net assets per share declined by ¥2,430 to ¥17,235. The equity ratio increased by 3.3 percentage points to 16.9%.

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



■ Accounts/Customer's assets in custody (Monex, Inc.)



● Consolidated Financial Statements

Consolidated Balance Sheets

As of March 31, 2009 and 2008

	2009	2008	2009
	Millions of Yen		Thousands of U.S. Dollars
Assets			
Current assets:			
Cash and deposits (Notes 5 and 26)	¥ 39,891	¥ 47,156	\$ 406,098
Cash segregated for customers and others	66,988	74,354	681,951
Money held in trust	25,219	35,403	256,734
Trading assets (Notes 7 and 9)	7,264	10,341	73,949
Securities (Notes 5 and 8)	2,323	2,190	23,649
Operating investment securities (Notes 6 and 8)	1,190	1,162	12,114
Margin transaction assets (Note 4)	52,983	100,167	539,377
Payments on securities subscribed	574	491	5,843
Short-term guarantee money deposited	4,782	3,270	48,682
Accrued revenues	1,635	2,422	16,645
Deferred tax assets (Note 12)	119	28	1,211
Short-term loans receivable	20,020	35,026	203,807
Other (Notes 9)	2,381	8,542	24,239
Allowance for doubtful receivables	(40)	(58)	(407)
	225,329	320,494	2,293,892
Property and equipment, at cost:			
Buildings	310	290	3,156
Furniture and fixtures	559	130	5,691
Accumulated depreciation	(283)	(104)	(2,881)
	586	316	5,966
Intangible assets, net of amortization:			
Goodwill	655	21	6,668
Software	1,312	799	13,356
Other	171	53	1,741
	2,138	873	21,765
Investment and others:			
Investment securities (Notes 6 and 8)	6,829	12,623	69,521
Long-term guarantee deposits	738	697	7,513
Deferred tax assets (Note 12)	65	6	661
Other	43	65	438
Allowance for doubtful receivables	(33)	(57)	(336)
	7,642	13,334	77,797
Total assets	¥ 235,695	¥ 335,017	\$ 2,399,420

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

	2009	2008	2009
	Millions of Yen		Thousands of U.S. Dollars
Liabilities			
Current liabilities:			
Trading liabilities (Notes 7 and 9)	¥ 1,943	¥ 3,194	\$ 19,780
Margin transaction liabilities (Note 4)	26,558	28,931	270,366
Loans payable secured by securities	22,382	54,888	227,853
Deposits received	41,119	42,080	418,599
Guarantee money received	55,354	75,152	563,514
Short-term borrowings (Note 14)	27,500	21,100	279,955
Current portion of long-term debt (Note 14)	500	42,000	5,090
Bonds (Note 14)	9,300	13,000	94,676
Income taxes payable (Note 12)	342	2,426	3,482
Accrued employees' bonuses	3	70	31
Accrued directors' bonuses	—	152	—
Deferred tax liabilities (Note 12)	24	402	244
Allowance for point services	257	221	2,616
Other (Note 9)	1,475	1,145	15,016
	186,757	284,761	1,901,222
Non-current liabilities:			
Long-term debt (Note 14)	6,000	500	61,081
Long-term deposits received	1,271	1,283	12,939
Deferred tax liabilities (Note 12)	65	420	662
	7,336	2,203	74,682
Statutory reserves (Note 15):			
Reserve for securities transactions	—	2,488	—
Financial instruments transactions reserve	1,535	—	15,626
Reserve for commodities transactions	—	10	—
	1,535	2,498	15,626
Total liabilities	195,628	289,463	1,991,530
Commitments (Note 16):			
Net assets			
Net assets:			
Owners' equity			
Common stock:			
Authorized – 8,800,000 shares	8,800	8,800	89,585
Issued – 2,344,687 shares			
Capital surplus	15,155	15,155	154,281
Retained earnings	17,659	21,767	179,772
Treasury stock	(2,010)	(2,010)	(20,462)
	39,604	43,712	403,176
Valuation and translation adjustments			
Net unrealized holding gains on securities, net of taxes	209	1,712	2,128
Foreign currency translation adjustments	(5)	(5)	(51)
	204	1,707	2,077
Minority interests	259	135	2,637
Total net assets	40,067	45,554	407,890
Total liabilities and net assets	¥ 235,695	¥ 335,017	\$ 2,399,420

Consolidated Statements of Operations

For the fiscal years ended March 31, 2009 and 2008

	2009	2008	2009
	Millions of Yen		Thousands of U.S. Dollars
Operating revenues:			
Commission revenues (Note 22)	¥ 14,901	¥ 21,545	\$ 151,695
Net gain on trading account	1,100	143	11,198
Net gain (loss) on operating investments	4	(38)	41
Financial income (Note 23)	8,612	8,576	87,672
Other operating revenues	196	271	1,995
	24,813	30,497	252,601
Financial expenses (Note 23)	3,759	3,509	38,267
Net operating revenues	21,054	26,988	214,334
Selling, general and administrative expenses (Note 24)			
	15,784	13,972	160,684
Operating income	5,270	13,016	53,650
Other incomes (expenses):			
Equity in earnings	(20)	(181)	(204)
Loss on sales of investment securities	—	(24)	—
Provision for securities transactions (Note 15)	—	(305)	—
Reversal of financial instruments transactions reserve	952	—	9,692
Dividend income	51	47	519
Impairment loss on fixed assets	(155)	—	(1,578)
Write-down of investment securities	(4,940)	—	(50,290)
Write-down of goodwill (Note 25)	(874)	—	(8,897)
Cancellation loss of outsourcing contracts	(199)	—	(2,026)
Other, net	(49)	(20)	(499)
	(5,234)	(483)	(53,283)
Income before income taxes and minority interests prior to distribution of gain in silent partnership	36	12,533	367
Distribution of gain in silent partnership	12	87	122
Income before income taxes and minority interests	48	12,620	489
Income taxes (Note 12):			
Current	2,121	5,127	21,592
Deferred	115	275	1,171
	2,236	5,402	22,763
Minority interests	(43)	12	(437)
Net income (loss)	¥ (2,145)	¥ 7,206	\$ (21,837)

	2009	2008	2009
	Yen		U.S. Dollars
Per share amounts			
Net income (loss)	¥ (928.55)	¥ 3,080.54	\$ (9.45)
Cash dividends per share applicable to the year	400.00	1,550.00	4.07

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, 2009 and 2008

	Millions of Yen									
	Owner's Equity					Valuation and Translation Adjustments			Minority Interests	Total Net Assets
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Owners' Equity	Net Unrealized Holding Gains on Securities, net of taxes	Foreign Currency Translation Adjustments	Total Valuation and Translation Adjustments		
Balance at March 31, 2007	¥ 8,800	¥ 15,155	¥ 23,310	¥ —	¥ 47,265	¥ 223	¥ —	¥ 223	¥ 74	¥ 47,562
Net income	—	—	7,206	—	7,206	—	—	—	—	7,206
Cash dividends paid	—	—	(8,910)	—	(8,910)	—	—	—	—	(8,910)
Acquisition of treasury stocks	—	—	—	(2,010)	(2,010)	—	—	—	—	(2,010)
Change in scope of consolidation	—	—	6	—	6	—	—	—	—	6
Change in scope of the equity method	—	—	155	—	155	—	—	—	—	155
Increase in net unrealized holding gains on securities	—	—	—	—	—	1,489	—	1,489	—	1,489
Net decrease in foreign currency adjustments	—	—	—	—	—	—	(5)	(5)	—	(5)
Increase in minority interests	—	—	—	—	—	—	—	—	61	61
Balance at March 31, 2008	8,800	15,155	21,767	(2,010)	43,712	1,712	(5)	1,707	135	45,554
Net loss	—	—	(2,145)	—	(2,145)	—	—	—	—	(2,145)
Cash dividends paid	—	—	(1,963)	—	(1,963)	—	—	—	—	(1,963)
Decrease in net unrealized holding gains on securities	—	—	—	—	—	(1,503)	—	(1,503)	—	(1,503)
Increase in minority interests	—	—	—	—	—	—	—	—	124	124
Balance at March 31, 2009	¥ 8,800	¥ 15,155	¥ 17,659	¥ (2,010)	¥ 39,604	¥ 209	¥ (5)	¥ 204	¥ 259	¥ 40,067

	Thousands of U.S. Dollars									
	Owner's Equity					Valuation and Translation Adjustments			Minority Interests	Total Net Assets
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Owners' Equity	Net Unrealized Holding Gains on Securities, net of taxes	Foreign Currency Translation Adjustments	Total Valuation and Translation Adjustments		
Balance at March 31, 2008	\$ 89,585	\$ 154,281	\$ 221,592	\$ (20,462)	\$ 444,996	\$ 17,429	\$ (51)	\$ 17,378	\$ 1,374	\$ 463,748
Net loss	—	—	(21,837)	—	(21,837)	—	—	—	—	(21,837)
Cash dividends paid	—	—	(19,983)	—	(19,983)	—	—	—	—	(19,983)
Decrease in net unrealized holding gains on securities	—	—	—	—	—	(15,301)	—	(15,301)	—	(15,301)
Increase in minority interests	—	—	—	—	—	—	—	—	1,263	1,263
Balance at March 31, 2009	\$ 89,585	\$ 154,281	\$ 179,772	\$ (20,462)	\$ 403,176	\$ 2,128	\$ (51)	\$ 2,077	\$ 2,637	\$ 407,890

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

Consolidated Statements of Cash Flows

For the fiscal years ended March 31, 2009 and 2008

	2009	2008	2009
	Millions of Yen		Thousands of U.S. Dollars
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 48	¥ 12,620	\$ 489
Reversal of financial instruments transactions reserve	(952)	—	(9,692)
Depreciation	505	270	5,141
Amortization of goodwill	258	—	2,627
Write-down of goodwill	874	—	8,897
Write-down of investment securities	4,940	—	50,290
Impairment loss on fixed assets	155	—	1,578
Decrease in allowance for doubtful receivables	(41)	(69)	(417)
Increase (decrease) in allowance for point services	36	(486)	366
Loss on sales of investment securities	—	24	—
Decrease in accrued employees' bonuses	(68)	(33)	(692)
Decrease in accrued directors' bonuses	(152)	(37)	(1,547)
Interest income and dividend income	(8,664)	(8,650)	(88,201)
Interest expense	3,759	3,509	38,267
Decrease in cash segregated for customers and others	6,515	21,046	66,324
(Increase) decrease in money held in trust	10,964	(35,000)	111,616
Decrease in segregated cash included in cash and deposits	—	24,531	—
(Increase) decrease in trading assets	2,250	(6,811)	22,906
(Increase) decrease in operating investment securities	(23)	19	(234)
Decrease in time deposit as a collateral	—	20	—
Decrease in margin transaction assets, net of increase in margin transaction liabilities	44,809	29,088	456,164
Decrease in loans payable secured by securities and in loans receivable secured by securities	(26,489)	(4,159)	(269,663)
(Increase) decrease in payments on securities subscribed	(83)	532	(845)
(Increase) decrease in short-term loans receivable	15,006	(4,996)	152,764
(Increase) decrease in short-term guarantee money deposits	(875)	2,899	(8,908)
Decrease in deposits received	(963)	(6,660)	(9,804)
Decrease in guarantee money received	(21,808)	(1,035)	(222,010)
Increase (decrease) in consumption taxes payable	(24)	19	(244)
Other, net	310	1,203	3,156
Sub total	30,287	27,844	308,328
Interest and dividend received	8,729	8,513	88,862
Interest paid	(3,829)	(3,464)	(38,980)
Income taxes paid	(3,890)	(5,524)	(39,601)
Net cash provided by operating activities	31,297	27,369	318,609
Cash flows from investing activities:			
Purchases of securities	(102,260)	(12,389)	(1,041,026)
Redemption of securities	102,155	10,200	1,039,957
Purchases of property and equipment	(432)	(225)	(4,398)
Purchases of intangible assets	(895)	(919)	(9,111)
Purchases of investment securities	(317)	(6,165)	(3,227)
Proceeds from sales and redemption of investment securities	—	420	—
Payment for purchase of investments in affiliates	—	(1,950)	—
Payments for long-term guarantee deposits	(80)	(315)	(814)
Proceeds from long-term guarantee deposits	66	—	672
Acquisition of controlling interests in subsidiary	(2,123)	34	(21,613)
Other, net	12	69	122
Net cash used in investing activities	(3,874)	(11,240)	(39,438)
Cash flows from financing activities:			
Decrease due to the acquisition of treasury stock	—	(2,010)	—
Decrease in short-term borrowings	(35,600)	(8,650)	(362,415)
Increase in bonds	37,281	40,938	379,528
Decrease in bonds	(41,000)	(28,000)	(417,388)
Increase in long-term debt	6,000	—	61,081
Proceeds from minority shareholders due to issuance of shares	100	—	1,018
Dividends paid	(1,978)	(8,876)	(20,136)
Net cash used in financing activities	(35,197)	(6,598)	(358,312)
Foreign currency translation adjustments on cash and cash equivalents	(1)	(5)	(10)
Net increase (decrease) in cash and cash equivalents	(7,775)	9,526	(79,151)
Cash and cash equivalents of newly consolidated subsidiaries	—	448	—
Cash and cash equivalents at beginning of year	47,106	37,132	479,548
Cash and cash equivalents at end of year (Note 26)	¥ 39,331	¥ 47,106	\$ 400,397

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

● Notes to Consolidated Financial Statements

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Monex Group, Inc. (the "Company") have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law 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 subsidiary for the year ended March 31, 2009 are prepared in conformity with generally accepted accounting principles and practices prevailing in the country and adjusted the difference in accounting polices 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, 2009, which was ¥98.23 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 seven of its subsidiaries for the year ended March 31, 2008 and nine of its subsidiaries for the year ended March 31, 2009. The Company's consolidated subsidiaries as of March 31 2009 are Monex, Inc., Monex Alternative Investments, Inc., Monex University, Inc., Monex Business Incubation, Inc., Monex Capital Partners I, Inc., MBH America, Inc., WR Hambrecht & Co Japan, Inc., Monex FX, Inc. and Trade Science Corporation. There are no companies which are not consolidated as of March 31, 2009.

(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, 2008 and one company for the year ended March 31, 2009, 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 market prices and differentials between markets as well as reducing losses from them, using securities exercised in one's own account, products which are treated as securities, derivatives trading, money claims, currency trading and other transactions.

a) Securities in the Trading Account

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

b) Derivative Contracts in the Trading Account

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

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

a) Securities

Based on the intent of the Company and its consolidated subsidiaries, these securities are classified as 1. Debt

securities intended to be held to maturity (“held-to-maturity debt securities”) and 2. All other securities that are not classified in any of the above categories (hereafter, “available-for-sale securities”).

1. Held-to-maturity Debt Securities

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

2. Available-for-sale Securities

(Securities with a Readily Ascertainable Market Value)
Available-for-sale securities which include in cash segregated for customers and others and money held in trust 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 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, 2009 and 2008 were as follows:

	2009	2008
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 periods.

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 Company applies accrual-basis hedge accounting to interest rate swaps to avoid interest rate risk with bond issuance.

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. The Company does not evaluate the effectiveness of interest swaps under accrual-basis hedge method.

(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.

(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.

3. Changes in significant accounting policies

Prior to April 1, 2008, the Company and consolidated domestic subsidiaries accounted for finance leases which do not transfer ownership of the leased property to the lessee as operating leases with disclosure of certain "as if capitalized" information in the noters to the consolidated financial statements.

On March 31 2007, the Accounting Standards Board of Japan issued Statement No.13, "Accounting Standard for Lease Transactions" and Guidance No.16, "Guidance on Accounting Standard for Lease Transactions." The new accounting standards require that all finance lease transactions be treated as capital leases.

Effective April 1, 2008, the Company and consolidated domestic subsidiaries adopted the new accounting standards for finance leases commencing after March 31, 2008 and capitalized assets used under such leases, except for certain immaterial or short-term finance leases, which are accounted for as operating leases. As permitted, finance leases which commenced prior to April 1, 2008 and have been accounted for

as operating leases, continue to be accounted for as operating leases with disclosure of certain "as if capitalized" information. The impact of this change on the financial statements of income is immaterial.

4. Margin Transactions

Margin transactions as of March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Assets			
Loans receivable from customers	¥ 46,547	¥ 91,019	\$ 473,857
Cash deposits as collateral for securities borrowed from securities finance companies:	6,436	9,148	65,520
	¥ 52,983	¥ 100,167	\$ 539,377

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Liabilities:			
Loans from securities finance companies	¥ 8,693	¥ 857	\$ 88,497
Proceeds of securities sold for customers' accounts	17,865	28,074	181,869
	¥ 26,558	¥ 28,931	\$ 270,366

5. Pledged Assets

Collateral for loan transactions with securities finance companies as of March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Cash deposits as collateral for foreign exchange trades with financial institutions	¥ 587	¥ 50	\$ 5,976
Securities as collateral for borrowing with securities financial firms	299	199	3,044
Securities as collateral for settlement with financial products settlement firms	1,996	1,990	20,319
Securities deposited by customers as collateral for margin transactions	7,734	15,494	78,734
	¥ 10,616	¥ 17,733	\$ 108,073

Total fair value of the securities deposited as collateral as of March 31, 2009 and 2008 consisted of the following (excluding securities mentioned above):

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Securities lending for margin transactions	¥ 18,645	¥ 27,396	\$ 189,810
Securities pledged for borrowings from securities finance companies or securities exchange brokers	8,108	842	82,541
Securities loaned	20,038	52,059	203,991
Other securities pledged	1,828	1,753	18,609
	¥ 48,619	¥ 82,050	\$ 494,951

Total fair value of the securities received as collateral as of March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Securities in custody for loans receivable from customers	¥ 35,390	¥ 70,664	\$ 360,277
Securities borrowed from securities finance companies	6,042	8,919	61,509
Securities borrowed	71,376	98,142	726,621
Securities received as guarantee for margin transactions	83,092	113,239	845,892
	¥ 195,900	¥ 290,964	\$ 1,994,299

6. Investments in Affiliates

Investments in affiliates included in investment securities as of March 31, 2009 and 2008 had carrying amounts of ¥676 million (\$6,882 thousand) and ¥1,324 million, respectively.

7. Trading Assets and Liabilities

Trading assets as of March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Equity securities	¥ 73	¥ 110	\$ 743
Investment trusts	1	2	10
Bonds	752	1,086	7,656
Forward foreign exchange contracts	6,438	9,143	65,540
	¥ 7,264	¥ 10,341	\$ 73,949

Trading liabilities as of March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Investment trusts	¥ 75	¥ 121	\$ 763
Forward foreign exchange contracts	1,868	3,073	19,017
	¥ 1,943	¥ 3,194	\$ 19,780

8. Securities

The book values and market value of held-to-maturity debt securities with a readily ascertainable market value as of March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		
	2009	2008	2007
	Book value	Market value	Difference
Government bonds	¥ 2,295	¥ 2,296	¥ 1

	Millions of Yen		
	2009	2008	2007
	Book value	Market value	Difference
Government bonds	¥ 2,190	¥ 2,190	¥ —

	Thousands of U.S. Dollars		
	2009	2008	2007
	Book value	Market value	Difference
Government bonds	\$ 23,364	\$ 23,374	\$ 10

The acquisition cost and book value of available-for-sale securities with a readily ascertainable market value as of March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		
	2009	2008	2007
	Acquisition Cost	Book value	Difference
Bonds	¥ 36,432	¥ 36,750	¥ 318
Investment trusts	1,421	1,313	(108)
Total	¥ 37,853	¥ 38,063	¥ 210

	Millions of Yen		
	2009	2008	2007
	Acquisition Cost	Book value	Difference
Bonds	¥ 73,833	¥ 75,574	¥ 1,742
Investment trusts	11,221	11,331	109
Total	¥ 85,054	¥ 86,905	¥ 1,851

	Thousands of U.S. Dollars		
	2009	2008	2007
	Acquisition Cost	Book value	Difference
Investment trusts	\$ 370,885	\$ 374,122	\$ 3,237
Bonds	14,466	13,367	(1,099)
Total	\$ 385,351	\$ 387,489	\$ 2,138

Available-for-sale securities sold for the fiscal year ended March 31, 2009 and 2008:

	Millions of Yen		
	2009		
	Sales Amount	Gains on Sales	Losses on Sales
Available-for-sale securities	¥ 110,499	¥ 1,248	¥ 39

	Millions of Yen		
	2008		
	Sales Amount	Gains on Sales	Losses on Sales
Available-for-sale securities	¥ 575	¥ 14	¥ 43

	Thousands of U.S. Dollars		
	2009		
	Sales Amount	Gains on Sales	Losses on Sales
Available-for-sale securities	\$ 1,124,901	\$ 12,705	\$ 397

Investment securities without a readily ascertainable market value as of March 31, 2009 and 2008 were mainly consisted of the following;

	Millions of Yen
	2009
Securities	¥ 28
Operating investment securities	1,190
Unlisted companies stocks	4,520
Investment in limited partnership	319
Total	¥ 6,057

	Millions of Yen
	2008
Operating investment securities	¥ 1,162
Unlisted companies stocks	9,620
Investment in limited partnership	348
Total	¥ 11,130

	Thousands of U.S. Dollars
	2008
Securities	\$ 285
Operating investment securities	12,114
Unlisted companies stocks	46,015
Investment in limited partnership	3,247
Total	\$ 61,661

Redemption schedule of bonds classified as held-to-maturity debt securities as of March 31, 2009 was as follows;

	Millions of Yen			
	2009			
	1 year or less	More than 1 year but less than 5 years	More than 5 year but less than 10 years	More than 10 year
Government bonds	¥ 17,188	¥ 21,857	¥ —	¥ —
Total	¥ 17,188	¥ 21,857	¥ —	¥ —

	Thousands of U.S. Dollars			
	2009			
	1 year or less	More than 1 year but less than 5 years	More than 5 year but less than 10 years	More than 10 year
Government bonds	\$ 174,977	\$ 222,508	\$ —	\$ —
Total	\$ 174,977	\$ 222,508	\$ —	\$ —

9. Derivatives

(1) Type of Derivative Transactions Used

The Company and its consolidated subsidiary use forward foreign exchange contracts, foreign exchange options, interest rate swaps and equity swaps.

(2) Basic Policy for Derivative Transactions

The Company and its consolidated subsidiary use derivative transactions in order to hedge currency and equity indexes fluctuation or interest rate risk. In foreign exchange margin trading business, the company's consolidated subsidiary receives guarantee money from customers and does not take a high degree of risk.

(3) Purpose of Derivative Transactions

The Company and its consolidated subsidiary use forward foreign exchange contracts to minimize currency fluctuation risks of the foreign currency denominated securities. And also, the Company use equity swaps to avoid equity indexes fluctuation risk and interest rate risk with bond issuance.

(4) Risks Involved in Derivative Transactions

Forward foreign exchange contracts have risk of foreign exchange fluctuations. Equity swaps have risk of equity indexes and interest rate fluctuations.

Foreign exchange margin trading business involves currency fluctuation risks, but the company's consolidated subsidiary is sure to receive guarantee money from customers. In addition, the company's consolidated subsidiary can terminate trading

based on specific "Loss-cut rules" when unrealized loss of customers are large.

The Company and its consolidated subsidiary have these contracts only with the financial institutions that are considered of good credit standing.

(5) Internal Control for Derivative Transactions

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

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

Derivative contracts for trading purposes of March 31, 2009 and 2008 were as follows:

	Millions of Yen			
	2009			
	Assets		Liabilities	
	Contract Amount	Fair Value	Contract Amount	Fair Value
Forward Currency Contracts	¥ 117,405	¥ 6,438	¥ 72,373	¥ 1,868

	Millions of Yen			
	2008			
	Assets		Liabilities	
	Contract Amount	Fair Value	Contract Amount	Fair Value
Forward Currency Contracts	¥ 310,486	¥ 9,143	¥ 221,074	¥ 3,073

	Thousands of U.S. Dollars			
	2009			
	Assets		Liabilities	
	Contract Amount	Fair Value	Contract Amount	Fair Value
Forward Currency Contracts	\$ 1,195,205	\$ 65,540	\$ 736,771	\$ 19,017

Derivative contracts for non-trading purposes of March 31, 2009 were as follows:

	Millions of Yen			
	2009			
	Assets		Liabilities	
	Contract Amount	Fair Value	Contract Amount	Fair Value
Equity Swap Contracts	¥ 300	¥ 10	¥ 300	¥ 10

	Thousands of U.S. Dollars			
	2009			
	Assets		Liabilities	
	Contract Amount	Fair Value	Contract Amount	Fair Value
Equity Swap Contracts	\$ 3,054	\$ 102	\$ 3,054	\$ 102

Market value information of derivative transactions for non-trading purposes as of March 31, 2008 is not disclosed because hedge accounting has been applied to all transactions.

10. 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, 2009 and 2008 is as follows:

Acquisition costs and accumulated depreciation:

	Millions of Yen		
	2009		
	Acquisition costs	Accumulated depreciation	Net balance at year end
Furniture and fixtures	¥ 834	¥ 467	¥ 367
Software	474	260	214
Total	¥ 1,308	¥ 727	¥ 581

	Millions of Yen		
	2008		
	Acquisition costs	Accumulated depreciation	Net balance at year end
Furniture and fixtures	¥ 634	¥ 248	¥ 386
Software	324	120	204
Total	¥ 958	¥ 368	¥ 590

	Thousands of U.S. Dollars		
	2009		
	Acquisition costs	Accumulated depreciation	Net balance at year end
Furniture and fixtures	\$ 8,490	\$ 4,754	\$ 3,736
Software	4,825	2,647	2,178
Total	\$ 13,315	\$ 7,401	\$ 5,914

Future lease payments under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Within one year	¥ 252	¥ 180	\$ 2,565
Over one year	350	422	3,563
Total	¥ 602	¥ 602	\$ 6,128

Lease payments, depreciation and interest expense:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Lease payments	¥ 281	¥ 205	\$ 2,805
Depreciation	261	189	2,605
Interest expense	21	11	210

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.

11. Stock Option Plan

WR Hambrecht & Co Japan, Inc. which is a subsidiary of the Company has stock option plan. Its stock option outstanding as of March 31, 2009 was as follows;

Date of resolution	January 31, 2008
Persons granted	2 directors of its 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

12. 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, 2009 and 2008. And the effective tax payout ratio after adopting deferred tax accounting for the fiscal year ended March 31, 2009 and 2008 were 4,607.0% for 2009 and 42.8% for 2008, respectively.

The significant differences between the statutory income tax rates and the effective income tax rates for the fiscal years ended March 31, 2009 and 2008 were as follows:

	2009	2008
Statutory income tax rates	40.7%	40.7%
Permanent differences including entertainment expenses	32.4%	0.6%
Valuation allowance	3,539.7%	0.6%
Write-down of goodwill	948.7%	—%
Per capital basis inhabitant taxes	26.3%	—%
Equity in earnings	16.8%	—%
Others	2.4%	0.9%
Effective income tax rates	4,607.0%	42.8%

The tax effects of significant temporary differences that result in deferred tax assets and liabilities at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Deferred tax assets (Current)			
Enterprise tax payable	¥ 54	¥ 211	\$ 550
Allowance for point services	105	90	1,069
Accrued employees' bonuses	1	29	10
Other	92	72	936
Sub total	252	402	2,565
Valuation allowance	(3)	(43)	(31)
Total	249	359	2,534
Deferred tax liabilities (Current)			
Retained earnings of subsidiaries	(24)	(24)	(244)
Net unrealized holding gains on securities	(130)	(709)	(1,324)
Total	(154)	(733)	(1,568)
Net deferred tax assets (liabilities) (Current)	95	(374)	966
Deferred tax assets (Non-current)			
Reserve for securities transactions	—	1,012	—
Financial instruments transactions reserve	625	—	6,363
Reserve for commodities transactions	—	4	—
Allowance for doubtful receivables	14	23	142
Write-down of investment securities	1,994	—	20,299
Accumulated deficits	660	—	6,719
Other	71	25	723
Sub total	3,364	1,064	34,246
Valuation allowance	(3,291)	(1,013)	(33,503)
Total	73	52	743
Deferred tax liabilities (Non-current)			
Net unrealized holding gains on securities	(72)	(466)	(733)
Other	(1)	—	(10)
Total	(73)	(466)	(743)
Net deferred tax assets (liabilities) (Non-current)	—	(414)	—
Net deferred tax assets (liabilities)	¥ 95	¥ (788)	\$ 966

13. Severance and Retirement Benefits

Severance and retirement benefit expenses included in the consolidated statement of income for the years ended March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Service costs	¥ 16	¥ 15	\$ 163

14. Short-term Borrowings, Bonds and Long-term Debt

Short-term borrowings at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Short-term borrowings : average interest rate 0.94%	¥ 27,500	¥ 21,100	\$ 279,955

Bonds at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Bonds: interest rate 1.00 - 1.10%	¥ 9,000	¥ 13,000	\$ 91,622
Derivative embedded bonds: (Redemption price depends on the Nikkei Stock Average)	300	—	3,054
Total	¥ 9,300	¥ 13,000	\$ 94,676

The repayment schedule for the next five years and thereafter for Bonds as of March 31, 2009 is as follows:

	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 9,300	\$ 94,676
2011	¥ —	\$ —
2012	¥ —	\$ —
2013	¥ —	\$ —
2014 and thereafter	¥ —	\$ —

Long-term debt at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Borrowings from banks : average interest rate 1.40 - 1.49%	¥ 6,500	¥ 42,500	\$ 66,171

The repayment schedule for the next five years and thereafter for long-term debts as of March 31, 2009 is as follows:

	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 500	\$ 5,090
2011	¥ 3,500	\$ 35,631
2012	¥ 2,500	\$ 25,450
2013	¥ —	\$ —
2014 and thereafter	¥ —	\$ —

15. Statutory Reserves

Statutory reserves at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Reserve for securities transactions	¥ —	¥ 2,488	\$ —
Financial instruments transactions reserve	1,535	—	15,626
Reserve for commodities transactions	—	10	—

Previously the reserve for securities transactions was recorded in accordance with supplementary provision article 40 of the Financial Instruments and Exchange Law of Japan and Article 51 of the Securities and Exchange Law of Japan.

The Financial Instruments and Exchange Law was put into effect, and from fiscal year ended March 31, 2009 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.

16. Commitments

Commitment lines for lending by the Company and its consolidated subsidiary as of March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Commitment lines for lending	¥ 2,500	¥ 2,500	\$ 25,450
Less amount executed	(—)	(—)	(—)
Unused amount	¥ 2,500	¥ 2,500	\$ 25,450

Commitment lines of credit and overdraft for borrowings by the Company and its consolidated subsidiary as of March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Commitment lines of credit and overdraft	¥ 101,500	¥ 113,500	\$ 1,033,289
Less amount executed	(27,500)	(21,100)	(279,955)
Unused amount	¥ 74,000	¥ 92,400	\$ 753,334

17. Net Assets

Under Japanese laws and regulations, 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 one-half of the prices of the new shares as additional paid-in-capital, which is included in capital surplus.

Under the Law, 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 Code, 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 Code, 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 Code, 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.

18. Share Issued and Treasury Stock

	As of March 31, 2008	Increase	Decrease	As of March 31, 2009
Share Issued				
Common Stock	2,344,687	—	—	2,344,687
Treasury Stock				
Common Stock	35,002	4	—	35,006

19. Capital Adequacy Requirements

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

The capital adequacy rules require a securities company to report to the FSA if the ratio falls to 140% or below, and the securities company must report its capital adequacy ratio to the FSA on a daily basis while its ratio is 120% or below. As of March 31, 2009, capital adequacy ratio of Monex, Inc. was 400.9% (unaudited).

20. Segment Information

(1) Industry Segment

Industry segment information for the years ended March 31, 2009 and 2008 is not disclosed because operating revenues, operating income and assets related to securities brokerage and securities-related services all 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 years ended March 31, 2009 and 2008 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 is not disclosed because overseas sales for the years ended March 31, 2009 and 2008 are less than 10% of the Company's consolidated operating revenues.

21. Related Party Transactions

From fiscal year ended March 31, 2009 “Accounting Standard for Related Party Disclosures” (Accounting Standards Board of Japan, Statement No.11, October 17, 2006) and “Guidance on Accounting Standards for Related Party Disclosures (Accounting Standards Board of Japan, Guidance No.13, October 17, 2006) were applied. This has resulted in the change in the scope of disclosure and transactions between the Company’ subsidiaries and related parties were included in the scope.

Related party transactions for the fiscal year ended in March 31, 2009 were as follows.

(1) Values of transactions during fiscal year

Related party	Name	Type of transactions	Millions of Yen	Thousands of U.S. Dollars
			2009	2009
Major shareholder's subsidiaries	Nikko System Solutions, Ltd	Outsourcing expenses	¥ 3,097	\$ 31,528

(2) Balance at the end of fiscal year

Related party	Name	Type of transactions	Millions of Yen	Thousands of U.S. Dollars
			2009	2009
Major shareholder's subsidiaries	Nikko System Solutions, Ltd	Other current liabilities	¥ 176	\$ 1,792

22. Commission Revenues

Details of commission revenues for the years ended March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Brokerage:			
Equity securities	¥ 10,980	¥ 15,834	\$ 111,778
Investment trusts	321	174	3,268
Other	71	96	723
Underwriting and distribution:			
Equity securities	5	112	51
Subscription and distribution:			
Equity securities	2	9	20
Bonds	9	20	92
Investment trusts	324	1,046	3,298
Other commissions:			
Equity securities	237	310	2,413
Bonds	1	1	10
Investment trusts	1,136	1,551	11,565
Other	1,815	2,392	18,477
	¥ 14,901	¥ 21,545	\$ 151,695

23. Financial Income and Financial Expenses

Details of financial income for the years ended March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Income from margin transactions	¥ 3,322	¥ 5,393	\$ 33,819
Income from securities lending	1,353	1,241	13,774
Dividends received	1,254	1,026	12,766
Interest on bonds	777	468	7,910
Other interest income	1,689	448	17,194
Other financial income	217	—	2,209
	¥ 8,612	¥ 8,576	\$ 87,672

Details of financial expenses for the years ended March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Expenses for margin transactions	¥ 492	¥ 364	\$ 5,009
Expenses for securities borrowing	2,471	2,317	25,155
Interest expenses	706	735	7,187
Bond interest	90	93	916
	¥ 3,759	¥ 3,509	\$ 38,267

24. Selling, General and Administrative Expenses

The major components of selling, general and administrative expenses for the years ended March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Commissions paid	¥ 884	¥ 959	\$ 8,999
Exchange and association dues	471	661	4,795
Communication, freight and information expenses	2,081	2,260	21,185
Advertising expenses	1,105	955	11,249
Directors' compensation	398	361	4,052
Employees salaries	2,492	2,052	25,369
Provision for accrued directors' bonuses	—	152	—
Provision for accrued employees' bonuses	3	70	31
Severance and retirement benefit expenses	16	15	163
Equipment rental and maintenance	1,274	787	12,969
Outsourcing expenses	4,156	3,897	42,309
Amortization and depreciation	763	285	7,767
Other operating expenses	2,141	1,518	21,796
	¥ 15,784	¥ 13,972	\$ 160,684

25. Write-down of Goodwill

The Company recognized the impairment loss on goodwill of ¥874 million (\$8,897 thousands). The goodwill was recorded on the acquisition of Trade Science Corporation, but after the revision of its business plan, the Company recognized a write-down of ¥874 million (\$8,897 thousands) on goodwill.

26. Supplemental Information for Statement of Cash Flows

(1) Cash and Cash Equivalents

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Cash and deposits	¥ 39,891	¥ 47,156	\$ 406,098
Segregated cash included in cash and deposits	(588)	(50)	(5,986)
Marketable securities including MMFs	28	—	285
Cash and cash equivalents	¥ 39,331	¥ 47,106	\$ 400,397

(2) Newly Consolidated Subsidiaries

For the year ended March 31, 2009, reconciliation of assets, liabilities and cash flows related to the acquisition of Monex FX, inc. and Trade Science Corporation as the newly consolidated subsidiaries were as follows:

Monex FX, Inc.

	Millions of Yen	Thousands of U.S. Dollars
Assets		
Current assets	¥ 2,659	\$ 27,069
Non-current assets	88	896
Goodwill	818	8,328
Liabilities		
Current liabilities	(2,086)	(21,236)
Minority interests	(66)	(672)
Subtotal	1,413	14,385
Cash and cash equivalents of Monex FX, Inc.	266	2,708
Net cash used in the purchase of Monex FX, Inc.	¥ 1,147	\$ 11,677

Trade Science Corporation

	Millions of Yen	Thousands of U.S. Dollars
Assets		
Current assets	¥ 31	\$ 316
Non-current assets	26	265
Goodwill	968	9,854
Liabilities		
Current liabilities	(4)	(41)
Subtotal	1,021	10,394
Losses accumulated by the equity method	(18)	(183)
Purchase cost of additional common stock	1,003	10,211
Cash and cash equivalents of Trade Science Corporation	27	275
Net cash used in the purchase of Trade Science Corporation	¥ 976	\$ 9,936

27. Subsequent Events

The following appropriation of retained earnings at March 31, 2009 was approved at the annual meeting of shareholders held on June 20, 2009.

	Millions of Yen	Thousands of U.S. Dollars
	2009	2009
Unappropriated retained earnings	¥ 13,851	\$ 141,006
Appropriations:		
Year-end cash dividends	462	4,703
Retained earnings carried forward	¥ 13,389	\$ 136,303



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 consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of operations, 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 consolidated financial position of Monex Group, Inc. and subsidiaries as of March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

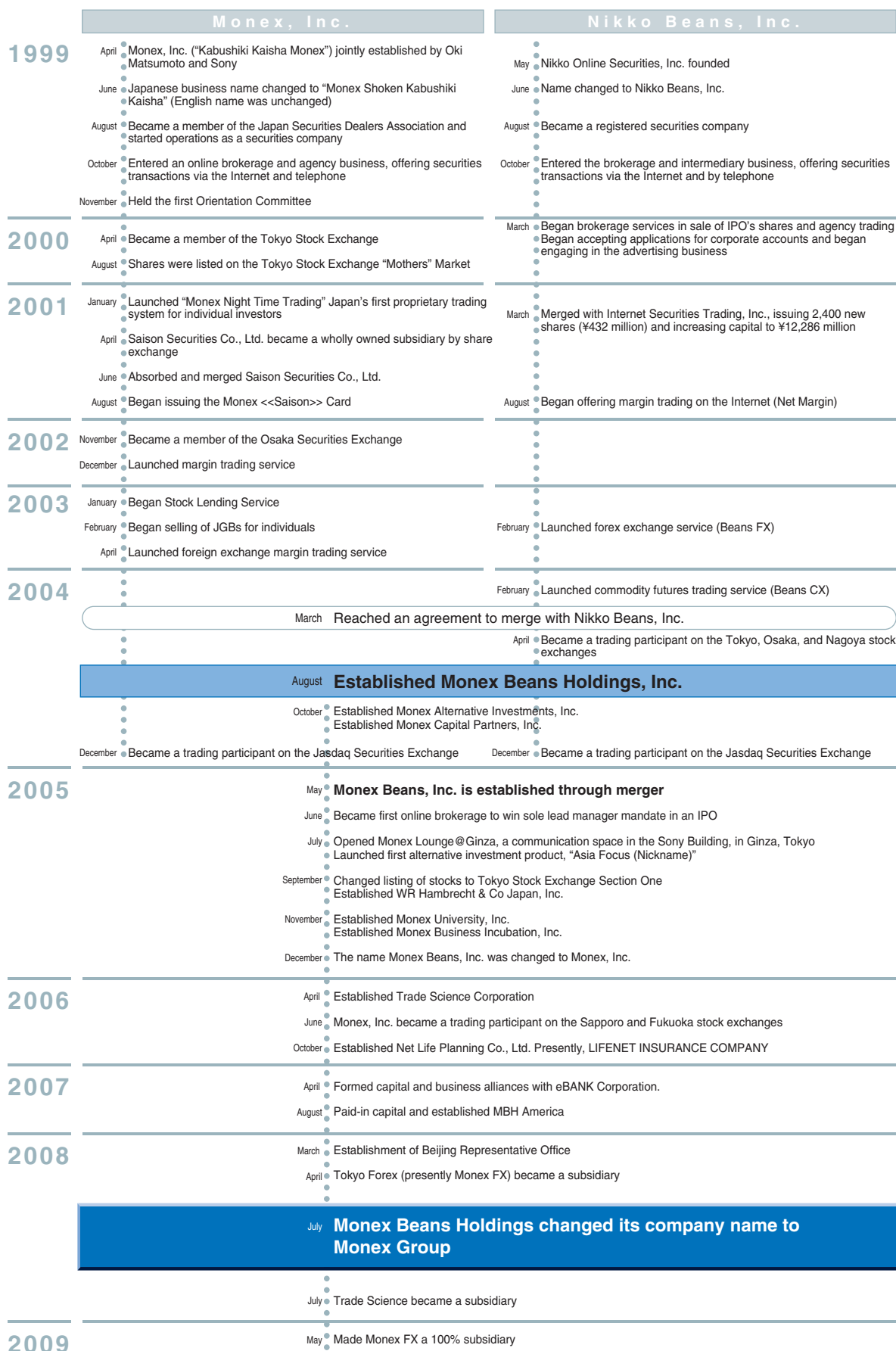
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 20, 2009

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

● Monex History



● Products & Services

The Monex Group provides a variety of financial products and services to private investors through the core companies of the Monex Group such as Monex, Inc. and Monex FX, Inc. Many of these are original products and services created or proposed through the collaboration among highly distinctive group companies, including

Monex Alternative Investments, Trade Science, and Monex University. In the future, the Monex Group will continue to develop world-class financial products and services that truly meet customer needs.

(Products and service names and descriptions are current as of September 2009.)

■ Stock brokerage business

- Cash transactions
- Margin transactions
- “Monex Night-time Trading” (evening trading)
- Small-lot stock trading scheme (small-lot stocks)
- Initial Public Offering shares (IPO shares)
- Off-market transactions
- United States stocks
- Chinese stocks
- Stock lending services
- “Monex Trader” (trading platforms)
- Virtual Trade Club (stock)



◀ Monex trader

■ Bonds/futures

Bonds

- Japanese government bonds for individuals
- Monex notes for individuals
- Overseas bonds
- Structured notes
- Foreign currency settlement service

Futures, options (the Nikkei 225 futures)

Covered warrant

Insurance products

■ Margin forex trading (FX)

- Monex, Inc.
 - FX Plus (approx. 25 times the deposit)
- Monex FX
 - Smart Foreign Currency (approx. 1 time the deposit)
 - Let's Begin (approx. 5 times the deposit)
 - Let's Trade (approx. 50 times the deposit)
 - Let's Trade Max (approx. 160 times deposit)

■ Mutual funds

- “Select funds” carefully selected by Monex
- Monthly purchase program
- Alternative Investment products
- ETF (exchange-traded fund)
- REIT (real estate investment trust)
- Foreign-currency-denominated MMFs (US dollar, Euro and Australian dollar, etc.)

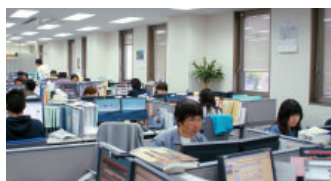
■ Information provision services

- Market information (real-time stock prices and access to news websites)
- Offline seminars/Online seminars
- Mail magazines (Monex-mail, market mails, etc.)
- Providing high quality institutional-investor level reports for customers by Naoki Murakami, our Chief Economist
- J.P. Morgan's analyst report

Access Methods



Stocks, ETFs, and covered warrants can be traded through a variety of access methods, whether via PC, mobile phone, PDA, or our contact center (which also provides customer assistance).



◀ Monex contact center

- Monex Points
 - The Group awards customers “Monex Points” according to trading volume, which can then be exchanged for a variety of benefits, including use as credit to pay brokerage commissions.

■ Stock Brokerage Business—Example of Commission Calculation (Cash Transactions/Margin Transactions)

Monex, Inc. establishes specific commissions according to the access method and service type.

● 50% Refunds

If the monthly stock brokerage commission paid is ¥300,000 or more, an amount equal to one-half of that commission is refunded as Monex Points.

● Day Trading One-Way Refunds

When a customer engages in day trading and pays a flat rate per day, an amount equal to the commissions for one side of the transactions are refunded as Monex Points.

			Transaction value *1			
			100 thousands yen	1 million yen	2 million yen	
Commission per transaction	Personal computer	At market	0.105% of principal (Minimum commission: 1,050 yen)		1,050 yen	2,100 yen
		Limit order	0.1575% of principal (Minimum commission: 1,575 yen)		1,575 yen	3,150 yen
	Mobile phone	At market Limit order	0.105% of principal (Minimum commission: 105 yen)		105 yen	1,050 yen
Flat rate per day *2			2,625 yen regardless of the number of trades per day (Every 3 million yen of transaction value)			

*1. The principal in the example of commission per contract calculation is the principal value per transaction.

*2. The commission rate is calculated after combining the transaction value of an order made through a personal computer or mobile phone.

* Clients can choose between the commission per transaction scheme or the flat rate scheme every month.

■ Mutual Funds

Monex, Inc. assists customer investment decisions by listing Select Funds, which are chosen from among the broad spectrum of mutual funds it handles. Monex, Inc. also provides excellent fund-related search functions so that each customer can select the mutual funds best suited to their investment objectives and risk tolerance.

Monex Group's Original Mutual Funds

• Monex Asset Planning Fund

This fund makes diversified investments for six different asset classes worldwide, consisting of Japanese and foreign stocks, bonds, and real estate.

• Kabu-robot Fund

Investment decisions for this fund are made by Monex's Kabu-robot, an automated algorithm-based stock trading program that beat out around 20,000 other entrants to win a contest open to the public. The program for Kabu-robot was planned and developed by Trade Science, a Monex Group company.

Alternative investment products managed and advised by Monex Alternative Investments

• Asia Focus

This product is linked to a fund of funds that makes diversified investment involving Japanese and other Asian hedge funds.

• China Focus

China Focus is a long-short fund that provides access to China A shares, investment in which is usually limited to foreign investors.

• Premium Hybrid 2006 Premium Hybrid 2007

These are long-term, fund of funds types of alternative investment products that allow customers to invest in private equity funds and hedge funds that are well known throughout the world. These innovative products enable private investors to make small investments in private equity funds, which have traditionally been limited to institutional investors. (These funds are no longer open to new investors)

■ Information Provision

The Monex Group is establishing multifaceted and multilayered structures to provide private investors with information comparable to that provided to institutional investors.

Monex, Inc.



Chief Economist
Naoki Murakami
Macro Economics Analysis



Chief Strategist
Makoto Haga
Investment Strategy



Market Analyst
Toshiyuki Kanayama
Investment Information

Monex University, Inc.



Representative Director, President
Shinobu Naito
Investor Education

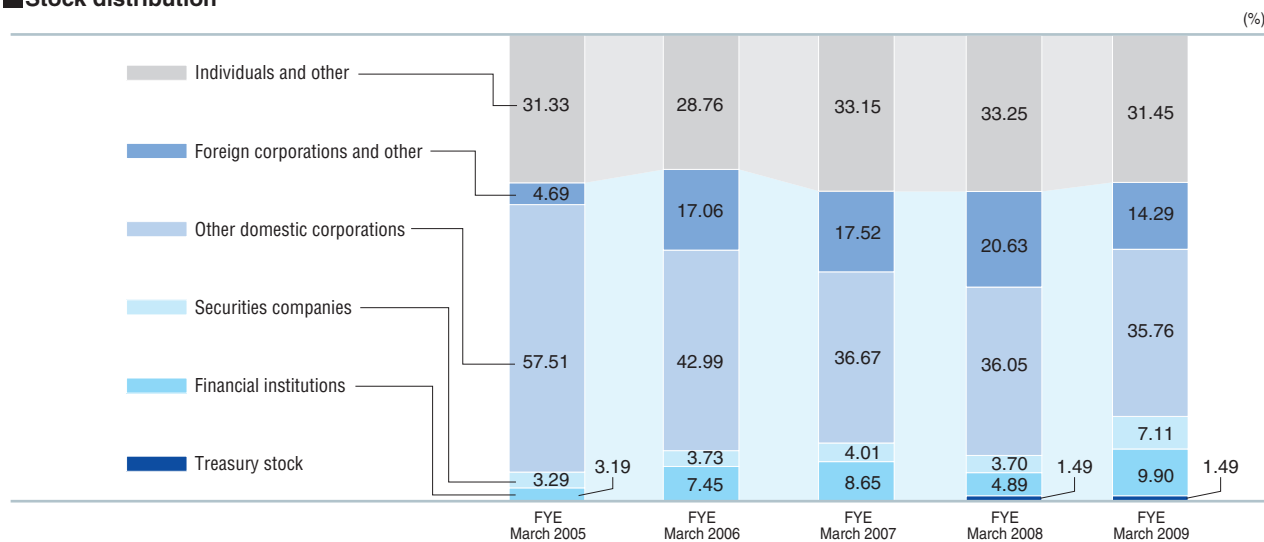
● Stock Information (As of March 31, 2009)

Stock listing	First section of Tokyo Stock Exchange
Security code	8698
Name of Company	Monex Group, Inc.
No. of issued stocks	2,344,687
Trading unit	1 stock
No. of shareholders	46,189
Administrator for shareholders' register	Mitsubishi UFJ Trust and Banking Corporation
Fiscal year	From April 1 of each year to March 31 of the following year
Record date for year-end dividends	March 31
Record date for interim dividends	September 30
Ordinary shareholders' meeting	June each year

Major shareholders

Name	No. of shares held (shares)	Percentage of shares held (%)
Nikko Citi Holdings Inc.	616,419	26.29
Oki Matsumoto	260,480	11.10
Sony Corporation	117,235	5.00
Credit-Suisse Securities (Japan) Limited	78,507	3.34
Mizuho Securities Co., Ltd.	70,476	3.00
Development Bank of Japan, Inc.	68,415	2.91
Japan Trustee Services Bank, Ltd. (Trust Account)	59,222	2.52
Recruit Co., Ltd.	57,200	2.43
Chase Manhattan Bank GTS Clients Account Escrow	49,564	2.11
Goldman Sachs and Company, Regular Account	47,805	2.03

■ Stock distribution



■ Share price and volume



■ Indicators per share

		FYE March 2005	FYE March 2006	FYE March 2007	FYE March 2008	FYE March 2009
Book-value per share (BPS)	(yen)	12,695	17,607	20,253	19,665	17,235
Earnings per share (EPS)	(yen)	3,001	5,677	4,066	3,081	(929)
Return on equity (ROE)	(%)	27.1	38.1	21.4	15.5	(5.0)
Dividend per share	(yen)	500	1,500	2,900	1,550	400

● Corporate Profile (As of August 31, 2009)

Monex Group, Inc.

Founded: August 2004
Capital: 8,800 million yen
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: <http://www.monexgroup.jp/eng/index.htm>

Directors & Auditors

Representative Director, President & CEO	Oki Matsumoto	Director (External & Part-time)	Yuko Kawamoto
Representative Director, Deputy President & CFO	Kyoko Kudo	Director (External & Part-time)	Jun Makihara
Managing Director	Tsutomu Nakajima	Director (External & Part-time)	Takeo Kato
Managing Director	Hisashi Tanaami	Full-time Member of the Board of Auditors (External)	Takeishi Tamaki
Managing Director	Tadasu Kawai	Member of the Board of Auditors	Takehiko Moriyama
Managing Director	Shoji Kuwashima	Member of the Board of Auditors (External)	Tetsuo Ozawa
		Member of the Board of Auditors	Masakazu Sasaki

● Group Company Profile (As of August 31, 2009)

Financial products and services for individual investors

Monex, Inc.

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

- Registration No.
Financial instrument firm, Director General of Kanto Local Finance Bureau (Kinsho) No. 165
- 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.

(Changed its corporate name from Tokyo Forex Co., Ltd.)

Founded: July 2004
Representative: Atsushi Yasuhara
Capital: 1,800 million yen
Description of Business: Financial product trading and related businesses
Head Office: 36-2 Hakozakicho 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)

Business development for exclusive products and services

Monex Alternative Investments, Inc.

Founded: October 2004
Representative: Shigeo Mizuta
Capital: 95 million yen
Description of Business: Discretionary investment management business
 Investment advisory business
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
- Industry organization membership
Japan Securities Investment Advisors Association

WR Hambrecht & Co Japan, Inc.

Founded: September 2005
Representative: Shuichi Matsuzawa
Capital: 63 million yen
Description of Business: M&A advisory services
 Research and investigation for OpenIPO® business
Head Office: 1-11-1 Marunouchi, Chiyoda-ku, Tokyo, 100-6220, Japan
URL: <http://www.wrhc.co.jp/e/>

Monex Business Incubation, Inc.

Founded: November 2005
Representative: Toshihiko Katsuya
Capital: 350 million yen
Description of Business: Discovery and incubation of new businesses
 Investment by program trading
Head Office: 1-11-1 Marunouchi, Chiyoda-ku, Tokyo, 100-6219, Japan

Monex University, Inc.

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

Trade Science Corporation

Founded: April 2006
Representative: Koichi Kato
Capital: 91 million yen
Description of Business: Investment advisory service utilizing program investment management method and R&D for its system
Head Office: 1-22-3, Nishi Waseda, Shinjyuku-ku, Tokyo 169-0051, 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 subsidiary and office

MBH America, Inc.

Founded: August 2007
Representative: Takashi Oyagi
Capital: 400 thousand US dollars
Description of Business: Research in the global financial industry
Head Office: 1440 Broadway, 23rd Floor
 New York, NY 10018, USA

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

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